



Minnesota Department of Natural Resources Division of Parks and Trails

Budget Analysis - Addendum

November 16, 2009

Section 1. About this Report

This addendum is a follow-up to a previous submittal dated July 29, 2009, which examine the adequacy of funding sources and appropriations that the DNR receives to acquire, develop, operate and maintain Minnesota's state park and trails systems. It addresses questions asked by the State Legislature [ML 2009, Chap. 172, Art. 3, Sec. 6, Subd. 3] regarding the adequacy of funding for State Parks, State Trails, State Recreation Areas (SRA's), state forest trails and recreation areas. **This addendum does not address funding for local, regional, county or municipal recreation facilities.**

All Figures are in Current Dollars

For simplicity, clarity and consistency, all current and future projections and cost estimates are reported in current dollars not adjusted for inflation.

Parks & Trails Legacy Fund Revenue Estimates

Revenue estimates for the Parks and Trails Fund obtained from Minnesota Management & Budget are shown below. The estimates anticipate growth in the fund, which may allow for increased future allocations for fund-eligible activities and programs.

Table 1. Parks & Trails Legacy Fund – Estimated Revenues

2010	\$33,357,000
2020	\$47,330,000
2035	\$69,527,000
10 Years (cumulative)	\$398,293,000
25 Years (cumulative)	\$1,262,935,000

Parks & Trails System - Defined

“Existing parks” are defined as that portion of those authorized units of Minnesota's Outdoor Recreation System (MS 85.012 & 85.013) that have been largely **acquired and developed as of Fall 2009**. This includes 66 State Parks, 7 State Recreation Areas, 8 State Waysides, and 54 State Forest campgrounds and day use areas. Acquisition and development within many of these units is not yet 100% complete.

“Existing trails” refers to the **acquired and developed portion** (i.e., 21 State Trails and 1,266 miles) of the authorized State Trail System (MS 85.015) consisting of 26 trails and 2,597 trail miles. Also included are state forest trails which include 390 miles of hiking trail, 284 miles of horseback riding trails, 250 miles of mountain biking trails, 170 miles of cross-country ski trails.

Motorized trails and dedicated funding sources are discussed only briefly on Page 5 of the report. Snowmobile and off-highway vehicle trails, located in state forests and managed by the division, were not explicitly addressed in this report. Nor was the Iron Range Off-Highway Vehicle State Recreation

Area (MS 85.013, Subd. 12a), which is also funded almost exclusively by dedicated off-highway vehicle recreation accounts.

Operations & Maintenance - Defined

'Operations' includes visitor and interpretive services, enforcement, customer service, reservations, communications, marketing, and day-to-day facility operations and administration.

'Maintenance' includes time spent on resource management, facility maintenance, rehabilitation and renewal, and the protection of the natural and cultural resources of these units.

'Deferred Maintenance' includes larger, more complex maintenance tasks that generally fall between routine daily maintenance and new capital development. As the term implies, deferred maintenance results from delayed or backlogged maintenance activity. Examples include undertaking a sizable plumbing or electrical upgrade, resurfacing or widening an existing bituminous trail, remodeling or replacing a dilapidated building, or replacing a substantial trail bridge.

Minnesota Department of Natural Resources

Division of Parks and Trails

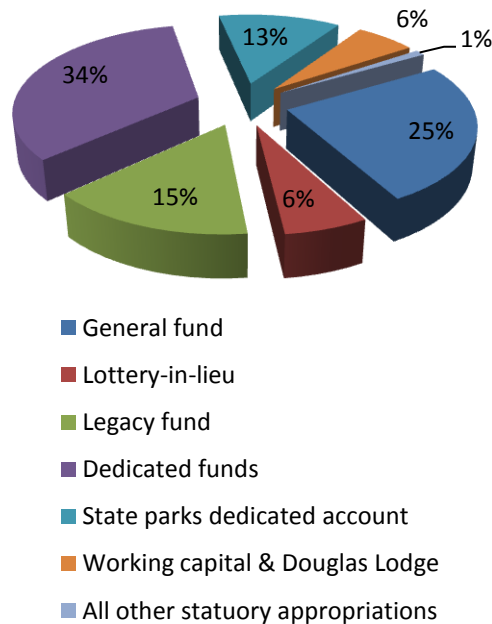
Section 2. FY 2010 Budget Overview

Table 2. FY 2010 - Total Budget Appropriations

General fund	\$21,402,000
Lottery-in-lieu	\$5,131,000
Legacy fund*	\$12,641,000
Dedicated funds (<i>Water Rec & Trails</i>)	\$28,280,000
State parks dedicated account	\$10,620,000
Working capital & Douglas Lodge	\$5,200,000
All other statutory appropriations	\$875,000
Total	\$84,149,000

* *Parks & Trails Legacy Funds are split between three DNR initiatives: 1) Connecting People to the Outdoors, 2) Accelerated Natural Resource Management, and 3) Accelerated Facility Maintenance, Rehabilitation and Renewal.*

**Fig. 1. FY 2010 All Funding Sources
Division of Parks & Trails
(\$84,149,000)**



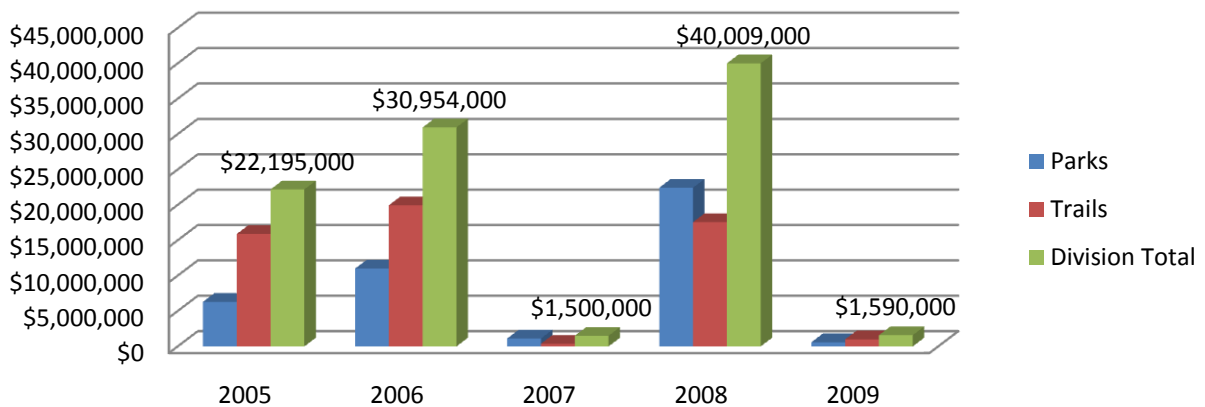
Capital Budget Support. In addition to regular appropriations, the Division of Parks & Trails receives substantial capital support from the Legislature. Figure 2 and Table 3 (*below*) show both LCCMR and

Capital Bonding appropriations for FY 2005-2009. This funding has been, and will continue to be instrumental in acquiring, developing, renewing and replacing state park and trail facilities.

Table 3. Capital Bonding and LCCMR Funding by Year, 2005-2009

<i>Year</i>	<i>Parks</i>	<i>Trails</i>	<i>Division Total</i>	<i>Source</i>
2005	\$6,300,000	\$15,895,000	\$22,195,000	Bonding &LCCMR
2006	\$11,000,000	\$19,954,000	\$30,954,000	Bonding Only
2007	\$1,119,000	\$381,000	\$1,500,000	LCCMR Only
2008	\$22,436,000	\$17,573,000	\$40,009,000	Bonding &LCCMR
2009	\$590,000	\$1,000,000	\$1,590,000	LCCMR Only

Fig. 2. Capital Bonding and LCCMR Funding by Year, 2005-2009



State Parks - FY 2010 Operating Budget (Fig. 3)

The Division of Parks & Trails’ FY 2010 operations and maintenance budget for State Parks, State Recreation Areas (SRAs), State Waysides, and State Forest campgrounds and day-use areas is \$48,357,000 from a range of funding sources. This total includes \$640,000 from the Water Recreation Account for authorized purposes (See Pg. 5 for a discussion of dedicated funding sources).

Included in this total is \$7,079,000 of Parks & Trails Legacy Funding (of P&T’s \$12,641,000 total appropriation) allocated to these units. This additional funding has accelerated resource management, added outdoor education opportunities, and increased facility rehabilitation and renewal projects.

Table 4. FY 2010 Budget – State Parks

General fund appropriation	\$19,572,000
Water recreation appropriation*	\$640,000
Lottery-in-lieu allocation	\$4,371,000
State parks dedicated account	\$10,620,000
Working Capital & Douglas Lodge Account	\$5,200,000
All other statutory appropriations	+ \$875,000
Total from traditional funding sources	\$41,278,000
Legacy funding**	+ \$7,079,000
Total from all sources	\$48,357,000

* This appropriation is from the Water Recreation Account total reported in Table 6 on Page 6.

** Of this, approx. \$2 million is for capital-eligible deferred maintenance.

State Trails - FY 2010 Operating Budget (Fig. 4)

The FY 2010 operations and maintenance budget for state trails and state forest trails is \$5,640,000. This includes:

Table 5. FY 2010 Budget - State Trails

General fund appropriation	\$1,830,000
Lottery-in lieu allocation	\$760,000
Legacy funding*	+ \$5,562,000
	<u>(-\$2,912,000)</u>
Total Funded O&M Budget	\$5,240,000

**Of this amount, \$2,912,000 in Parks & Trails Legacy Funding is being used for state trail bridge replacement and state trail renewal (e.g. bituminous resurfacing).*

For FY 2010, the State Forest (*non-motorized*) Trails budget is \$400,000 (*not shown in Table 5*). Of this, \$280,000 is from Parks & Trails Legacy Funding, and \$120,000 is revenue generated from sales of the Horse Trail Pass. These dedicated revenues are split between horse trails and facilities in State Parks and those located in State Forests.

Division O&M Budget Summary. The total Parks & Trails Division's FY 2010 operations and maintenance budget totals nearly \$54 million; that is \$48,357,000 for State Parks/SRA's and \$5,640,000 for Trails.

Dedicated Funding Sources (*Water Recreation & Trails*)

In addition, the DNR receives appropriations from several dedicated user-funded accounts. Part of the Natural Resources Fund, these accounts include Water Recreation, Cross-Country Ski and Horse Pass, Snowmobile, All-Terrain Vehicle, Off-Highway Motorcycle, and the Off-Road Vehicle Accounts. In total, these accounts generate about \$28 million annually, about \$10 million of which comes to the department in the form of pass-through grants (*Fig. 5, Page 7*). These funds are generated principally from trail user fees, vehicle and boat registrations, and a portion of unrefunded motor vehicle fuel taxes.

Dedicated account revenues may only be used for specific purposes set forth by law. Moreover, these dollars are subject to annual appropriation, and are not available for general recreational trail purposes. Still, dedicated trail funds are a critical part of overall recreational trail funding. They supplement regular maintenance funding for State Parks, State Trails and state forest trails to assist with trail signing, summer-season mowing, brushing, water access sites, bridge maintenance and bridge replacement along shared trail corridors. Multi-use trail maintenance is increasingly dependent upon this important contribution from dedicated funding sources.

While these accounts do provide a relatively stable and reliable source of user-generated funding, individual fund receipts and annual appropriations do not always keep pace with the demand for new and expanded facilities, or with the need to protect and maintain existing recreational trails. The division anticipates that the programs and activities supported by these accounts will require new and/or additional sources of funding in future years.

Table 6. Water Recreation & Trails Dedicated Fund Sources – FY 2010 Amounts¹

Water Recreation ²	\$11,000,000
Snowmobile	\$12,400,000
All-Terrain Vehicle (ATV)	\$3,100,000
Off-Highway Motorcycle (OHM)	\$400,000
Off-Road Vehicle (ORV)	\$1,000,000
Cross-Country Ski Pass ³	\$260,000
Horse Pass	+ \$120,000
Total	\$28,280,000

Footnotes

1. This table does not include federal sources of dedicated funding.
2. About \$640,000 of this total is included in the State Parks operations budget.
3. Cross-Country Ski receipts are appropriated to the Commissioner as grants-in-aid for ski trails sponsored by local units of government and Special Park Districts (MS 85.43).

State Park Dedicated Accounts

There are two dedicated accounts used to fund various activities within the State Park System. The **Working Capital & Douglas Lodge Account** generates revenue from the state park merchandise program and operation of the Douglas Lodge. In FY 2010, this account provides 11% of the State Park System budget.

The **State Parks Account** generates revenue from permit sales, camping fees, and other visitor-paid fees. This account represents 22% of the FY 2010 budget for the State Park System. Although increased park visitation and/or higher fees will boost account revenues, increased fees will, at some point, create affordability barriers for some Minnesotans. Moreover, although dedicated funding accounts will likely grow over time and provide additional resources for some activities, they will not be adequate to fund expansion of the park system.

Fig. 3. FY 2010 Funding Sources for State Parks, SRAs, State Waysides, Forest Campgrounds & Day-Use Areas (\$48,357,000)

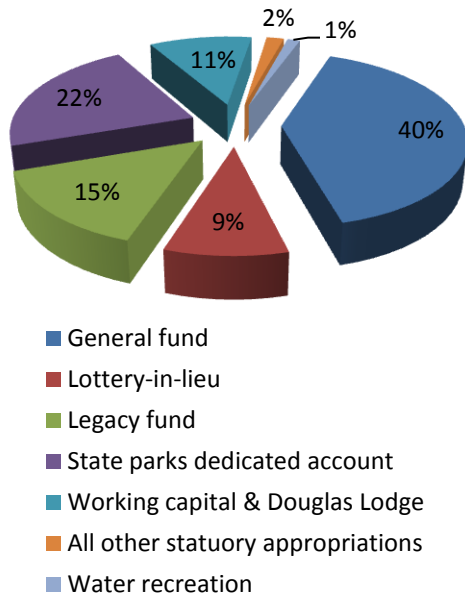
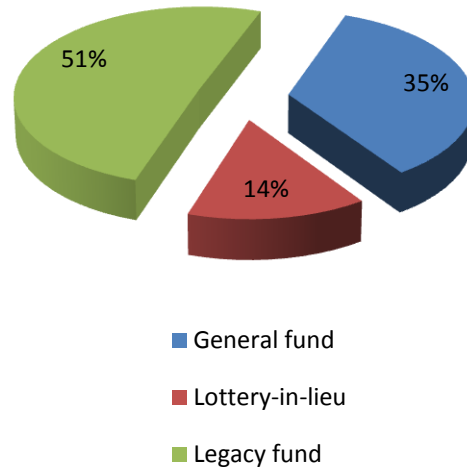
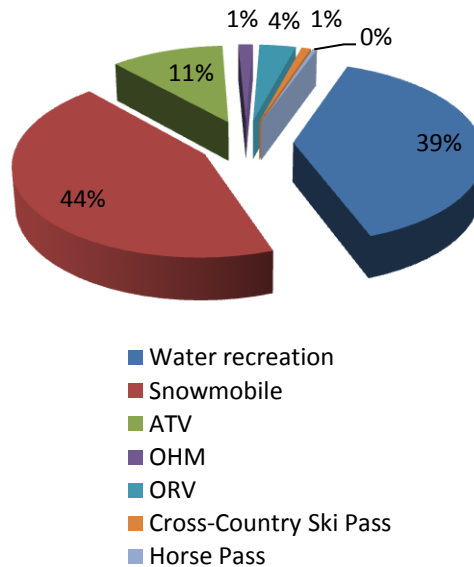


Fig. 4. FY 2010 Funding Sources for State Trails (\$5,240,000)



* State Forest non-motorized trails funding is not included (\$400,000)

Fig. 5. Dedicated Funding Sources Water & Trail Recreation FY 2010 Amounts (\$28,280,000)



Section 3. Budget Analysis & Cost Projections

Questions 1 & 2: The amount necessary to operate and maintain the existing system of state parks and trails for the next 10 and 25 years?

Operations & Maintenance Needs. The Parks & Trails Division's FY 2010 O&M budget is approximately \$54 million. In order to meet current practices and standards, the division would need an additional \$6 million/yr to improve facility maintenance and visitor services (*for example*):

- Expand conservation education efforts by adding interpretive programs and opportunities.
- Increase trail grooming on over 190 miles of crossing county skiing trails in State Parks.
- Improve spring, summer and fall camping services at State Parks and state forest campgrounds.
- Provide additional crack sealing and asphalt patches along state trails.
- Improve trailhead and parking facilities along state trails.
- Provide additional interpretive signs at trailheads and along state trails.

The division's current FY 2010 budget need for parks and trails operations and maintenance is approximately \$60 million. The ten and twenty-five year projections that follow are based on the FY 2010 funded budget plus identified needs. These estimates also include \$10 million annually for capital-eligible deferred maintenance (*i.e., \$5 million parks/yr + \$5 million trails/yr*).

Table 7. 10 Year Projection of Total Needs for Existing Parks and Trails (2011-2020)

	<i>Operations</i>	<i>Maintenance</i>	<i>Def Maintenance</i>	<i>Total</i>
Parks/SRA's	\$232,350,800	\$295,719,200	\$50,000,000	\$578,070,000
Trails	+ \$28,204,000	+ \$42,306,000	+ \$50,000,000	+ \$120,510,000
Division Total	\$260,554,800	\$338,025,200	\$100,000,000	\$698,580,000

25 Year Projection of Total Needs for Existing Parks and Trails (2011-2035)

	<i>Operations</i>	<i>Maintenance</i>	<i>Def Maintenance*</i>	<i>Total</i>
Parks/SRA's	\$580,877,000	\$739,298,000	\$125,000,000	\$1,445,175,000
Trails	+ \$70,510,000	+ \$105,765,000	+ \$125,000,000	+ \$301,275,000
Division Total	\$651,387,000	\$1,095,063,000	\$250,000,000	\$1,746,450,000

[Note that 25 yr projections **include** the 10 yr budget figures.]

* At this level of funding, the existing parks and trails system may reach a point, within the 25 year projection period, where deferred maintenance needs may be reduced.

Question 3: Adequacy of funding to support expansion of the existing park system?

'Expansion' of the park system was defined as: 1) Continued acquisition and development of existing units of the state park system; and 2) Adding one new State Park or SRA every other biennium – **or one new facility every four years** [*e.g., Acquisition/capital development of new Park/SRA in 2014, 2018, 2022, 2026 & 2030, each requiring increased ops/maint dollars two years later*]. These cost projections are in addition to costs for operating and maintaining the existing state park system.

Table 8. 10 Year Total Estimated Cost for Expanding the Park System (2011-2020)

Continued acquisition/develop (existing)	\$72,500,000	
Number of new units added	2	
Acquisition and development costs (new)	\$50,000,000	(\$25,000,000/unit)
Operation and maintenance budget cost	\$3,600,000	(\$600,000/yr/unit)

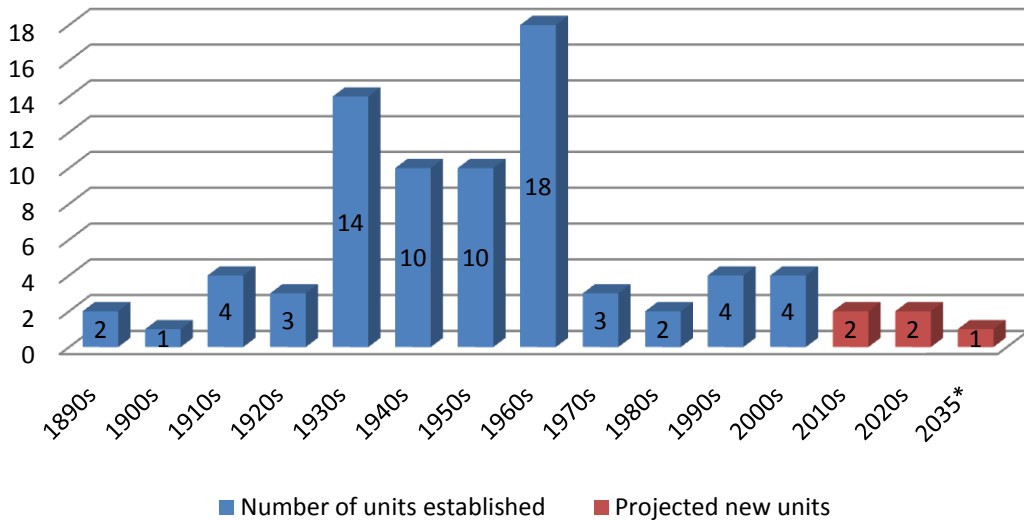
25 Year Total Estimated Cost for Expanding the Park System (2011-2035)

Continued acquisition/develop (existing)	\$181,250,000	
Number of new units added	5	
Acquisition and development costs (new)	\$125,000,000	(\$25,000,000/unit)
Operation and maintenance budget cost	\$36,000,000	(\$600,000/year/unit)

[Note that 25 yr projections include the 10 yr budget figures.]

Not reflected in these projected costs is the possibility of land donations or land transfers for purposes of establishing a new state park or SRA. Some newer State Parks and SRAs have benefitted from the donation or transfer of a significant portion of the property from a private entity or another public agency. This could significantly reduce initial start-up capital costs. Figure 2 (below) illustrates the addition of state parks and SRAs by decade and the expansion scenario described above.

Fig. 6. State Parks & SRAs Established by Decade (1890s-2000s) and Projected New Units [Source: MN DNR, Parks & Trails, 2009]



Question 4: Adequacy of funding to support expansion of the existing trail system?

Currently, only half of the authorized trail miles in the state trail system have been developed. Expanding this system was defined as developing new or additional miles of state trail at a pace similar to that of the last decade (25-30 mi/yr). Expansion will also include adding four new non-motorized trail areas in State Forests. The following cost projections do not include costs for continued operations and maintenance of the existing trail system.

Table 9. 10 Year Total Estimated Cost for Expanding the Trail System (2011-2020)

Miles of new state trail developed	300
New state forest trail opportunities	2
Acquisition and development costs	\$90,800,000
Operation and maintenance budget cost	\$14,500,000

25 Year Total Estimated Cost for Expanding the Trail System (2011-2035)

Miles of new state trail developed	700
New state forest trail opportunities	4
Acquisition and development costs	\$226,600,000
Operation and maintenance budget cost	\$75,800,000

Alternative State Trail System Development Scenarios

1) Status Quo. Under this scenario, which is reflected in the calculations above, the State Trail System continues to grow by 25-30 (*paved*) miles per year. Assuming that the historic authorization rate of 60 new miles/year continues, there will be 4,100 authorized miles with approximately 2,100 miles of developed state trails in 2035. This is comparable to the situation that exists today; only about one-half, or 1,266 of 2,597 authorized miles of trail, have actually been developed.

2) Complete the System - No New Authorizations. If no new state trail authorizations were to occur after 2009, and those portions of the authorized system were available for acquisition, approximately 53 miles of trail corridor would need to be acquired and developed **each year** in order to “complete” the (already authorized) system by 2035. The estimated cost to complete the system would be approximately \$429 million, or \$17 million per year for land acquisition and trail development.

3) Complete the System - Authorizations Continue. If new authorizations continue at the historic rate of 60 miles/year, about 110 miles of trail corridor will need to be acquired and developed **each year** in order to “complete” the system by 2035. The estimated cost to complete the system would be approximately \$948 million, or \$38 million per year for land acquisition and trail development. Under all three scenarios, operations and maintenance costs would grow commensurate with the addition of newly developed trail miles.

Future Funding Considerations.

In order to meet current needs and standards for operating and maintaining the existing parks and trails system, the division would need an additional **\$6 million/yr** above and beyond its FY 2010 funded budget. The addition of Parks & Trails Legacy Funds in FY 2010 has translated directly into higher service levels at the state’s outdoor recreation facilities, and have enabled DNR to make serious inroads into the deferred maintenance backlog.

Legacy funds, however, are not adequate to replace current funding sources. This is particularly true when it comes to system ‘expansion’. Even with an increased share of fund allocations (currently at 45%), the Parks & Trails Legacy fund will likely come up short of completing the entire system. Increased DNR funding would also come at the expense of other public recreation providers (*e.g., city, county, regional parks*) that fulfill an important public need for close-to-home recreation. These facilities complement the state’s system of parks and trails.

As the state park and trail systems grow, there will be substantial costs associated with that growth. Infrastructure rehabilitation and renewal needs will grow both for the existing system, and for new facilities added to the system. Despite increased visitation, and additional revenue from fees, permits, and dedicated user-funded accounts, these sources will not provide the revenue necessary to fund continued expansion of this system.

Expansion of the state park and trail systems, as outlined in this analysis, will almost certainly require increased capital bonding and LCCMR support, in addition to Parks & Trails Legacy Funds. General fund

support will also remain a vital component of the Parks and Trails Division's budget, especially for routine operations and maintenance activities for Minnesota's growing system of outdoor recreation facilities.

10/25 Year Strategic Plan & Framework. *Minnesota Laws 2009, Chapter 172, Article 3, Section 6, subdivision 2*, requires the development of a twenty-five year strategic parks and trails long-range plan and framework by February 15, 2011. *Section 2e* of this same bill calls for the development of a ten year strategic DNR parks and trails plan considering both traditional funding and Parks and Trails Legacy Funding. The information contained in this report will be provided to planners working on the above plans.

It is hoped that the ten and twenty-five year plans will identify needs and inform decisions regarding the appropriate level and mix of funding sources needed to complete Minnesota's system of parks and trails. They will also likely prompt adjustments to future budget needs as outlined here.