

May 10, 2021

Senator Bill Ingebrigtsen
Co-Chair, Environment and Natural Resources Conference Committee
3207 Minnesota Senate Building
95 University Avenue West
St. Paul, MN 55155

Representative Rick Hansen
Co-Chair, Environment and Natural Resources Conference Committee
407 State Office Building
St. Paul, MN 55155

Dear Chair Ingebrigtsen and Chair Hansen:

I am writing in response to your request for information regarding the Minnesota Department of Natural Resources' (DNR's) budget and policy for the 2022-23 biennium from the agency testimony to the conference committee on Tuesday, May 4, 2021.

Federal Funding

Question from Rep. Heintzeman: Can you give an overview of DNR's federal funding based on the pie chart for FY2020-21 by fund provided in the revised budget presentation?

Attached is the presentation the DNR provided to the House Environment and Natural Resources Finance and Policy Committee on March 23, 2021 regarding the agency's revised biennial budget, which includes charts of the agency's spending by fund in FY20/21 and the historical trends in spending by fund.

DNR anticipates spending \$72.8 million in FY20/21 from federal grants located in the Federal Fund. This represents roughly 5% of DNR's FY20/21 budget. Please note that this does not include any COVID-related federal funding. The major federal grant programs spent out of the Federal Fund include:

- Coast Guard Boat Safety Grants;
- Coastal Zone Management;
- State Wildlife Grants; and
- Great Lakes Restoration Initiative.

DNR also receives federal funding through the Pittman-Robertson (PR) and Dingell-Johnson (DJ) programs. By law, these funds are located in the Game and Fish Fund and are in addition to the federal funds cited above. The PR and DJ programs provide reimbursements on eligible wildlife (PR) and sport fish (DJ) restoration activities. Below is a table showing PR and DJ reimbursements (revenues) since FY2011.

Dollars in thousands

	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
PR	14,737	9,813	12,549	14,278	15,717	19,506	21,623	25,269	21,477	22,643
DJ	12,387	11,996	14,957	12,515	12,547	14,532	11,897	12,384	12,325	13,270
Total	27,124	21,809	27,506	26,794	28,264	34,038	33,520	37,652	33,804	35,913

Land and Water Conservation Funds (known as LAWCON) provides federal support for planning, acquisition and development of land and water outdoor recreation facilities. These federal dollars are managed out of the Natural Resources Fund and are in addition to the federal funds discussed in the first paragraph. The table below shows LAWCON reimbursements (revenues) since FY2011.

Dollars in thousands

	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
LAWCON	90	1,006	696	417	472	421	1,675	199	265	4,178

Question from Rep. Hansen: Can you provide estimates of funding available in accounts to which the Senate has proposed shifting spending, including Heritage Enhancement, State Parks and Trails Lottery-in-Lieu, Minerals Management, and Forest Management Investment Account.

Based on the February 2021 forecast, below are the FY21 funds available in these accounts (as well as FY23 and FY25 balances, respectively):

- Heritage Enhancement: \$7.883 million (\$8.460 million FY23; \$9.272 million FY25)
- State Parks and Trails Lottery-in-Lieu: \$3.035 million (\$3.005 million FY23; \$3.081 million FY25)
- Game and Fish Fund: \$27.124 million (\$11.923 million FY23; -\$12.614 million FY25)
- Minerals Management: \$5.065 million (\$4.144 million FY23; \$3.994 million FY25)
- Forest Management Investment Account: \$7.865 million (\$4.734 million FY23; \$1.996 million FY25)

Question from Sen. Ingebrigtsen: Can you provide the amount of PR/DJ back to FY2011 as well as spending out of your other funds?

Please see the tables above for funding from FY2011 for the PR/DJ and LAWCON; these expenditures are located in the Game and Fish Fund and Natural Resources Fund, respectively. The table below shows our all funds expenditures since FY11.

Dollars in thousands

DNR History of Expenditures - From Budget Trends										
	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
General--Direct	\$ 71,944	\$ 52,345	\$ 54,115	\$ 59,893	\$ 71,365	\$ 70,945	\$ 85,923	\$ 78,348	\$ 94,281	\$ 85,828
Natural Resources	\$ 79,681	\$ 82,312	\$ 87,965	\$ 83,861	\$ 88,000	\$ 83,531	\$ 94,765	\$ 94,751	\$ 102,761	\$ 108,062
Game and Fish	\$ 98,879	\$ 88,682	\$ 101,144	\$ 97,185	\$ 107,890	\$ 108,906	\$ 112,967	\$ 106,110	\$ 119,012	\$ 110,976
Federal	\$ 27,319	\$ 15,636	\$ 15,026	\$ 14,854	\$ 16,285	\$ 15,536	\$ 18,647	\$ 16,672	\$ 16,670	\$ 17,021
Special Revenue	\$ 25,499	\$ 34,733	\$ 30,900	\$ 31,250	\$ 33,739	\$ 37,377	\$ 30,934	\$ 25,100	\$ 31,534	\$ 30,136
Reinvest In Minn	\$ 4,733	\$ 4,830	\$ 3,870	\$ 6,284	\$ 3,920	\$ 4,599	\$ 2,332	\$ 4,821	\$ 2,757	\$ 3,889
Gifts	\$ 1,361	\$ 1,377	\$ 1,558	\$ 1,401	\$ 1,289	\$ 1,409	\$ 1,433	\$ 1,554	\$ 1,944	\$ 1,968
General--Open	\$ 38,602	\$ 51,508	\$ 57,611	\$ 54,703	\$ 59,835	\$ 58,474	\$ 57,964	\$ 58,696	\$ 62,394	\$ 63,418
Env. & Nat. Res. Trust	\$ 16,927	\$ 19,465	\$ 19,011	\$ 16,064	\$ 15,700	\$ 19,567	\$ 20,402	\$ 22,909	\$ 21,816	\$ 27,287
Outdoor Heritage - Legacy	\$ 63,754	\$ 54,522	\$ 74,277	\$ 72,954	\$ 100,764	\$ 85,396	\$ 85,349	\$ 86,102	\$ 93,436	\$ 120,681
Clean Water - Legacy	\$ 9,873	\$ 9,103	\$ 8,242	\$ 9,315	\$ 11,119	\$ 11,340	\$ 10,360	\$ 9,391	\$ 9,031	\$ 9,487
Parks and Trails - Legacy	\$ 20,513	\$ 23,459	\$ 22,229	\$ 28,164	\$ 25,305	\$ 26,942	\$ 25,528	\$ 23,637	\$ 22,367	\$ 30,801
DNR total budget	\$ 459,085	\$ 437,971	\$ 475,947	\$ 475,927	\$ 535,211	\$ 524,023	\$ 546,603	\$ 528,089	\$ 578,001	\$ 609,553

State Parks Revenue Impacts from COVID-19

Question from Rep. Hansen: Do you have an estimate of lost revenue due to COVID over the last year?

Although park permit revenue increased, many state parks revenue streams were negatively impacted public health measures necessary to control the spread of COVID-19 —most notably camping, facilities rentals, and lodging. These revenues were down by as much as 43% in FY22/21 relative to FY19. The agency estimates lost revenues at State Parks of \$8.8 million compared to FY19—see table below. These numbers reflect gross revenue losses to camping, facility rental, and lodging revenues.

The financial viability of our park system is important to Minnesota's overall economy. Our state park system is an economic engine and investment in parks can contribute to economic recovery at the local level. State parks provide recreation opportunities that contribute to the state's \$16.7 billion outdoor recreation economy, which brings in about \$1.4 billion in state and local tax revenues.

Description	\$ in thousands	
	FY 2020	FY2021
Lost State Parks Revenues	(3,310)	(5,469)

Verso Corp. Paper Mill and Timber Harvest Relief

Question from Rep. Hansen: Can the agency provide more information regarding the fiscal impacts of the timber revenues affected due to COVID, including impacts to the Verso Paper Mill?

The state's timber revenues were negatively impacted by COVID-19 due to decreased harvesting and processing of timber and demand for paper. The state's timber revenues were down by as much as 34% in FY20/21 relative to FY19. Funds that rely on timber revenues include Forest Management Investment Account (FMIA), Game and Fish Fund, and the Permanent School Trust

Fund. The table below shows actual and estimated lost revenue as compared to FY2019. DNR anticipates lost revenue through FY2024 due to the three-year life of the current timber permits. This lost revenue includes the impact of the Verso mill closure, as well as the economic impacts on the paper and timber industries.

Description	\$ in thousands				
	FY 2020	FY2021	FY 2022	FY 2023	FY 2024
Lost Timber Revenues to the State	(2,551)	(2,786)	(2,986)	(3,161)	(3,161)

The Minnesota House and Senate are currently discussing proposals that would provide relief to Minnesota's timber industry through state timber permit extensions and the reimbursement of some timber permit down payments. DNR provided fiscal notes for these proposals during the legislative session, and the estimated costs and revenue losses are reflected in the legislature's tracking. The revenue losses associated with these pieces of legislation would be in addition to the forecasted revenue losses provided above.

License Sales and Operations in the event of a state shutdown

Question from Rep Hansen: In the event of a shutdown, does the online licensing system remain operational? Are people able to get a license?

In the event of a state shutdown, DNR is able to continue selling game and fish licenses. M.S. [84.027](#) Subd. 15 (d) provides statutory authority for game and fish licenses to be available by electronic transaction regardless of a shutdown.

Sincerely,



Sarah Strommen
Commissioner

Cc: Deputy Commissioner Barb Naramore
Assistant Commissioner Bob Meier
Mary Robison, Chief Financial Officer
Annalee Garletz, Government Relations