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## Minnesota Department of Agriculture

February 18, 2003

The 2003 Minnesota Legislature:

I respectfully submit the Governor's recommendation for the FY 2004-05 biennial budget for the Minnesota Department of Agriculture (MDA). The Governor recommends a total budget of \$134.6 million. The Governor's recommendations call for the state to allocate \$70.7 million of general funds to support agency programs and activities designed to protect our food supply, safeguard our environment, and boost the economic standing of the state's agricultural sector.

This budget reflects a \$6.4 million general fund reduction for the department. MDA has reviewed all programs the agency provides, including grant programs, and prioritized services as they meet core functions assigned to MDA. We have considered and are continuing to look for ways to deliver services more effectively either through internal reorganization or by looking outside of our agency.

In developing these budget recommendations, we focused on maintaining the department's core functions – particularly on ensuring the integrity of our food supply, protecting the food supply against terrorism, protecting our environment and developing markets for Minnesota agricultural products.

The Governor also recommends continuing ethanol producer payments under a modified system. The modification will change the appropriation from the current formula based on eligible production capacity to a new formula based on the level of producer ownership and financial need. This change is intended to ensure the long-term financial viability of the state's investment in the ethanol industry.

We believe we have made solid decisions given the circumstances. We are open to discussing this budget document and would be happy to listen to any ideas you may have regarding the department responsibilities and funding.

Sincerely,

A handwritten signature in cursive script, appearing to read "Gene Hugoson".

Gene Hugoson  
Commissioner

FY 2004-05 Expenditures (\$000s)

	General Fund	Other Funds	Total
<b>2003 Funding Level</b>	119,674	61,387	181,061
Legislatively Mandated Base	-48	0	-48
One-Time Appropriations	-6,000	-206	-6,206
Open Appr. Forecast Adj.	-4,266	0	-4,266
<b>Adjusted Base Funding</b>	109,360	61,181	170,541
<b>Change Items</b>			
Consolidated Food Handler License Fee	1,390	0	1,390
Dairy Fee Increase	0	570	570
Ethanol Program Changes	-32,499	0	-32,499
Food Handler Reinspection Fee Increase	0	30	30
Grant Programs Reductions	-2,244	0	-2,244
Nursery & Phytosanitary Fee Increase	-1,074	1,692	618
Operating Budget Reductions	-4,170	0	-4,170
Seed Inspection Fee Increase	0	317	317
<b>Governor's Recommendations</b>	70,763	63,790	134,553
<b>Biennial Change, 2002-03 to 2004-05</b>	-43,544	-823	-44,367
<b>Percent Change</b>	-38%	-1%	-25%

**Brief Explanation Of Budget Decisions:**

Base Adjustments were made in the following:

- ⇒ Legislatively Mandated Base:  
Under Laws of 2002, Chapter 220, Article 9, MDA's base budgets were additionally reduced beginning in fiscal year 2004. The adjustments were in program 02 and program 06.
- ⇒ One-Time Appropriations  
Under Laws of 2002, First Special Session, Chapter 1, MDA was appropriated one-time funds of \$3,000,000 for Ag Assistance Payments.
- ⇒ Open Appropriation Forecast Adjustment  
This adjustment reflects the forecast adjustment for ethanol producer payments based upon current law.

The Minnesota Department of Agriculture (MDA) during the FY 2002-03 biennium reorganized the Ethanol Producer Payments into a separate program.

For the 2004-05 biennium MDA is requesting authority to move two additional activities. MDA is requesting authority to move the State Meat Inspection Program from Program 01—Protection Services to Program 02—Agricultural Market & Development Services. We are also requesting authority to move the Dairy Profitability and Enhancement activity from Program 01 to Program 06—Administration & Financial Assistance. These moves are requested to realign these activities into the budget activities that best suit their purposes.

MDA is in the process of requesting amendments to the current grain inspection fee structure from USDA. The fee structure is set under the federal delegation of services agreement. This voluntary program provides service to Minnesota producers and grain industry at no cost to the state.

**Governor's Recommendation(s):**

The Governor recommends the following fee changes:

Non-Dedicated Accounts:

- ⇒ Consolidated Food Handlers License Fee will be increased to recover 60% of the cost of regulatory inspection services.

Dedicated Accounts:

# AGRICULTURE DEPT

# Budget in Brief

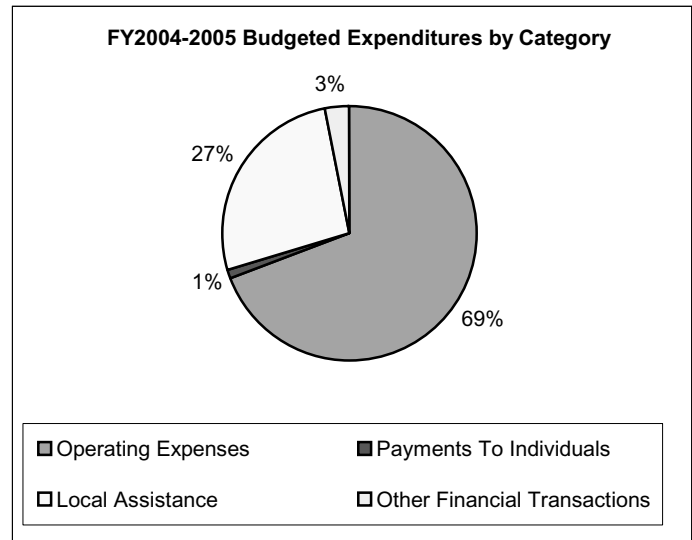
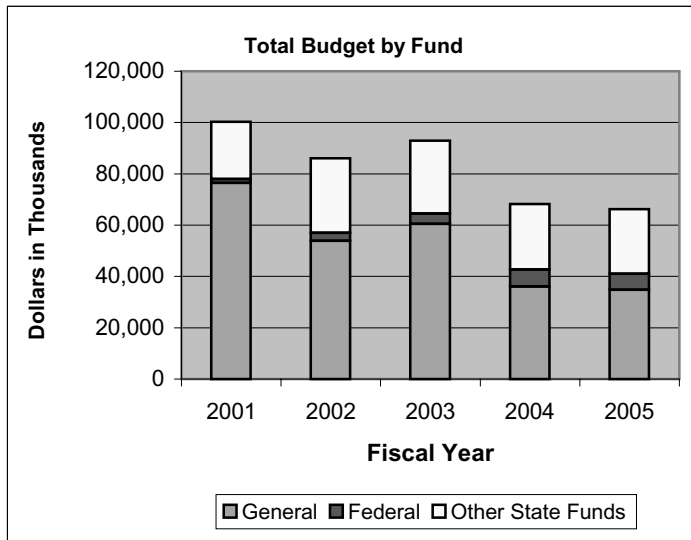
- ⇒ Seed Inspection Fee will be increased on seed permit fees and hybrid corn registration fees.
- ⇒ Dairy Processor Assessment Fee will be increased from 5 cents a hundredweight to 7 cents and the Dairy Farm Reinspection Fee will be increased from \$25.00 to \$45.00
- ⇒ Food Handler Reinspection Fee will be increased from \$25.00 to \$75.00 for food handlers with gross food sales under \$1,000,000 and from \$50.00 to \$100.00 for food handlers with gross food sales of over \$1,000,000.

Non-Dedicated Account changing to Dedicated Account:

- ⇒ Nursery Inspection and Phytosanitary Certificate Fees will be increased to recover the cost of regulatory inspections, and will be moved from the general fund to the Ag Fund.

### FY 2004-05 Revenues (\$000s)

	General Fund	Other Funds	Total
<b>FY 2004-05 Current Law Revenues</b>	6,325	85,828	92,153
<b>Change Items</b>			
Seed Inspection Fee Increase	0	400	400
Food Handler Reinspection Fee Increase	0	30	30
Dairy Fee Increase	0	570	570
Consolidated Food Handler License Fee	1,416	0	1,416
Nursery & Phytosanitary Fee Increase	-1,086	2,010	924
<b>FY 2004-05 Total Revenues</b>	6,655	88,838	95,493
<b>Biennial Change 2002-03 to 2004-05</b>	6,655	88,838	95,493
<b>Percent Change</b>	5%	4%	4%



<i>Dollars in Thousands</i>	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
<b>Expenditures by Fund</b>						
<b>Carry Forward</b>						
General	0	0	0	66	0	66
<b>Direct Appropriations</b>						
Environment & Natural Resource	225	120	189	0	0	0
General	41,924	20,146	25,024	18,275	18,275	36,550
Minnesota Resources	61	48	138	0	0	0
Environmental	338	347	353	353	353	706
<b>Open Appropriations</b>						
General	34,559	33,681	35,456	17,663	16,484	34,147
<b>Statutory Appropriations</b>						
Public Facilities Authority	0	6,208	2,555	1,240	1,077	2,317
General	10	0	0	0	0	0
Special Revenue	3,635	2,954	3,447	3,237	3,254	6,491
Agriculture Fund	17,635	18,916	19,904	20,011	19,728	39,739
Federal	1,467	3,220	3,974	6,666	6,308	12,974
Environmental	345	256	1,313	500	500	1,000
Rural Finance Administration	0	0	411	250	300	550
Miscellaneous Agency	0	0	2	2	2	4
Gift	33	122	136	6	3	9
<b>Total</b>	<b>100,232</b>	<b>86,018</b>	<b>92,902</b>	<b>68,269</b>	<b>66,284</b>	<b>134,553</b>

<b>Expenditures by Category</b>	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Operating Expenses	61,933	41,479	50,118	46,678	46,414	93,092
Capital Outlay & Real Property	29	0	2	2	0	2
Payments To Individuals	479	657	690	689	673	1,362
Local Assistance	37,344	36,865	38,356	18,644	17,365	36,009
Other Financial Transactions	447	7,017	3,736	2,256	1,832	4,088
<b>Total</b>	<b>100,232</b>	<b>86,018</b>	<b>92,902</b>	<b>68,269</b>	<b>66,284</b>	<b>134,553</b>

# AGRICULTURE DEPT

# Fiscal Report

<i>Dollars in Thousands</i>						
<b>Expenditures by Program</b>	<b>Actual FY2001</b>	<b>Actual FY2002</b>	<b>Preliminary FY2003</b>	<b>Governor's Rec</b>		<b>Biennium 2004-05</b>
				<b>FY2004</b>	<b>FY2005</b>	
Protection Services	29,733	28,255	31,718	30,734	30,427	61,161
Ag Marketing And Development	8,624	7,222	9,328	7,433	7,409	14,842
Admin & Financial Assist	27,316	16,860	16,400	12,439	11,964	24,403
Ethanol Producer Payments	34,559	33,681	35,456	17,663	16,484	34,147
<b>Total</b>	<b>100,232</b>	<b>86,018</b>	<b>92,902</b>	<b>68,269</b>	<b>66,284</b>	<b>134,553</b>

## Revenue by Type and Fund

<b>Non Dedicated</b>						
General	1,643	4,462	3,499	3,409	3,246	6,655
Minnesota Resources	1	0	0	0	0	0
Cambridge Deposit Fund	2,773	0	0	0	0	0
Subtotal Non Dedicated	4,417	4,462	3,499	3,409	3,246	6,655
<b>Dedicated</b>						
Public Facilities Authority	0	38	1,401	1,526	1,663	3,189
Special Revenue	3,526	3,167	3,017	3,130	3,159	6,289
Agriculture Fund	17,320	18,318	17,897	19,305	19,247	38,552
Federal	1,970	4,507	3,795	7,045	6,674	13,719
Environmental	118	0	0	0	0	0
Rural Finance Administration	9,389	13,831	10,838	12,522	14,557	27,079
Miscellaneous Agency	-2	0	2	2	2	4
Gift	158	39	41	3	3	6
Subtotal Dedicated	32,479	39,900	36,991	43,533	45,305	88,838
<b>Total Revenue</b>	<b>36,896</b>	<b>44,362</b>	<b>40,490</b>	<b>46,942</b>	<b>48,551</b>	<b>95,493</b>

<b>Full-Time Equivalents (FTE)</b>	<b>470.7</b>	<b>458.9</b>	<b>458.4</b>	<b>456.9</b>	<b>456.4</b>
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<b>Fiscal Impact (\$000s)</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
General Fund				
Expenditures	\$695	\$695	\$695	\$695
Revenues	\$708	\$708	\$708	\$708
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
<b>Net Fiscal Impact</b>	<b>(\$ 13)</b>	<b>(\$ 13)</b>	<b>(\$ 13)</b>	<b>(\$ 13)</b>

**Recommendation**

The Governor recommends an increase in the Food Handler License fees by amending M.S. 28A.08.

**Background**

Minnesotans for years have had an abundant, safe and wholesome food supply. To ensure the safety of our food supply, the MDA maintains a comprehensive food inspection program focusing on educating the food industry in proper food handling techniques to ensure safe food and to open markets. Consolidated Food Handlers License fees generated are deposited in the General Fund. The last fee increase was in 1998, when it was raised approximately 7 percent. The Dairy and Food Inspection division is the primary program for ensuring a safe food supply in the state through inspection, sampling, educational activities and emergency response.

License fee increases are necessary to cover the operating costs associated with maintaining these programs. The fees currently collected cover approximately 50 percent of operating costs. Inspection of food establishments is a critical function that must be maintained to protect public health and maintain the integrity of the Minnesota food industry for domestic and foreign sales, as well as inspections of food products imported from foreign sources.

**Relationship to Base Budget**

Presently the Food Inspection program maintains a staffing of 45.47 FTE's. This includes field inspectors, management, supervisors, clerical and administrative support, and compliance staff. Additionally, two dairy FTE's are funded from the General Fund and are assigned to inspection of dairy processing plants. Further, two FTE's are provided to conduct laboratory analysis of food products for microbiological and food standards. Without an increase in the Food Handler license fees, four FTE's will be eliminated. This will affect the Food Safety program and may interrupt the exportation of food products from Minnesota firms.

In addition, food inspection personnel will be cross-utilized in the inspections of custom exempt meat processing establishments.

If approved, Food Handlers License fees would recover 60 percent of the cost of operating the Food Inspection program. (See M.S. 28A.08 for current license fees.)

**Key Measures**

At least 90 percent of all food establishments will be inspected on a risk-based frequency to verify compliance with good manufacturing practices or good retail practices and ensure safe food is available for consumers.

**Statutory Change:** M.S. 28A.08



# AGRICULTURE DEPT

## Change Item: DAIRY FEE INCREASE

Fiscal Impact (\$000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Agriculture Fund				
Expenditures	\$285	\$285	\$285	\$285
Revenues	\$285	\$285	\$285	\$285
Net Fiscal Impact	\$ 0	\$ 0	\$ 0	\$ 0

### Recommendation

The Governor recommends increasing the dairy processor assessment to \$0.07 per hundredweight of milk and the dairy farm reinspection fee from \$25 to \$45 for grade A and manufacturing grade dairy farms.

### Background

The Dairy Inspection activity enables Minnesota dairy products to move freely in both interstate and international markets and ensures safe and wholesome dairy foods. The federal mandates include farm inspections and reinspections, rating milk sheds, inspection of plants/transfer stations/milk receiving facilities/dairy container plants, testing and sealing milk pasteurizers, milk tanker inspections, evaluating haulers, reviewing equipment and construction plans and conducting interstate milk surveys.

Responding quickly to a reinspection request has extraordinary costs (single farm trips, delays for other scheduled work, efficiency loss, and averages about one and a half to two times more time than a routine inspection). There were 384 Grade A Farm reinspections and 40 Manufacturing Grade Farm reinspections in the first six months of 2002. About 848 projected per year. The current \$25 charge per reinspection generates about \$21,000. The proposed \$45 would raise \$16,960 in additional projected revenue to cover the projected costs of doing reinspections.

### Relationship to Base Budget

Presently the Dairy Inspection program maintains a staffing of 26.5 FTE's. This includes two interstate shipment rating officers, 5.5 in administrative staffing and 19 dairy field inspectors.

The current reinspection fee only recovers 46 percent of the actual expenses incurred for the work. The proposed change would recover 82 percent of the total costs. The balance of the reinspection cost is funded from a mixture of the general fund and dedicated dairy funds.

### Key Measures

The U.S. Food and Drug Administration (FDA) evaluates our state milk program every two years. The Minnesota dairy industry must maintain its substantial compliance status to continue shipping milk and dairy products to other states and countries. Approximately 87 percent of our milk supply is shipped out of state. By not meeting these mandates, the dairy industry in Minnesota will be affected by not being able to ship products out of the state.

**Statutory Change:** M.S. 32.394, Subd. 8d(a) M.S. 32.394, subd. 8 and 8b

**AGRICULTURE DEPT**

**Change Item: ETHANOL PROGRAM CHANGES**

<b>Fiscal Impact (\$000s)</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
General Fund				
Expenditures	(\$17,664)	(\$14,835)	(\$12,977)	(\$10,570)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	(\$17,664)	(\$14,835)	(\$12,977)	(\$10,570)

**Recommendation**

The Governor recommends that ethanol producer payments be reduced to 10 cents per gallon effective July 1, 2003. This reduction will reduce eligible producer payments from 20 to 10 cents for FY 2004 and from 19 to 10 cents for FY 2005.

**Background**

The authority for the Ethanol Producer Payments program is M.S. 41A.09. The payment formula is also listed in this section. From FY 1986 to FY 2002, this program invested \$206,257,541.05 in the ethanol industry.

Minnesota has achieved the target of 240 million gallons of annual production. Current annual production of ethanol in Minnesota is greater than 360 million gallons. Economies of scale are realized in plants with capacity of 30 to 40 million gallons. Smaller plants are more sensitive to changes in the profitability of ethanol.

Currently there are 13 plants eligible for producer payments under the current law.

**Relationship to Base Budget**

The Ethanol Producer Payments appropriation is an open appropriation. In M.S. 41A.09, the maximum payment a plant may receive each year is \$3,000,000. This is based on the formula of a maximum of 15,000,000 gallons at 20 cents per gallon.

Under this recommendation, the maximum a plant may receive in one year will be reduced from \$3,000,000 (at 20 cents per gallon) to \$1,500,000 (at 10 cents per gallon). Also, quarterly maximums, as set in statute will be reduced accordingly.

For Future Fiscal years, this reduction will result in the following savings:

Fiscal Year	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Current Law (dollars in thousands)	35,327	31,319	27,397	22,315	17,217	9,835	3,728
Payments at 10 cents/gallon	<u>17,663</u>	<u>16,484</u>	<u>14,420</u>	<u>11,745</u>	<u>9,061</u>	<u>5,176</u>	<u>1,962</u>
Projected Savings	17,664	14,835	12,977	10,570	8,156	4,659	1,766

Total projected savings for the seven fiscal years totals \$70,627,000

**Statutory Change:** M.S. 41A.09

**AGRICULTURE DEPT****Change Item: FOOD HANDLER REINSPECTION FEE INCREASE**

<b>Fiscal Impact (\$000s)</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Agriculture Fund				
Expenditures	\$15	\$15	\$15	\$15
Revenues	\$15	\$15	\$15	\$15
Net Fiscal Impact	\$ 0	\$ 0	\$ 0	\$ 0

**Recommendation**

The Governor recommends that M.S. 28A.085 be amended to increase the reinspection fee for food handlers.

**Background**

The Food Handler Reinspection Fund was created in 1995 to recover the cost of the increasing number of reinspections at food establishments where major or critical violations occurred. It was also intended to cover the costs of conducting food recalls because of potential or actual adulteration or contamination of food products putting consumers at risk of illness or injury. The fees have not increased since their inception and presently recover less than half of the operating costs for reinspections. Raising these fees will ensure that the violating firm bears the costs of reinspections. Firms who violate food safety laws are issued corrective action orders with compliance dates. Firms with significant violations are reinspected to ensure they have complied. The reinspection fee is assessed to recover the costs of the reinspection.

- ⇒ The reinspection fee for licensed food handlers will be raised from \$25 to \$75 for an initial reinspection of critical violations for any food handler with gross food sales under \$1,000,000 and from \$50 to \$100 with gross food sales of \$1,000,000 or more.
- ⇒ The fee for any subsequent reinspections for the same violation will be 50 percent of their current license fee or \$200, whichever is greater.

**Relationship to Base Budget**

The Food Handler Reinspection Fund reduces the impact on the General Fund because violating facilities will pay for the cost of reinspections necessary to verify compliance.

**Key Measures**

Reinspections are conducted in a timely manner to ensure compliance with food safety laws and regulations. Emergencies are responded to as necessary. Food reinspection fees collected will recover the cost of reinspections, enabling MDA to respond to additional work demands resulting from emergencies and repeated violations without reducing MDA's abilities to perform routinely scheduled inspections.

**Statutory Change:** M.S. 28A.085

**AGRICULTURE DEPT****Change Item: GRANT PROGRAMS REDUCTIONS**

<b>Fiscal Impact (\$000s)</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
General Fund				
Expenditures	(\$1,122)	(\$1,122)	(\$1,122)	(\$1,122)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	(\$1,122)	(\$1,122)	(\$1,122)	(\$1,122)

**Recommendation**

The Governor recommends a reduction of \$1,122,000 for FY 2004 and \$1,122,000 for FY 2005 in grants from the Department of Agriculture.

**Background**

The agency maintains grant programs that support a wide variety of activities, such as helping farmers finance new value-added cooperatives, training livestock judges, reimbursing producers for livestock killed by wolves, and helping dairy farmers find ways to make themselves more profitable.

The MDA has reviewed all programs the agency provides, including grant programs, and prioritized services as they meet the core functions assigned to MDA.

Grant programs in the following budget activities will be reduced or eliminated:

- ◆ Agricultural Marketing Services \$226,000
- ◆ Resources Development and Management \$195,000
- ◆ Grants and Claims \$701,500

**Relationship to Base Budget**

The following reduction represents 5% of the base budget.

**Statutory Change:** M.S. 3.731 and M.S. 3.737,  
M.S. 17.101, Subd. 5,  
M.S. 17.110, M.S. 38.02

**AGRICULTURE DEPT**Change Item: **LCMR RECOMMENDATION**

<b>Fiscal Impact (\$000s)</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
<b>Net Fiscal Impact</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Recommendation**

The Governor has recommended the elimination of the dedicated funding for the Future Resources Fund. The Governor is not making specific recommendations on LCMR projects at this point, but intends to provide a statement of the administration's priorities for Environmental Trust Fund projects at a later time.

**Background**

**Advancing Utilization of Manure Methane Digester Electrical Generation:** Future Resources Fund (\$295,000)  
To maximize use of manure methane digester by identifying compatible waste streams, and the feasibility of micro-turbine and fuel cell technologies.

**Statutory Change:** Not Applicable

## AGRICULTURE DEPT

### Change Item: NURSERY & PHYTOSANITARY FEE INCREASE

Fiscal Impact (\$000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	(\$537)	(\$537)	(\$537)	(\$537)
Revenues	(543)	(543)	(543)	(543)
Agriculture Fund				
Expenditures	846	846	846	846
Revenues	990	1,020	1,020	1,020
Net Fiscal Impact	(\$138)	(\$168)	(\$168)	(\$168)

### Recommendation

The Governor recommends that the fees for nursery certification and inspection services, and phytosanitary (export) certificates be revised to recover the cost of services. The Governor also recommends that fees for the Nursery program and Phytosanitary Export Certification be deposited into a separate dedicated account established for these purposes in the Ag fund.

### Background

Minnesota's nursery industry is a \$2.1 billion a year industry. Of this amount, exports alone amount to \$96 million in sales to other states with over \$5 million worth of nursery stock being exported to international markets. Since 1991, the number of nursery dealer certificates issued has increased 130 percent and in the last 20 years the number of export certificates issued has increased 170 percent. In addition, the complexity of individual export certificates, increasing travel to collect samples, as well as recent U.S. Department of Agriculture mandated sampling changes will make the cost of issuance of each export certificate by the Department of Agriculture (MDA) exceed the revenue obtained for this service.

In today's global economy, Minnesota's risk of having dangerous and destructive plant pests introduced intentionally or inadvertently into Minnesota continues to increase. The reverse risk of plants coming from Minnesota's nursery industry introducing plant pests into other states or countries has increased the demand for export certificates. The cost of pest surveillance for export certificate mandates, as well as meeting significantly increased exotic pest risks requires more resources than are currently funded through General Fund. Therefore, to meet the increasing and changing service levels needed by industry to ensure continued export, and Minnesota's protection, a fee increase is needed. Fees for the nursery and export certificate program, which were last adjusted in 1991, are currently deposited into the general fund. By dedicating these fees the regulated clientele will be ensured that adequate resources will be available to support exports and trade.

The department charges a fee of \$35 for each export certificate issued regardless of the value of the commodity involved and these fees have historically generated approximately \$113,000 annually. Nursery program fees generate approximately \$430,000 annually. The proposed plant protection law would provide a tiered export certificate fee structure that is based on the value of the commodity being shipped.

### Relationship to Base Budget

Removing these programs from the General Fund and dedicating the fees into a special revenue account would reduce the base budget.

### Key Measures

- ⇒ Issue approximately 2,500 annual export certificates for 1.5 million nursery plants and plant products going to over 71 countries.
- ⇒ Monitor and inspect for the presence of a number of exotic pests to both support export certificate requirements and protect agriculture and the environment to prevent their establishment.
- ⇒ Provide nearly 1,000 inspections for the highly susceptible nursery industry.

**Statutory Change:** M.S. 18.01 – 18.61

**AGRICULTURE DEPT****Change Item: OPERATING BUDGET REDUCTIONS**

<b>Fiscal Impact (\$000s)</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
General Fund				
Expenditures	(\$2,085)	(\$2,085)	(\$2,085)	(\$2,085)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	(\$2,085)	(\$2,085)	(\$2,085)	(\$2,085)

**Recommendation**

The Governor recommends reductions of \$2,085,000 for FY 2004 and \$2,085,000 in FY 2005 in the operational budget of the Department of Agriculture (MDA).

**Background**

MDA has reviewed all programs the agency provides and prioritized services as they meet the core functions assigned to MDA.

The Protection Program, which includes the Agronomy and Plant Protection, the Dairy and Food Inspection, the Laboratory Services, and the Grain and Produce Inspection budget activities, provides regulatory oversight for agricultural products from the farm to retail stores. The Protection Program will be reduced by \$1,145,000 per year.

The Agricultural Marketing and Development Services Program, which includes the Ag Marketing Services and Resources and Development Services budget activities, helps sustain and enhance farmers' economic and environmental well-being through the services provided. The Agricultural Marketing and Development Services Program will be reduced by \$504,000 per year.

The Administration and Financial Assistance Program, which includes the Grants and Claims, Ag Finance, and Administration Services budget activities, provides leadership and administrative support to the agency, gathers important statistical information for the farm sector, and offers financial assistance to producers. The Administration and Financial Assistance Program will be reduced by \$413,000 per year.

**Relationship to Base Budget**

The following reduction represents 10% of the base budget.

**Statutory Change:** M.S. 18.75 to M.S. 18.88  
Minnesota Food Code, Rules 4626.1720 through 4626.1745

# AGRICULTURE DEPT

## Change Item: SEED INSPECTION FEE INCREASE

Fiscal Impact (\$000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Agriculture Fund				
Expenditures	\$154	\$163	\$163	\$163
Revenues	200	200	200	200
Net Fiscal Impact	(\$ 46)	(\$ 37)	(\$ 37)	(\$ 37)

### Recommendation

The Governor recommends an increase in Seed Permit fees and Hybrid Corn registration fees in order to recover costs associated with providing program services. The Governor also recommends several technical changes to the seed law to ensure that Minnesota remains consistent with other state and federal seed laws and has enforcement provisions that are consistent with other agricultural statutes.

### Background

In Minnesota, approximately 21 million acres are planted with crops, and of these acres one half million acres are devoted to growing seed. Nearly 10,000 retailers sell approximately \$500 million worth of seed annually in the state. To protect Minnesota agriculture and anyone growing plants from seed, the department collects approximately 1,500 samples per year from over 40,000 seed lots to verify label accuracy, and conducts approximately 500 inspections of retail and wholesale seed facilities. The Minnesota seed law provides Minnesota farmers and seed purchaser's assurance that the seed that they have obtained meets a number of specified standards and requirements and that information about the seed is accurately stated on the seed label.

The cost of providing seed testing, seed certification and hybrid seed corn testing services exceed program revenue. Fees for the seed program have not been adjusted nor updated since 1990.

### Relationship to Base Budget

Current revenue generated by program fees paid by the seed industry provides the department about \$750,000 annually. Of this amount, approximately \$70,000 is passed on to the University for support of the Hybrid Seed corn testing program.

### Key Measures

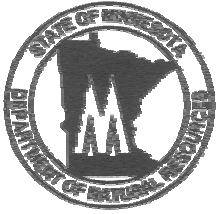
The seed law amendments will ensure that Minnesota seed laws are consistent and harmonious with other state and federal seed laws while some of the technical changes will enhance compliance.

- ⇒ Over 2,500 varieties of hybrid seed corn will continue to be tested and registered in Minnesota and that proper maturity ratings are assigned for each variety.
- ⇒ The 500 brands of seed varieties are properly registered and labeled by 26 seed companies.
- ⇒ That 1,500 annual seed samples are collected and analyzed for over 25 crops ensuring adequate germination rates and minimum purity standards.

**Statutory Change:** M.S. 21.80-21.92



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# Minnesota Department of Natural Resources

OFFICE OF THE COMMISSIONER  
500 Lafayette Road  
St. Paul, Minnesota 55155-4037

February 18, 2003

## The 2003 Minnesota Legislature

I am respectfully submitting the Governor's recommended FY 2004-05 biennial budget for the Department of Natural Resources (DNR). The recommended request is for \$600.996 million.

The recommended budget contains a change item for a General Fund base reduction of \$31.140 million (approx. 15% of the direct appropriation) and a request for Lottery in-lieu funding at 74% (a change from current law, 87.1%). Additionally, the recommended budget contains a General Fund reduction of \$4.280 million for Taconite Mining Grants: \$2.020 million for grants administered by the department, and \$2.260 million for grants administered by the University of Minnesota Coleraine Laboratory. This recommendation suspends the Taconite Mining Grant Program.

The recommended budget includes change items that would increase some user fees to recover programs costs. Additionally, the requested budget contains recommendations to increase appropriations from dedicated funds where additional effort is needed and current balances allow.

The DNR budget contains a variety of funds. Funds include: General Fund (48%), Game and Fish (26%), Natural Resources (15%), Special Revenue (6%) and Federal (5%). These funds are not evenly distributed to DNR programs. Some programs are almost entirely General Fund (Forestry, Lands and Minerals, Waters) and others are almost entirely dedicated funds (Fisheries, Wildlife and Trails and Waterways). Because of the variation in funding mix, reductions in General Fund spending can have disparate impacts on programs.

Arriving late in the DNR budget process, we needed to take a broad based approach. As a result, nine of the department's ten major programs are recommended for a 17% reduction to their directly appropriated General Fund dollars. Because of the variations in funding mix, reductions to individual program budgets (to include all funds) range from less than 1% (Fisheries) to approximately 17% (Waters). The tenth program is Forestry. Forestry's reduction was capped at 10% to ensure its continued contribution to forest health, fire protection, and rural and state economies, as well as to prevent jeopardizing timber sale revenues.

We have provided this budget in order to give you an understanding of the total (\$31.140 million) amount of our recommended General Fund reductions and of our specific change items. We are, however, continuing to work through the details as to where specific reductions should be made. We are determining how to most efficiently provide our core services and expect to provide you with our revised approach in early March.

We are focusing our budget preparation on five key principles:

1. Protect the long term health of the states natural resources
2. Provide the high profile, citizen demanded services (i.e. no "Washington Monument" closures)
3. Deliver sustainable levels of products and services that support Minnesota natural resources based industries and contribute to both local and state economies
4. Guard the integrity of dedicated funds, ensuring that they are used only for their intended purposes
5. Recognize that some programs provide a return on investment and as such, require examination of the net (savings minus lost revenues) impact of reductions

We have asked the management team to focus on our mission driven “core” programs and concentrate on “what we will do” rather than what is changing as a result of budget reductions. As you review our budget, you will find the following:

1. Division of Lands and Minerals will lease lands for exploration and mining, regulate mineral exploration, conduct essential mineral research as well as oversee DNR land transactions.
2. Division of Waters will guide and regulate the physical integrity of Minnesota’s lakes, rivers and water supplies.
3. Division of Forestry will sustain Minnesota forest ecosystems, provide a sustainable supply of forest resources and protect lives and property from wildfires.
4. Division of Parks and Recreation will provide open access to all state parks, including park and forest campgrounds, and preserve Minnesota’s natural and cultural resources.
5. Division of Trails and Waterways will provide a system of trails and water recreation facilities
6. Division of Fisheries will protect and manage aquatic resources and associated fish communities for their ecological, commercial and recreational values.
7. Division of Wildlife will conserve, manage and enhance wildlife populations and their habitats with an emphasis on maintaining Minnesota’s hunting and trapping heritage.
8. Division of Ecological Services will collect and link ecological data and manage fish, wildlife and native plant populations and their habitats.
9. Division of Enforcement will provide natural resource protection and public safety through information, education and law enforcement services.
10. Operations Support (e.g. Facilities, Equipment, Financial, Human Resources, Information Systems, Information and Licensing and the Commissioners Office) will provide essential support services.

DNR’s management team will continue its discussion of how to most efficiently provide the core outcomes. We recognize that, in some instances, this will require us to rethink how we provide services. This will take us some time, but we will change and we will meet our mandates in new ways.

I look forward to discussing our ideas with you.

Sincerely,



Gene Merriam, Commissioner  
Department of Natural Resources

FY 2004-05 Expenditures (\$000s)

	General Fund	Other Funds	Total
<b>2003 Funding Level</b>	272,364	364,509	636,873
Legislatively Mandated Base	-5,206	-982	-6,188
One-Time Appropriations	0	-62,012	-62,012
Open Appr. Forecast Adj.	4,001	-2	3,999
Receipt Adjustments	0	-708	-708
<b>Adjusted Base Funding</b>	271,159	300,805	571,964
<b>Change Items</b>			
Fees For Commercial Fishing Licenses	0	545	545
General Fund Reduction Plan	-31,140	0	-31,140
Increase Fees For Aquatic Plant Mgmt	0	776	776
LCMR Project	0	27,128	27,128
Lottery In-lieu Sales Tax	0	19,356	19,356
New Fee For Winter Aeration Permits	0	124	124
Water Recreation Enhancement	0	3,820	3,820
Land & Minerals Resource Mgmt			
Fees For Utility Licenses	400	10	410
Taconite Mining Grant Reduction	-2,020	0	-2,020
Water Resources Mgmt			
Water Use Fee Increase	1,924	0	1,924
Parks & Recreation Mgmt			
Increase State Park Camping Fees	50	1,418	1,468
Trails & Waterways Mgmt			
Federal Wallop/Breaux	0	1,235	1,235
State Snowmobile Trail Operations	0	1,000	1,000
Fish Management			
1837 Treaty Management	0	350	350
Fish Culture And Stocking	0	2,000	2,000
Trout And Salmon Management	0	448	448
Wildlife Management			
Improve WMA Habitat & Wild Turkey Mgmt	0	1,250	1,250
Ecological Services			
Continuation Of Watercraft Inspections	0	358	358
<b>Governor's Recommendations</b>	240,373	360,623	600,996
<b>Biennial Change, 2002-03 to 2004-05</b>	-3,874	-20,331	-24,205
<b>Percent Change</b>	-2%	-5%	-4%

The actual DNR biennial change for the **General Fund** is -29.024 million or -12%.  
 The actual biennial **Total** change is -49.355 million or -8%.

The numbers and percentages (**Biennial Change, 2002-03 to 2004-05** and **Percent Change**) shown in the table above are misleading as the Department of Finance's Biennial Budget System does not include FY 2002 and FY 2003 history for Payment in-lieu of Taxes (PILT) in DNR, but instead in the Department of Revenue.

**Brief Explanation Of Budget Decisions:**

**Base Adjustments**

The **Legislative Mandated Base** includes the following adjustments:

- ⇒ General Fund reductions of (\$5.206) million
  - ◆ Mn Conservation Corps (MCC) Program eliminated for (\$2.104) million
  - ◆ Parks operations reduced by (\$500,000)
  - ◆ Grant to the Met Council for metro regional parks reduced by (\$800,000)
  - ◆ Operations Support reduced by (\$1.802) million

- ⇒ Reductions in other funds of (\$982,000)
  - ◆ (\$624,000) from the Natural Resources Fund for the elimination of MCC Program
  - ◆ (\$358,000) from the Natural Resources Fund for boat inspections conducted by MCC members

The **One Time Appropriations** to be excluded from base level funding include:

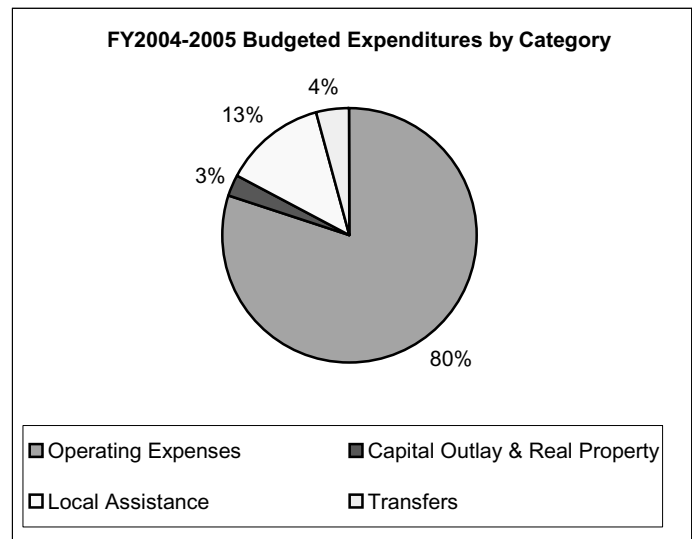
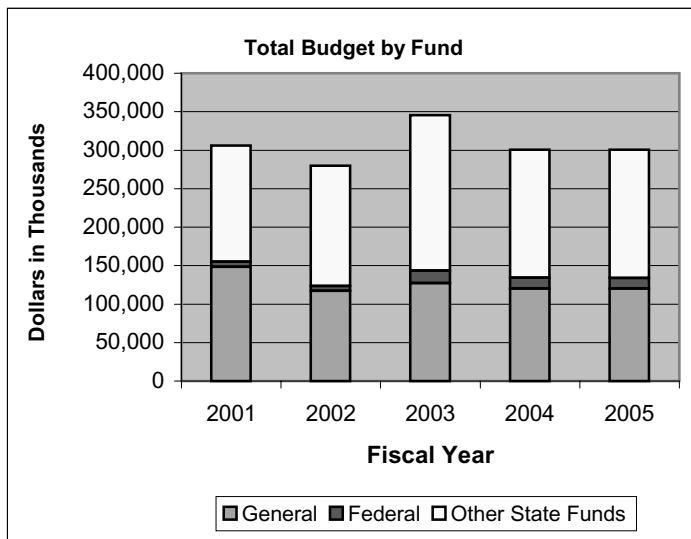
- ⇒ Reductions in other funds of (\$62.012) million
  - ◆ (\$600,000) from the Natural Resources Fund for the Mississippi Whitewater Trail appropriation
  - ◆ (\$8.976) million from the Natural Resources Fund for appropriations associated with the Lottery in-Lieu of Sales Tax
  - ◆ (\$20.426) million from the Game and Fish Fund for appropriations associated with the Lottery in-Lieu of Sales Tax
  - ◆ (\$31.330) million from Environmental and Natural Resources Trust Fund for biennial appropriations associated with LCMR-recommended projects
  - ◆ (\$680,000) from the MN Future Resources Fund for biennial appropriations associated with LCMR-recommended projects

The **Open Appropriation Forecast** changes in base funding include:

- ⇒ General Fund increased funding of \$4.001 million
  - ◆ Increase of \$1.058 million for payment in lieu of taxes (PILT)
  - ◆ Increase of \$444,000 for taconite mining grants
  - ◆ Increase of \$2.000 million for emergency fire fighting
  - ◆ Increase of \$54,000 for the Leech Lake Reservation payment
  - ◆ Increase of \$445,000 for the 1854 Indian Treaty payment
- ⇒ Reduction in other funds of (\$2,000)
  - ◆ Reduction in debt service from the Snowmobile Account

The **Receipt Adjustment** that is part of the total agency base changes is a reduction in the Natural Resources Fund of (\$708,000) as a result of the adjusted Lottery in-Lieu of Sales Tax receipt estimates. This item adjusts base level funding for the Met Council grant for metro regional parks.

<b>FY 2004-05 Revenues (\$000s)</b>			
	<b>General Fund</b>	<b>Other Funds</b>	<b>Total</b>
<b>FY 2004-05 Current Law Revenues</b>	16,526	301,466	317,992
<b>Change Items</b>			
Lands and Minerals			
Fees for Utility Licenses	400	98	498
Water Resources			
Water Use Fee Increase	1,924	0	1,924
Parks and Recreation			
Increase State Park Camping Fees	50	1,418	1,468
Fish Management			
New Fee Winter Aeration Permits	0	124	124
Fees for Commercial Fishing Licenses	0	545	545
Ecological Services			
Increased Fees for Aquatic Plant Management	0	776	776
Operations Support			
Water Recreation Enhancement	0	820	820
Change Item Total	2,374	3,781	6,155
<b>FY 2004-05 Total Revenues</b>	<b>18,900</b>	<b>305,247</b>	<b>324,147</b>
<b>Biennial Change 2002-03 to 2004-05</b>	<b>1,888</b>	<b>24,650</b>	<b>26,538</b>
<b>    Percent Change</b>	<b>11.1%</b>	<b>8.8%</b>	<b>8.9%</b>



<i>Dollars in Thousands</i>	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
<b>Expenditures by Fund</b>						
<b>Direct Appropriations</b>						
Environment & Natural Resource	6,337	13,580	19,924	13,564	13,564	27,128
General	124,756	101,016	109,936	90,275	90,275	180,550
Minnesota Resources	876	8,919	6,769	0	0	0
Natural Resources	38,549	41,478	51,425	47,265	47,325	94,590
Special Revenue	186	66	0	0	0	0
Game And Fish (Operations)	80,634	69,735	88,070	80,999	80,739	161,738
Iron Range Resources & Rehab	24	0	0	0	0	0
Solid Waste	100	100	100	100	100	200
Permanent School	28	30	142	0	0	0
<b>Open Appropriations</b>						
General	22,696	15,952	16,765	29,657	29,946	59,603
Natural Resources	330	256	323	323	323	646
Game And Fish (Operations)	1,112	856	1,151	1,151	1,151	2,302
<b>Statutory Appropriations</b>						
General	991	90	488	120	100	220
Natural Resources	527	476	2,866	1,119	669	1,788
Special Revenue	16,478	16,534	21,434	15,826	15,843	31,669
Game And Fish (Operations)	2,295	2,126	3,170	2,624	2,636	5,260
Federal	6,694	6,262	16,146	14,069	13,647	27,716
Environmental	0	25	719	1,110	1,989	3,099
Reinvest In Minnesota	1,178	758	963	851	851	1,702
Miscellaneous Agency	868	95	100	28	15	43
Gift	972	1,283	4,552	1,336	1,339	2,675
Permanent School	203	16	505	48	19	67
<b>Total</b>	<b>305,834</b>	<b>279,653</b>	<b>345,548</b>	<b>300,465</b>	<b>300,531</b>	<b>600,996</b>

# NATURAL RESOURCES DEPT

# Fiscal Report

<i>Dollars in Thousands</i>						
<b>Expenditures by Category</b>	<b>Actual FY2001</b>	<b>Actual FY2002</b>	<b>Preliminary FY2003</b>	<b>Governor's Rec</b>		<b>Biennium 2004-05</b>
				<b>FY2004</b>	<b>FY2005</b>	
Operating Expenses	237,951	219,267	270,754	238,631	239,525	478,156
Capital Outlay & Real Property	18,553	10,256	17,774	8,356	8,108	16,464
Payments To Individuals	212	139	48	0	0	0
Local Assistance	47,569	48,359	54,520	39,454	38,637	78,091
Other Financial Transactions	1,549	1,632	2,452	1,567	1,568	3,135
Transfers	0	0	0	12,457	12,693	25,150
<b>Total</b>	<b>305,834</b>	<b>279,653</b>	<b>345,548</b>	<b>300,465</b>	<b>300,531</b>	<b>600,996</b>

## Expenditures by Program

Land & Minerals Resource Mgmt	15,817	8,423	11,271	20,506	20,713	41,219
Water Resources Mgmt	14,642	12,200	15,216	13,258	13,258	26,516
Forest Management	57,461	53,929	63,062	55,132	55,152	110,284
Parks & Recreation Mgmt	46,036	45,114	48,332	40,619	40,618	81,237
Trails & Waterways Mgmt	23,508	24,042	34,456	28,170	27,233	55,403
Fish Management	38,605	33,323	42,520	38,323	38,438	76,761
Wildlife Management	28,652	22,117	33,384	27,412	27,424	54,836
Ecological Services	12,237	9,289	15,008	13,183	14,181	27,364
Enforcement-Nr Laws&Rules	26,324	23,652	27,278	25,054	25,159	50,213
Operations Support	42,552	47,564	55,021	38,808	38,355	77,163
<b>Total</b>	<b>305,834</b>	<b>279,653</b>	<b>345,548</b>	<b>300,465</b>	<b>300,531</b>	<b>600,996</b>

## Revenue by Type and Fund

### Non Dedicated

Environment & Natural Resource	6	3	2	2	2	4
General	799	8,469	8,159	9,346	9,346	18,692
Minnesota Resources	0	1	2	2	2	4
Natural Resources	14,344	19,682	20,441	21,515	21,415	42,930
Cambridge Deposit Fund	13,242	0	0	0	0	0
Game And Fish (Operations)	63,238	67,415	66,272	69,322	71,469	140,791
Permanent School	19	388	13	40	40	80
Subtotal Non Dedicated	91,648	95,958	94,889	100,227	102,274	202,501

### Dedicated

General	1,038	231	153	108	100	208
Minnesota Resources	0	1,363	2,215	2,039	1,720	3,759
Natural Resources	659	986	1,137	1,119	669	1,788
Special Revenue	20,392	17,495	16,763	16,709	16,957	33,666
Game And Fish (Operations)	2,648	2,659	2,599	2,624	2,636	5,260
Federal	7,654	8,560	13,295	13,944	13,647	27,591
Reinvest In Minnesota	317	364	163	163	163	326
Miscellaneous Agency	3,542	2,555	5,286	7,184	8,088	15,272
Gift	1,685	1,282	1,650	1,336	1,339	2,675
Permanent School	15,801	13,689	14,317	15,131	15,970	31,101
Subtotal Dedicated	53,736	49,184	57,578	60,357	61,289	121,646
<b>Total Revenue</b>	<b>145,384</b>	<b>145,142</b>	<b>152,467</b>	<b>160,584</b>	<b>163,563</b>	<b>324,147</b>

<b>Full-Time Equivalent (FTE)</b>	<b>2,847.1</b>	<b>2,745.9</b>	<b>2,742.6</b>	<b>2,711.3</b>	<b>2,715.1</b>
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# NATURAL RESOURCES DEPT

## Change Item: FEES FOR COMMERCIAL FISHING LICENSES

Fiscal Impact (\$000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Fund (Game and Fish)				
Expenditures	\$159	\$386	\$386	\$386
Revenues	\$159	\$386	\$386	\$386
Net Fiscal Impact	0	0	0	0

### Recommendation

The Governor recommends that fees for commercial fishing licenses be increased to meet the administration costs of the program.

### Background

M.S. 16A.1285 requires that the department set fees at a level that recovers costs. Currently the program administration, resource monitoring and enforcement costs of commercial activities exceed the revenues they generate for the agency. Total annual revenues collected from commercial fisheries licenses are approximately \$159,000. By comparison, annual administrative costs for the Division of Fisheries, Division of Ecological Services, Division of Enforcement, and License Center are \$545,000.

The Division of Fisheries allocates 2.0 to 5.0 FTEs annually on commercial operations depending on activity. The associated cost to Fisheries in 2001 for program administration and monitoring of commercial programs was \$150,000. The Division of Fisheries is the lead division for implementing this program.

The Division of Enforcement allocates 2.0 to 3.5 FTEs annually on commercial operations depending on activity. Associated costs annually are around \$275,000. Enforcement plays an important role in helping to monitor commercial fisheries activities and enforcing commercial regulations enacted through legislation or rules.

The Division of Ecological Services in the past few years has had an increasing role in commercial efforts, including that of fish health. Staff provide aquatic nuisance species training and monitoring; responses to impacts on non-game species including those that are endangered, threatened or of special concern; and providing for fish health inspections, testing for pathogens, and health certification of facilities. The costs associated with these aspects of program administration are \$93,000 annually and 1.5 FTEs.

The License Center has reduced their associated costs due to software changes. Expenditures for commercial licensing are \$27,000 and require only 0.8 FTE.

An additional factor to consider is the substantial economic value of the commercial fishing industry relative to the nominal license fee. For example, the economic values are over \$28 million for the bait industry, \$4 million for the commercial fishing industry, and \$2 million for the private aquaculture industry (not including bait fish culture).

This initiative is a follow-up to the consolidation and simplification of the commercial fishing licenses done in 1997. This legislation was used as a model for this new commercial fishing license increase. Appropriation of the new revenue will offset part of the costs of administering the commercial program. Allocation of the new revenue in FY 2005 will be as follows: Fisheries (28%), \$106,000; Enforcement (50%), \$195,000; Ecological Services (17%), \$66,000; and License Bureau (5%) \$19,000. In FY 2004, only a portion of the increased revenue will be available and we are requesting the following amounts: Fisheries \$44,000; Enforcement \$80,000; Ecological Services \$27,000; and License Bureau \$8,000.

The Division of Fisheries goal is to provide sustainable commercial fishing opportunities for the commercial fishing industry. The cost of administering, monitoring, and enforcement of commercial fishing activities and operations comes from revenues to the Game and Fish Fund. Currently, monies generated from licenses purchased by sport anglers are making up the program deficit. If this change item is not approved, the state would continue to be in violation of M.S. 16A.1285, and the sports anglers would continue to subsidize the costs related to the commercial fishing licenses.

The commercial users are not favorable of any increases in any of their fees and will lobby against any increases. The commercial groups are: Minnesota Aquaculture Association, North Shore Commercial Fishermen, Inland Commercial Fishing Trade Association, Minnesota Live Bait Growers and Fish Farmers, and Lake Superior Fishing Guides Association.

### **Relationship to Base Budget**

The increased commercial license revenues and associated appropriation would result in an increase in base budget of \$386,000. By increasing the costs of each license by an average of 213% the department will be able to recoup program costs.

### **Key Measures**

The goal of this change level request is to generate revenues to recover the costs of administering and monitoring the commercial uses of Minnesota's fisheries resources. A key measure of this change level request would require the commercial licensees to bear the cost of administering and monitoring the commercial use of Minnesota's natural resources. Without this funding, the Department of Natural Resources may not be able to maintain the same level of resource protection that is required to prevent the introduction of diseases, aquatic nuisance species, or other unknown plants or animals that might impact our natural resources.

### **Alternatives Considered**

Other alternatives that might be considered are to add new fees to commercial permits.

**Statutory Change:** The statutes affected by this change item are M.S. 17.4988 and M.S. 97A.475.

# NATURAL RESOURCES DEPT

## Change Item: GENERAL FUND REDUCTION PLAN

Fiscal Impact (\$000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	(\$15,570)	(\$15,570)	(\$15,570)	(\$15,570)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	(\$15,570)	(\$15,570)	(\$15,570)	(\$15,570)

### Recommendation

The Governor recommends General Fund expenditure reductions of (\$15.570) million in FY 2004 and (\$15.570) million FY2005 from the DNR's General Fund base level funding. The recommended expenditure reduction represents a 15% General Fund reduction from the agency's base level funding for the biennium.

### Background

The DNR has developed a proposal for the General Fund expenditure reductions in FY 2004 and FY 2005. The reduction plan follows the guidance given by the Department of Finance for state agencies to develop a General Fund expenditure reduction plan.

In preparing its 15% General Fund reduction plan, the DNR also considered the impacts to staffing and programs from a General Fund reduction of \$(650,000) in FY 2004 and \$(650,000) in FY 2005 to its Parks and Recreation Management Program and a General Fund reduction of \$(900,000) in FY 2004 and \$(900,000) in FY 2005 to its Operations Support Program. These reductions were specified as "tails" in the documentation to the 2002 Legislative Conference Committee action.

The DNR's 15% General Fund expenditure reduction plan by program is as follows:

	<u>FY2004</u>	<u>FY2005</u>
	(\$ in millions)	(\$ in millions)
Land and Minerals	(\$1.267)	(\$1.267)
Waters	(2.052)	(2.052)
Forestry	(3.636)	(3.636)
Parks and Recreation	(4.024)	(4.024)
Trails and Waterways	(.333)	(.333)
Fish Management	(.088)	(.088)
Wildlife Management	(.275)	(.275)
Ecological Services	(.654)	(.654)
Enforcement	(.609)	(.609)
Operations Support	<u>(2.631)</u>	<u>(2.631)</u>
Agency Total	(\$15.570)	(\$15.570)

### Relationship to Base Budget

The paragraphs below briefly state the core functions provided by each of the DNR's divisions and the anticipated impact of the General Fund reductions:

**Division of Lands and Minerals**, with a \$1.267 million reduction per year, leases lands for exploration and mining, regulates mineral exploration, conducts core mineral research and oversees DNR land transactions. The reduction will result in increased leasing and land transaction times, targeted reductions in minerals research and suspension of the review of tax forfeited land sales.

**Division of Waters**, with a \$2.052 million reduction per year, guides and regulates the physical integrity of Minnesota's lakes, rivers and water supplies. As a result of this reduction DNR's contribution to Minnesota Geological Atlas, Red River Mediation and Mississippi Headwaters Board will be suspended. Research activities, some grants and cooperative agreements will be suspended or reduced.

**Division of Forestry**, with a \$3.636 million reduction per year, sustains Minnesota forest ecosystems, provides a sustainable supply of forest resources and protects lives and property from wildfires. With the division's General Fund reduction some pre-suppression activities will be reduced and increased reliance on local fire departments will be required. White pine reforestation will be suspended, some forest roads will be seasonally closed, some forest research and data collection, private landowner assistance and cooperative programs will be reduced.

**Division of Parks and Recreation**, with a \$4.024 million reduction per year, provides access to all state parks, including park and forest campgrounds, and preserves Minnesota's natural and cultural resources. Reductions will be seen in resource management and in interpretation activities. Staff will be less available to users in parks with lower visitor counts.

**Division of Trails and Waterways**, with a \$333,000 reduction per year, provides a system of trails and water recreation facilities. The division's reduction will result in a relatively small decrease in the maintenance of non-motorized state trails.

**Division of Fisheries**, with a \$88,000 reduction per year, protects and manages aquatic resources and associated fish communities for their ecological, commercial and recreational benefits. The division's General Fund reduction will result in only a small reduction in shoreline restoration projects.

**Division of Wildlife**, with a \$275,000 reduction per year, conserves, manages and enhances wildlife populations and their habitats with an emphasis on maintaining Minnesota's hunting and trapping heritage. The division's reduction will be addressed through a relatively small reduction in private land food plots and prescribed burning activities.

**Division of Ecological Services**, with a \$654,000 reduction per year, collects and links ecological data in the management of fish, wildlife and native plant populations and their habitats. The General Fund reduction will result in the suspension of interpretation and education on Scientific and Natural Areas, and limited reductions will be made in research and data management.

**Division of Enforcement**, with a \$609,000 reduction per year, will provides natural resource protection and public safety through information, education and law enforcement services. The division will eliminate six support and field officer positions.

**Operations Support** (e.g. facilities, equipment, financial management, human resources, information systems, information and licensing, and the Commissioner's Office), with a \$2.631 million reduction per year, provides essential support services to the entire agency. This General Fund reduction, combined with rider language from the 2002 session that mandated an additional \$900,000 reduction per year, will require the agency to make a full re-examination of Operations Support.

#### **Relationship to Base Budget**

General Fund expenditure reductions of (\$15.570) million in FY 2004 and (\$15.570) million in FY 2005 are a 15% reduction from General Fund base level funding of \$104.658 million in FY 2004 and \$104.658 million in FY 2005.

#### **Alternatives Considered**

Mitigation alternatives to the General Fund reductions in select program areas have been developed and are offered in a separate change item for consideration.

**Statutory Change:** Not applicable.

# NATURAL RESOURCES DEPT

## Change Item: INCREASE FEES FOR AQUATIC PLANT MGMT

Fiscal Impact (\$000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Game and Fish Fund 230				
Expenditures	\$388	\$388	\$388	\$388
Revenues	\$388	\$388	\$388	\$388
Net Fiscal Impact	0	0	0	0

### Recommendation

The Governor recommends that the per property fee for Aquatic Plant Management Permits be increased and the \$200 cap on group permits be modified to generate sufficient revenue to cover the cost of the Department of Natural Resource's (DNR's) Aquatic Plant Management (APM) Program.

### Background

Aquatic plants perform important functions in many Minnesota lakes. They provide habitat for fish and wildlife, dampen wave action protecting shorelines from erosion, prevent the re-suspension of bottom sediments, tie up nutrients that might otherwise cause excessive algal growth, and add beauty and character to lakeshores. In Minnesota riparian property owners have the right to reasonable access and use of the lake adjacent to their property. This has been interpreted to allow the destruction of aquatic plants (that belong to the public) if they interfere with the homeowner's access, as long as that destruction does not reduce the value of the public resource. The purpose of the APM Program operated by the DNR is to protect aquatic vegetation for the benefits it provides to Minnesota lakes while allowing lakeshore homeowners to exercise their right to use the lake.

M.S. 16A.1285 requires that the department set fees at a level that recovers costs. Currently the program administration, resource monitoring, technical outreach, and enforcement costs of aquatic plant management exceed the revenues they generate for the agency. Applicable costs that the state incurs include: reviewing APM permit applications, conducting site inspections, providing technical assistance, printing informational material, inspecting treatments/treated sites, and enforcing rules associated with requests from the public to destroy aquatic plants that are growing in public waters. A proposal to review the APM Program (required by Minnesota Session Laws 2002, Chap. 351, Sec. 31) identifies a process for modifying fees. Total annual revenues collected from lakeshore residents and other riparian owners who obtain permits to control aquatic vegetation are \$112,000. These fees are deposited to the Game and Fish Fund and base appropriations from the Game and Fish Fund to the Divisions of Ecological Services, Fisheries, and Enforcement are assumed to include the revenue currently being generated. By comparison, annual costs for the Divisions of Ecological Services, Fisheries, and Enforcement are \$513,000. This proposal would generate an additional \$388,000 raising the total amount collected for aquatic plant management fees to \$500,000. This would enable the DNR to allocate additional resources from the Game and Fish Fund to support this program. The DNR conducts additional activities, using an annual \$25,500 grant from U.S. Environmental Protection Agency (EPA) that is administered by the Minnesota Department of Agriculture (MDA), to insure the appropriate use of pesticides in aquatic applications.

The annual cost of an APM permit is modest. Statute stipulates (M.S. 103G.615, Subd. 2) that the maximum cost of a permit for chemical treatment of rooted aquatic vegetation may not exceed \$20 for each contiguous parcel and that the maximum fee for a group permit may not exceed \$200. The roughly 10,000 property owners who receive an APM permit pay a permit fee, on average, of about \$11 per year. DNR rules allow a *de minimus* amount of aquatic plant removal without a permit. As a result, many lakeshore owners pay no fee for removing plants adjacent to their property.

- ⇒ Division of Fisheries - increase allocation by \$246,000. Fisheries allocates seven full-time equivalents (FTEs) annually to its activities related to aquatic plant management. This includes time spent by six APM specialist positions, clerical support, and the part-time efforts of many other Fisheries management staff located in area and regional offices. These staff positions are responsible for all aspects of permit review and issuance. They inspect sites where control is requested, monitor compliance with permit conditions, provide technical assistance, and administer permits. The Division of Fisheries spends \$325,000 annually on these activities.
- ⇒ Division of Ecological Services - increase allocation by \$113,000. Ecological Services allocates 2.5 FTEs (the APM Program Coordinator and two positions with Pesticide Enforcement expertise) plus additional clerical support to this effort. These positions help coordinate, implement, and review APM activities. In addition, the two Pesticide Enforcement positions provide oversight of pesticides used by both private individuals and commercial firms, and training to insure that those products are used safely and in accordance with label requirements. The costs associated with these safety, permit, and administrative activities are \$150,000.
- ⇒ Division of Enforcement - increase allocation by \$29,000. Conservation officers are responsible for enforcing APM rules. These activities are tracked by the department's cost accounting system and cost approximately \$38,000.

### Relationship to Base Budget

The Game & Fish Fund, Water Recreation Account, and General Fund are the current funding sources that support the department's APM Program activity. APM permit fees are deposited in the Game & Fish Fund, but do not cover program costs. In recent years, fee revenue has been about 25% of the program's operational costs. If APM permit fees were increased to fully cover APM expenditures the funding currently supporting these activities could be reallocated to other priorities within the funds.

### Key Measures

The goal of this change level request is to generate revenues to cover the permit issuance, resource monitoring, technical outreach, enforcement, and program administration costs of the department's APM Program. A key measure of this change level request would require that the various individuals/groups that control aquatic plants in public waters bear the cost of DNR's resource management program. To cover program costs, the fee per lakeshore parcel would need to be increased to \$50 and the cap on group permits eliminated (as outlined in the statutory change below). However, there are currently many riparian owners who are not required to pay a fee. Extending permit fees to more aquatic plant management activities is an alternative way to increase revenue.

### Alternatives Considered

**Statutory Change:** M.S. 103G.615 Permits to harvest or destroy aquatic plants.

# NATURAL RESOURCES DEPT

## Change Item: NEW FEE FOR WINTER AERATION PERMITS

Fiscal Impact (\$000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Game and Fish Fund - 230				
Expenditures	\$62	\$62	\$62	\$62
Revenues	\$62	\$62	\$62	\$62
Net Fiscal Impact	0	0	0	0

### Recommendation

The Governor recommends that a new \$250 fee for lake aeration permits be established to cover the administrative, training, and inspection costs the state incurs operating this public safety program.

### Background

Aeration of lakes and ponds during the winter is an established management tool to maintain fish and/or minnows in ponds and lakes that might otherwise winterkill. While this technique has clear management value, it also creates a significant public safety risk, particularly on basins with public access. During the period 1979 – 1988, before the department implemented its current and more aggressive public safety efforts, six people died and there were at least seven non-fatal accidents associated with the open water created by aeration systems. Since 1988, there has been only one additional fatality.

The Department of Natural Resources (DNR) permits the operation of lake aeration systems (about 250 permits are issued annually), primarily to insure that these lakes and open-water areas created during the winter are properly posted to reduce the risk to public safety. The department provides safety training to operators, provides “Thin Ice” and “Danger – Open Water” signs, and conducts safety inspections in addition to administering the permit program. Currently the DNR provides all services associated with the lake aeration safety program for free. By comparison, annual training, printing, inspection, and administrative costs for the divisions of Fisheries, Ecological Services, and Enforcement are in excess of \$62,000.

The Aeration Program Coordinator position is in the Division of Ecological Services. This position invests about 0.2 FTEs plus additional clerical support in the administration of the Aeration Safety Program. The position is responsible for statewide coordination of permit issuance on an annual basis, provides technical assistance to permittees, provides safety training through a series of workshops in local communities (offered every three years), and summarizes program accomplishments in an annual report. The costs associated with these safety and administrative activities are \$24,500 annually (FY 2002 data).

Various Division of Fisheries staff allocates time to train to new permittees on safety procedures, conduct field inspections to insure safe operation, and review permit applications. In two regions (Metro and Northwest), safety training and field inspection responsibilities are focused in specific positions. In other regions, the responsibilities are shared among multiple staff. In FY 2002, Division of Fisheries staff spent about 0.5 FTEs on the aeration safety program at a cost of \$31,000.

The Division of Enforcement also inspects aeration systems that operate on public waters to insure compliance to safety regulations. These inspection efforts focus on waters with public access. In FY 2002, about 190 hours of activity were recorded (between December and March) and 225 inspections were conducted at a direct salary cost of \$6,500.

### Relationship to Base Budget

Although this would not be a significant change in the overall budget, it would fully fund the ongoing aeration program.

**Key Measures**

The goal of this change level request is to generate revenues to cover the cost to provide safety training, insure compliance with safety requirements, and administer this program. A key measure of this change level request would require that the various groups that operate winter aeration systems (e.g., lake associations, hunting and fish clubs, minnow dealers) bear the cost of the safety program. Without this funding, the DNR may not be able to maintain the same level of inspection effort, increasing the risk that "thin ice" signs around aeration systems will not be adequately maintained. Without signs present to warn the public of the danger of open water/thin ice, the threat of injury or death for individuals out on the ice will increase.

**Alternatives Considered**

The department has considered partially recouping program costs by charging permittees for aeration safety signs and/or providing a list of vendors who would sell signs directly to the public. This option was rejected because the projected savings were small (about \$3,000/yr) and an overriding desire to enhance public safety by ensuring that permittees always had an adequate number of signs available for posting.

**Statutory Change:** 103G.611 Water Aeration Safety



# NATURAL RESOURCES DEPT

Change Item: LOTTERY IN-LIEU SALES TAX

Fiscal Impact (\$000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Fund				
Expenditures: Game and Fish	\$7,363	\$7,363	\$7,363	\$7,363
Expenditures: Natural Resources	2,315	2,315	2,315	2,315
Revenues	0	0	0	0
Net Fiscal Impact	\$9,678	\$9,678	\$9,678	\$9,678

## Recommendation

The Governor recommends a reduction from 87.1% to 74.0% in the percent of Lottery in-lieu receipts deposited to the Game and Fish and Natural Resources Funds. This change will result in an additional \$3.193 million deposited to the General Fund in FY 2004 and \$3.193 million in FY 2005.

The Governor also recommends an increase in expenditures of \$7.363 million in FY 2004 and \$7.363 million in FY 2005 from the Heritage Enhancement Account in the Game and Fish Fund, and \$2.315 million in FY 2004 and \$2.315 million in FY 2005 from the Natural Resources Fund. Included in the net change in the Natural Resources Fund is (\$719,000) in FY 2004 and (\$719,000) in FY 2005 for a grant to the Met Council for the metro regional parks. The expenditure reduction aligns the amount of the annual grant with estimated receipts based on the change in deposit percentage from 87.1% to 74.0%.

The Governor recommends that Lottery in-lieu of Sales Tax funds be incorporated into the Department of Natural Resources base level funding. Annual budgetary tails from the 2001 Legislative Session provided only \$1.653 million from the Heritage Enhancement Account and \$5.862 million from the Natural Resources Fund as base level funding in each of FY 2004 and FY 2005.

## Background

Under current law, M.S. 297A.94, paragraph (e) provides that beginning in FY 2004 87.1% of the in-lieu sales tax on state lottery tickets sales must be deposited to the state treasury as follows: 1) 50% to the Heritage Enhancement Account in the Game and Fish Fund, and may be spent only on activities that improve, enhance, or protect fish and wildlife resources, including conservation, restoration, and enhancement of land, water, and other natural resources of the state; 2) 22.5% to the Natural Resources Fund, and may be spent only for state parks and trails; 3) 22.5% to the Natural Resources Fund, and may be spent only on metropolitan park and trail grants; 4) 3% to the Natural Resources Fund, and may be spent only on local trail grants; and 5) 2% to the Natural Resources Fund, and may be spent only for the Minnesota Zoological Garden, the Como Park Zoo and Conservatory, and the Duluth Zoo.

The Lottery in-lieu of Sales Tax is an important funding source for the DNR, Metropolitan Council's regional parks and trails, and the state's major zoos. Outcomes from the use of lottery in-lieu funding in FY 2004 and FY 2005 are as follows:

### OUTCOMES:

#### **Fish Management**

**\$2.254 million (FY 2004)**

**\$2.254 million (FY 2005)**

- ⇒ Hatchery Maintenance and Improvement – maintain and improve state fish hatcheries and rearing facilities.
- ⇒ Acquisition – acquire 16,000 feet of lake and stream shore each year.
- ⇒ Field Projects – complete about 40 survey and habitat development projects each year.
- ⇒ Aquatic Plant Restoration – restore 20,000 feet of lake and stream shoreline each year.
- ⇒ Aquatic Plant Management Positions – funding for staff position who work to protect aquatic vegetation and shoreline habitat in Minnesota's lakes and streams.
- ⇒ Urban Fishing Program (FIN) – add 10 kids fishing ponds in the biennium, which brings the total to 45 kids fishing ponds.

- |                            |                            |                            |
|----------------------------|----------------------------|----------------------------|
| <b>Forestry Management</b> | <b>\$235,000 (FY 2004)</b> | <b>\$235,000 (FY 2005)</b> |
|----------------------------|----------------------------|----------------------------|
- ⇒ Funding would be used to complete the transfer of Ecological Classification Systems (ECS) standards and evaluations for Minnesota forestlands to field practitioners and fully implement ECS in forested landscapes. Specific outcomes include:
    - ⇒ Field forestland manager training
    - ⇒ Forest stewardship plan supplements
    - ⇒ Plant identification aids
    - ⇒ Producing the documents (brochures, fact sheets) that help field staff implement ECS.

These tools and techniques will be easy to understand and will summarize the key elements of ECS and forest management. This effort will provide the needed training, reference materials, and expertise to 300 field forestland managers and provide information to over 1,000 private forestland owners.

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|----------------------------|----------------------------------|----------------------------------|
| <b>Wildlife Management</b> | <b>\$2.502 million (FY 2004)</b> | <b>\$2.502 million (FY 2005)</b> |
|----------------------------|----------------------------------|----------------------------------|
- ⇒ Habitat management on WMAs (prescribed burns - additional 34,000 acres; prairie/grassland management – additional 4,300 acres; forest habitat projects – additional 1,000 acres; wetland restoration and improvements – additional 3,400 acres; brushland management – additional 3,400 acres burned or sheared).
  - ⇒ Wildlife inventory, monitoring and research; completion of applied research and monitoring in each of the forest, wetland, and farmland groups (otter survey development, moose mortality study, etc.)
  - ⇒ Con-Con WMA boundary surveys and posting (550 miles of a total 785 miles of boundaries for recently designated Con-Con, Volstead and Trust Fund WMAs).
  - ⇒ Private land technical assistance and cost share to improve wildlife habitat on private lands (additional technical assistance for 360 landowners, cost share habitat projects for 330 acres).
  - ⇒ Farm Bill implementation (6,000 hours of technical support for 360 landowners to create and improve wildlife habitat).
  - ⇒ WMA grants and administration (outdoor groups assist with habitat management – 17,000 acres of prescribed burns; 940 acres of prairie/grassland management; 150 acres of forest management; 840 acres of wetlands restoration and improvement; and 940 acres of brushland burning or shearing).
  - ⇒ Development of newly acquired WMAs to meet minimum development standards for public access and use (access roads, trails, water access sites, parking lots, camp sites, hunter blinds and observation platforms).
  - ⇒ Wolf management; effective resolution of wolf and human conflict (statewide surveys to monitor the status of the wolf population).
  - ⇒ Prairie chicken reintroduction (approximately 170 prairie chickens relocated and monitored in noncontiguous but suitable habitats).
  - ⇒ Support for waterfowl habitat development in Canada pursuant to M.S. 97A.127 (additional 2,500 acres of habitat to benefit waterfowl migrating through Minnesota).

In the event that Chronic Wasting Disease (CWD) is found in the wild deer herd, Wildlife is requesting authorization to modify the purpose of its expenditure plan from the Heritage Enhancement Account. The division is authorized to use its biennial appropriation for the additional and unforeseen costs for wildlife health management related to fighting the spread of CWD.

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|----------------------------|----------------------------------|----------------------------------|
| <b>Ecological Services</b> | <b>\$1.235 million (FY 2004)</b> | <b>\$1.235 million (FY 2005)</b> |
|----------------------------|----------------------------------|----------------------------------|
- ⇒ Expand the Minnesota County Biological Survey into Douglas, Todd, Otter Tail, and Becker counties where only initial reconnaissance work has been completed.
  - ⇒ Implement at least six habitat management and inventory projects per year to enhance the long-term survival of priority non-game wildlife species. Priority non-game wildlife species include colonial waterbirds, shorebirds, grassland birds and rare turtles
  - ⇒ Assist private prairie landowners in implementing 15-20 management projects per year resulting in 400-600 acres of native prairie improved annually.
  - ⇒ Continue to upgrade the management of ecological data to insure that data are integrated, readily accessible, and capable of delivering customized products.
  - ⇒ Assess the current status of aquatic plant resources in Minnesota’s lakes and public attitudes about the value of aquatic plants.



**Key Measures****Fisheries**

## ⇒ Aquatic Habitat

Heritage funds will protect, restore, or improve aquatic habitat on at least ten miles of lake and stream shore each year.

**Wildlife**

The Wildlife Management Program has four major goals: 1) to provide sustainable wildlife populations; 2) to provide sustainable recreational opportunities for users; 3) to effectively resolve problems or conflict caused by wildlife; and 4) to increase the public's understanding of Minnesota wildlife and habitats.

The key measures below are an examples of the types of outcomes the Wildlife Program produces.

## ⇒ Minnesota's share of the yearly Mississippi Flyway duck harvest.

Minnesota has one of the largest populations of duck hunters in the nation. Over the past three decades, Minnesota's share of the yearly Mississippi Flyway duck harvest has decreased from 16% of the ducks annually harvested in the Mississippi Flyway to 10% of the total harvest due to fall migration habitat declines in wetlands. The Wildlife Program has focused on: 1) restoring wetland habitat complexes to increase local duck production; 2) improving management of shallow lakes by eliminating carp and managing water levels to improve the quality of all migration habitat in wetlands; and 3) improving refuge and resting areas for waterfowl thereby reducing disturbances for fall migrating ducks.

Heritage Enhancement funds would directly support this effort by providing resources to improve and restore wetland and prairie/grassland habitat on WMAs, support breeding waterfowl habitat work in Canada, and provide technical support to private landowners striving to improve wildlife habitats. This funding would increase the number of waterfowl habitat acres managed and increase the number of landowners implementing beneficial waterfowl habitat practices on private lands. For example, in FY 2001, 15,000 acres of wetlands were developed, restored or enhanced through dike and water control construction projects, aquatic vegetation removal and seeding, and removal of undesirable fish species (carp and bullheads). 91,500 acres of wetlands were maintained through water level management efforts and dike/water control structure maintenance. Staff provided technical guidance and assessments for over 89,000 wetland acres.

**Ecological Services**

## ⇒ County Biological Survey

By the end of FY 2003 Minnesota County Biological Survey (MCBS) inventories will be completed in 57 counties. The original target for the end of FY 2005 was to:

- ◆ complete work in portions of three northeastern counties;
- ◆ continue work in four west-central counties; and
- ◆ initiate work in eight southwestern counties.

The FY 2004-05 funds recommended by Legislative Commission on Minnesota Resources (LCMR) will allow MCBS to accomplish the first bullet; the Heritage Enhancement funds will allow the MCBS to accomplish the second bullet. We will not, however, be able to initiate work in southwest Minnesota. The Heritage funding enables us to accomplish two-thirds of our original goal rather than only one-third.

**Alternatives Considered**

To accomplish the described outcomes, Lottery in-lieu funding at the requested level is necessary.

**Statutory Change:** Modify MS 297A.94, paragraph (e) to reflect the reduction in distribution percentage from 87.1% to 74.0%.

# NATURAL RESOURCES DEPT

Change Item: LCMR PROJECTS

Fiscal Impact (\$000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Environmental Trust Fund				
Expenditures	\$13,564	\$13,564	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$13,564	\$13,564	0	0

## Recommendation

The Governor has recommended the elimination of the dedicated funding for the Future Resources Fund. The Governor is not making specific recommendations on Legislative Commission on Minnesota Resources (LCMR) projects at this point, but intends to provide a statement of the administration's priorities for Environmental Trust Fund projects at a later time.

## Background

### **Metropolitan Area Wildlife Corridors - \$2.734 million Future Resources; \$466,000 Trust Fund.**

For acceleration of agency programs for the purposes of planning, improving, and protecting important natural areas in the metropolitan region through grants, contracted services, conservation easements, and fee acquisition.

### **LAWCON Federal Reimbursements - \$2.5 million Future Resources Fund.**

For eligible state projects and administrative and planning activities consistent with M.S. 116P14 and the federal Land and Water Conservation Fund Act.

### **Minnesota ReLeaf Community Forest Development and Protection - \$788,000 Future Resources Fund.**

For acceleration of the agency program and a cooperative agreement with Tree Trust to protect forests resources, develop inventory-based management plans, and to provide matching grants to communities to plant native trees.

### **Development and Rehabilitation of Minnesota Shooting Ranges - \$392,000 Future Resources Fund.**

To provide technical assistance and matching cost-share grants to local recreational shooting and archery clubs for the purpose of developing or rehabilitating shooting and archery facilities for public use.

### **Contract Administration - \$60,000 Future Resources Fund; \$90,000 Trust Fund.**

For contract administration activities assigned to the commissioner of Natural Resources at the recommendation of LCMR.

### **Restoring Minnesota's Fish and Wildlife Habitat Corridors-Phase II – \$1.693 million Trust Fund.**

For acceleration of agency programs to restore and acquire fragmented landscape corridors that connect areas of quality habitat to sustain fish, wildlife, and plants.

### **Restoring RIM Match - \$738,000 Trust Fund.**

For the RIM Critical Habitat Matching Program to acquire and enhance fish, wildlife, and native plant habitat.

### **Acquisition and Development of Scientific and Natural Areas - \$738,000 Trust Fund.**

To acquire and develop lands with natural features of state ecological or geological significance in accordance with the scientific and natural area program long-range plan.

### **Forest and Prairie Stewardship of Public and Private Lands - \$492,000 Trust Fund.**

To develop stewardship plans for private forested lands and implement stewardship plans on a cost share basis, and to develop stewardship plans on private prairie lands and implement prairie management on public and private lands.

### **Local Initiative Grants (Conservation Partners and Environmental Partnerships) - \$788,000 Trust Fund.**

For matching grants of up to \$20,000 to local government and private organizations for enhancement, research and education associated with natural habitat and environmental service projects.

### **Biological Control of European Buckthorn and Spotted Knapweed - \$198,000 Trust Fund.**

For research to evaluate potential insects for biological control of invasive European buckthorn species, and to assess the effectiveness of spotted knapweed biological control agents.

### **State Park and Recreation Area Land Acquisition - \$1.966 million Trust Fund.**

To acquire in-holdings for state park and recreation areas.

### **Local Initiative Grants-Parks and Natural Areas - \$3.440 million Trust Fund.**

For matching grants to local governments for acquisition and development of natural and scenic areas and local parks as provided in M.S. 85.019, subdivisions 2 and 4a, and regional parks outside of the metropolitan area.

**Local and Regional Trail Grant Initiative Program - \$492,000 Trust Fund.**

To provide matching grants to local units of government for the cost of acquisition, development, engineering services and enhancement of existing and new trail facilities.

**Gitchi-Gami State Trail - \$1.426 million Trust Fund.**

In cooperation with the Gitchi-Gami Trail Association the DNR will design and construct approximately five miles of Gitchi-Gami State Trail segments. This appropriation must be matched by at least \$400,000 of non-state money.

**Water Recreation: Boat Access, Fishing Piers and Shore-fishing - \$1.770 million Trust Fund.**

To acquire and develop public water access sites statewide, to construct shore-fishing and pier sites, and to restore shorelands at public accesses.

**Minnesota County Biological Survey - \$984,000 Trust Fund.**

For ninth biennium to accelerate the survey that identifies significant natural areas and systematically collects and interprets data on the distribution and ecology of native plant communities, rare plants and rare animals.

**Mesabi Iron Range Geologic and Hydrologic Map and Data Bases - \$246,000 Trust Fund.**

To develop a database of hydro geologic data across the Mesabi Iron Range.

## Pass Through Projects

**Metropolitan Area Wildlife Corridors - \$4.911 million Future Resources Fund.**

For acceleration of agency programs and cooperative agreements with the Trust for Public Land, Ducks Unlimited, Inc., Friends of the Mississippi River, Great River Greening, Minnesota Land Trust, Minnesota Valley National Wildlife Refuge Trust, Inc., Minnesota Waterfowl Association for the purposes of planning, improving, and protecting important natural areas in the metropolitan region, as defined by M.S. 473.121, subdivision 2, through grants, contracted services, conservation easements, and fee acquisition.

**Continuous Indoor Air Quality Monitoring in MN Schools - \$492,000 Future Resources Fund.**

For an agreement with Schulte Associates, LLC to provide continuous, real-time indoor air quality monitoring in at least ten selected schools.

**Rainy River Basin Water Quality Cooperative Pilot Project - \$ 392,000 Future Resources Fund.**

For an agreement with Koochiching County to establish a water quality cooperative for the Rainy River Basin, conduct ISTS inventories and implement wastewater treatment systems to improve water quality.

**Bucks and Buckthorn: Engaging Young Hunters in Restoration - \$392,000 Future Resources Fund.**

For agreements with Great River Greening, MN Deer Hunters Association and the St. Croix Watershed Research Station for a pilot program in cooperation with linking hunting and habitat restoration opportunities for youth.

**Minnesota Ports Greening Initiative - \$295,000 Future Resources Fund.**

For agreements with St. Paul Port Authority and Winona Port Authority to contract with Great River Greening to establish native plantings in the Mississippi River Corridor at the commercial port in St. Paul and to develop a restoration plan in Winona.

**Wastewater Phosphorus Control and Reduction Initiative - \$295,000 Future Resources Fund.**

For an agreement with Minnesota Environmental Science and Economic Review Board to assess phosphorus reduction techniques at wastewater treatment plants.

**Resources for Redevelopment of Brownfields to Greenspaces - \$198,000 Future Resources Fund.**

For an agreement with Minnesota Environmental Initiative to identify and assess redevelopment of brownfields for recreation, habitat, and natural resource reuse.

**Northern Counties Land Use Management Pilot Project - \$198,000 Future Resources Fund.**

This is for an agreement with the Northern Counties Land Use Coordinating Board to resolve conflicts among county, state, federal, Canadian governmental units and private interests regarding natural resource management issues.

**Wirth Lake Improvement - \$147,000 Future Resources Fund.**

For an agreement with Bassett Creek Water Management Commission to implement best management practices in Wirth Lake watershed to remove pollutants from storm water and reduce phosphorus in the lake.

**Dodge Nature Center – Restoration Plan - \$147,000 Future Resources Fund.**

For an agreement with Dodge Nature Center to restore up to 155 acres in Mendota Heights and develop a restoration plan for up to 130 acres in West St. Paul.

**Putting Green Environmental Adventure Park: Sustainability Education - \$147,000 Future Resources Fund.**

For an agreement with Putting Green, Inc. to construct educational exhibits for up to nine putting green learning stations in New Ulm.

**Maintaining Zooplankton (Daphnia) for Water Quality: Square lake - \$32,000 Future Resources Fund.**

For an agreement with Marine-on-St. Croix Water Management Organization to determine whether trout predation on Daphnia significantly affects Daphnia abundance and water quality of Square Lake, Washington county.

**Restoring Minnesota's Fish and Wildlife Habitat Corridors-Phase II - \$5.189 million Trust Fund.**

For acceleration of agency programs and cooperative agreements with Minnesota Waterfowl Association, Minnesota Deer Hunters Association, Ducks Unlimited, Inc., National Wild Turkey Federation, Pheasants Forever, the Nature Conservancy, Minnesota Land Trust, the Trust for Public Land, Minnesota Valley Trust, Inc., U.S. Fish and Wildlife Service, U.S. Bureau of Indian Affairs, USDA-Natural Resources Conservation Service, and the Board of Water and Soil Resources to restore and acquire fragmented landscape corridors that connect areas of quality habitat to sustain fish, wildlife, and plants.

**Metropolitan Regional Parks Acquisition, Rehabilitation and Development - \$5.280 million Trust Fund.**

For an agreement with the Metropolitan Council for subgrants for the acquisition, development, and rehabilitation in the Metropolitan Regional Park System, consistent with the Metropolitan Council Regional Recreation Open Space Capital Improvement Plan. This appropriation may not be used for the purchase of residential structures.

**Mesabi Trail - \$688,000 Trust Fund.**

For an agreement with St. Louis and Lake Counties Regional Rail Authority to acquire and develop segment(s) of the Mesabi Trail.

**Intercommunity Groundwater Protection - \$246,000 Trust Fund.**

This is for an agreement with Washington County for groundwater monitoring, modeling and implementation of management strategies.

**TAPwaters: Technical Assistance Program for Watersheds - \$198,000 Trust Fund.**

For an agreement with the Science Museum of Minnesota to assess the St. Croix River and its tributaries to identify solutions to pollution threats.

**Linking Communities Design, Technology and DNR Trail Resources - \$246,000 Future Resources Fund.**

For an agreement with the University of Minnesota to provide designs for three state trails that will incorporate recreation, natural and cultural features.

**Relationship to Base Budget**

Project funding is available for FY's 2004-05, without budgetary tails.

**Key Measures**

See individual project proposals.

Also, see main web site <http://www.commissions.leg.state.mn.us/lcmr/lcmr.htm>

**Alternatives Considered**

**Statutory Change:** M.S. 294F.10, subd. 1

# NATURAL RESOURCES DEPT

## Change Item: WATER RECREATION ENHANCEMENT

Fiscal Impact (\$000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Water Recreation - 181				
Expenditures	\$1,880	\$1,940	\$1,940	\$1,940
Revenues	380	440	440	440
Net Fiscal Impact	\$1,500	\$1,500	\$1,500	\$1,500

### Recommendation

The Governor recommends increasing the watercraft license surcharge from \$5 to \$7 and providing \$380,000 for FY 2004 and \$440,000 for FY 2005 from the Water Recreation Account to the Ecological Services Program for nuisance aquatic exotic species management in public waters and public wetlands. The recommendation also includes \$1.5 million from the Water Recreation Account to cover the increasing costs of services provided to the public by the Enforcement, Trails & Waterways, Waters, and Parks and Recreation Programs.

### Background

This budget recommendation provides \$1.880 million for FY 2004 and \$1.940 million for FY 2005 and would be allocated as follows:

- ⇒ **Exotic Species Management** – Increase the allocation by \$380,000 the first year and \$440,000 the second year. The surcharge has been \$5 since 1994 and this increase would allow the department to maintain mandated levels of services and activities, and expand spending on efforts related to management of the harmful species in Minnesota’s waters. The state’s waters are threatened by an increasing number of harmful exotic species such as Eurasian watermilfoil, zebra mussels, and Asian carp. The number of water infestations of Eurasian watermilfoil has increased, thereby increasing the number of waters where technical advice and management is needed and where watercraft inspectors are contacting boaters.
- ⇒ **Enforcement** - Increase allocation by \$200,000 per year. This would allow the retention of existing officer stations and the continued enforcement of boating activities in the state.
- ⇒ **Trails and Waterways Water Recreation** - Increase allocation by \$1.0 million per year for maintenance and operations. There has been no increase in maintenance funding since 1989 and over 200 new boat access sites and 200 fishing piers have been installed. Additional funds would be used to repair, rehabilitate and maintain accesses, piers and safe harbors; install portable toilets and docks; provide for acquisition and development and staffing of boat access sites to ensure federal funds are maximized; and matching state funds including technical services for the Mississippi Whitewater Trail.
- ⇒ **Waters** - Increase allocation by \$200,000 per year. This would allow the division to support the maintenance of stream flow gauges, maintain staff support for local governments that implement shoreland zoning programs and retain the current level of staff effort for regulation of shoreline alterations.
- ⇒ **State Park Development** - Increase allocation by \$100,000 per year. The additional amount would fund park development and rehabilitation projects and related staff costs for projects that directly or indirectly benefit water recreation within Minnesota state parks. Examples would be boat access sites, fishing piers, utility upgrades that benefit water quality, and camping facilities that serve water recreation sites.

### Relationship to Base Budget

This increase is from the forecasted balance in the Water Recreation Account. Funding sources to the Water Recreation Account include: boat registration and titling fees, one and one-half percent of the state gasoline tax; watercraft license surcharge (\$2 increase), and watercraft operator fines.

### Key Measures

- ⇒ **Exotic Species Management** –Maintain 20,000 hours of watercraft inspections at public accesses mandated by statute (M.S. 84D.02, Subd. 4); increase enforcement effort from the current 1,500 hours to the previous level of 2,000 hours (1 FTE) per year statewide; and expand funding for activities to improve management of aquatic exotic species by expanding grant funding for local management (control) efforts, providing increased technical assistance, and seeking improved management approaches.



- ⇒ **Enforcement** - The continued presence of Department of Natural Resources (DNR) conservation officers on the waters of the state is a key factor in enforcement, and providing assistance to the public.
- ⇒ **Trails and Waterways Water Recreation** - The quality of maintenance would remain acceptable to the user, amenities such as toilets would be provided and the number and quality of boat accesses and fishing piers would continue to improve, and to proceed with the design phase of the Mississippi Whitewater Trail.
- ⇒ **Waters Shoreland Development** - Maintain the current level of support for 250 local units of government that control private land development through shoreland zoning programs for approximately 9,000 lakes and 30,000 miles of rivers and streams.
- ⇒ **Waters** - Shoreland alteration--maintain the current level of public waters work permitting that controls the alterations of shorelines for over 12,000 public waters and 50,000 miles of waterways for activities such as building watercraft accesses, marinas, shore protection, excavation, etc.
- ⇒ **Waters** - Maintain financial support for stream gauging and data interpretation for specific waterways. This information is helpful to recreationists that use these waterways for fishing, hunting, canoeing, and boating.
- ⇒ **State Park Development** - The state would be able to provide additional maintenance and improvements at water-related recreation sites within Minnesota state parks that are experiencing increased use as Minnesotans are vacationing closer to home over the past year.

### Alternatives Considered

The DNR considered proposing a reduction in the number of hours required for watercraft inspections each year, but the reduction was not supported by citizens groups such as the Minnesota Lakes Association who originally sought to establish the watercraft inspection mandate.

**Statutory Change:** M.S. 86B.415, Subd. 7

## NATURAL RESOURCES DEPT

Program: LAND & MINERALS RESOURCE MGMT

Change Item: FEES FOR UTILITY LICENSES

Fiscal Impact (\$000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	\$200	\$200	\$200	\$200
Revenues	200	200	200	200
Other Fund				
Expenditures	5	5	5	5
Revenues (multiple funds)	49	49	49	49
Net Fiscal Impact	(\$ 44)	(\$ 44)	(\$ 44)	(\$ 44)

### Recommendation

The Governor recommends the application fee for utility licenses be raised to cover costs, and the revenues be direct appropriated to the Lands and Minerals Division. Also, the term of the licenses would be changed from 25 or 50 years to be permanent licenses. The fee for crossing land would be calculated based on corridor area and estimated market value.

### Background

The application fee for a utility license to cross state lands or state waters is \$40, which generates about \$16,000 annually. This fee does not cover the costs for issuing the license and inspecting the installation, with those costs estimated at \$500 per license. The proposal is to charge a \$500 application fee, which is the current rate that applies to road and other similar permanent easements. This would generate general fund revenues of \$200,000 each year.

In addition to the application fee, there is a one-time license fee set in rules that covers utility licenses for crossing public waters and state lands. For utility licenses crossing public waters, the proposal would simplify the current rate tables that set a fee based on corridor width and length of crossing. For utility licenses crossing state land, the proposal is that the one-time fee be based on acreage of the occupied corridor times the estimated market value per acre. Under the current rules, the one-time fee for land crossing licenses is from a table set in rules plus 15% of the appraised value. This would generate about a \$65,000 increase in revenues each year. \$5,000 would be paid to the counties under M.S. 272.68.

The license fee schedules were last adjusted for inflation through legislation adopted in 1990 (Laws of 1990, Ch. 594, Art. 1, Sec. 79). This proposal would double the land crossing fee and the non-low impact water crossing fee and maintain the same low impact water crossing fee.

### Relationship to Base Budget

Although this is not a significant change as to the overall budget, it would bring the fees to a level more comparable to what the companies pay to private owners. In addition, because state land is often the least expensive alternative for utility corridor siting, this change may more fairly balance the location of the corridors between state and private lands.

### Key Measures

Licenses are currently issued within 60 days of request, except for those requiring federal aid review. This proposal should result in utility crossing licenses being issued in about 45 days.

### Alternatives Considered

An alternative was to increase the application fee and adjust due to inflation the existing rate schedules as set in rule. This current proposal would be a more significant change to the program, would reduce future workload, and would approximately double the one-time fee for utility crossings of state land.

**Statutory Change:** Amendment of M.S. 84.415 and repeal of Minnesota Rules, chapter 6135.

**NATURAL RESOURCES DEPT****Program: LAND & MINERALS RESOURCE MGMT****Change Item: TACONITE MINING GRANT REDUCTION**

<b>Fiscal Impact (\$000s)</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
General Fund				
Expenditures	(\$ 920)	(\$1,100)	(\$1,220)	(\$1,320)
Transfers	(940)	(1,320)	(1,500)	(1,500)
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	(\$1,860)	(\$2,420)	(\$2,720)	(\$2,720)

**Recommendation**

The Governor recommends an elimination of the Taconite Mining Grant Program. This would mean reductions in taconite mining grants of a projected \$920,000 in FY 2004 and \$1.1 million in FY 2005 for grants administered by the Department of Natural Resources, and a projected \$940,000 in FY 2004 and \$1.320 million in FY 2005 for taconite mining grants administered by the University of Minnesota's Coleraine Laboratory. The dollar amounts are based on projections of future taconite royalty from school and university trust lands.

**Background**

Laws of 2001, First Special Session Chapter 6, Article 1, Sections 1 to 3 provides for 20% of the taconite lease payments deposited to the School Fund Mineral Lease Suspense Account and to the University Fund Mineral Lease Suspense Account during the preceding year are transferred to the General Fund, and an amount equal to the transfers are annually appropriated for taconite mining grants. The funds appropriated to the Department of Natural Resources are available for grants to taconite mining companies for 1) taconite pellet product improvements; 2) value-added production of taconite iron ore; or 3) cost-savings production improvements at Minnesota taconite plants. The funds appropriated to the University of Minnesota are available to award grants for the purpose of transferring technology from the Coleraine Laboratory to taconite mining companies for: 1) taconite pellet product improvements; 2) value-added production of taconite iron ore; or 3) cost-savings production improvements at Minnesota taconite plants.

**Relationship to Base Budget**

The budget recommendation removes all base level funding for taconite mining grants made available to the Department of Natural Resources and the University of Minnesota's Coleraine Laboratory under M.S. 93.2235.

**Key Measures**

This change item would eliminate the Taconite Mining Grant Program, which was established to provide funds to taconite mining companies to install new processing technologies.

**Alternatives Considered**

None.

**Statutory Change:** Amendment of M.S. 93.2235, Subdivisions 1 and 2.

## NATURAL RESOURCES DEPT

Program: WATER RESOURCES MGMT

Change Item: WATER USE FEE INCREASE

Fiscal Impact (\$000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	\$962	\$962	\$962	\$962
Revenues	\$962	\$962	\$962	\$962
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	0	0	0	0

### Recommendation

The Governor recommends an increase in water use fees to adjust for inflation, including adjusting the minimum and maximum fees.

### Background

Water use fees have not been increased since 1990. The recommended increase represents less than one-tenth of one cent on every 1,000 gallons of water used. Minimum fees for no water withdrawals and withdrawals up to 50 million gallons per year are doubled from \$10 to \$20 and \$50 to \$100 respectively. The fee schedule for appropriations exceeding 50 million gallons per year and the maximum fees are adjusted for inflation and rounded.

In 2001 water use fees raised \$2.517 million for the General Fund. The recommended increase would raise water use fee annual revenues to \$3.479 million and provide for the continuation of priority water resources management programs operated by Department of Natural Resources (DNR) Waters. The annual revenue is tied to the actual amount of water used in a calendar year and is expected to fluctuate.

### Relationship to Base Budget

The recommended water use fee increase represents less than 10% of DNR Waters' General Fund base budget.

### Key Measures

The recommended water use fee increase would provide for continuation of the following water resources management program activities:

- ◆ U.S. Geological Survey Cooperative Program for streamflow monitoring;
- ◆ County Geologic Atlas and Regional Hydrogeologic Assessment Program;
- ◆ cooperator payments for reading groundwater observation wells; and
- ◆ groundwater and surface water technical services.

### Alternatives Considered

Other mitigation options considered:

- ◆ increasing the state fee on municipal water bills statewide;
- ◆ extending the general sales tax to metropolitan sewer charges;
- ◆ extending the general sales tax to metropolitan water bills;
- ◆ extending the general sales tax to other specific water uses, such as well drilling and septic systems; and
- ◆ extending the water use fee schedule.

**Statutory Change:** Requires amendment of M.S. 103G.271, Subd. 6.

## NATURAL RESOURCES DEPT

Program: **PARKS & RECREATION MGMT**

Change Item: **INCREASE STATE PARK CAMPING FEES**

Fiscal Impact (\$000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	\$ 25	\$ 25	\$ 25	\$ 25
Revenues	25	25	25	25
Other Fund (Fund 189)				
Expenditures	709	709	709	709
Revenues	709	709	709	709
Net Fiscal Impact	0	0	0	0

### Recommendation

The Governor recommends a camping fee increase for Minnesota state parks. Eliminating the senior citizen midweek half-price discount for camping, increasing semi-modern camping by \$3, rustic camping by \$3, and forest camping by \$2 collectively would raise an estimated \$734,000 annually. Increased revenue would be deposited in the State Park dedicated account in the Natural Resources Fund and to the General Fund for forest campground receipts. Both require legislative appropriation.

### Background

Camping fees are set by Commissioner's Order. The fees have not been adjusted according to inflation or to the cost to run the state system. Semi-modern site camping fees were \$6 in 1983, \$7 in 1988, \$10 in 1992, and \$12 in 1996. Recent surveys have shown that park visitors would find this incremental increase acceptable.

Fee History	1991	1992	1996	1997	Current	7-1-03
						Proposed
Semi-Modern Camping	\$ 9.00	\$ 10.00	\$ 12.00	\$ 12.00	\$ 12.00	\$ 15.00
Rustic Camping	\$ 7.00	\$ 8.00	\$ 8.00	\$ 8.00	\$ 8.00	\$ 11.00
Forest Campground	\$ 6.00	\$ 7.00	\$ 7.00	\$ 9.00	\$ 9.00	\$ 11.00

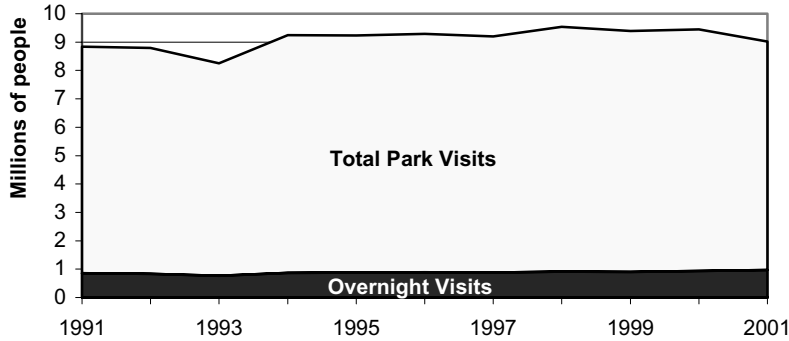
### Relationship to Base Budget

Based on services provided during FY 2002, this fee change would generate an estimated \$734,000. DNR Division of Parks has a total FY 2004 budget of \$43.8 million of which \$35.1 million is budgeted directly towards parks operations (this excludes the Metropolitan Council grants). The \$734,000 increase represents a 2.1% increase in operating funds. In FY 2002, the dedicated account received \$7.2 million in revenue. The proposed fee increase would generate an additional 10% in the dedicated account.

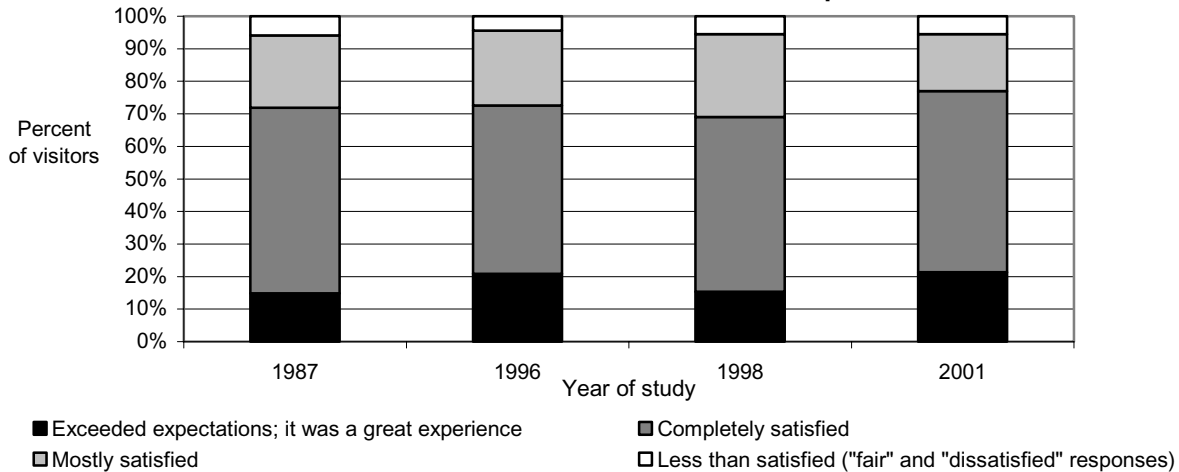
### Key Measures

State park attendance has remained steady over the last ten years, as has overnight camping nights. A customer satisfaction survey was recently conducted and it found that 95% of customers were satisfied with their state park experience. This fee initiative would maintain current levels of service, maintain our customers level of satisfaction, and maintain our healthy natural resource lands.

**Minnesota State Park Visits**



**Satisfaction with visit to a Minnesota state park**



**Alternatives Considered**

A General Fund initiative was not considered. Surveys show park visitors would find the fee increase acceptable.

**Statutory Change:** M.S. 85.052 – M.S. 85.055

**NATURAL RESOURCES DEPT****Program: TRAILS & WATERWAYS MGMT****Change Item: FEDERAL WALLOP/BREAUX**

<b>Fiscal Impact (\$000s)</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Game and Fish Fund				
Expenditures	\$861	\$374	\$374	\$374
Revenues	0	0	0	0
Net Fiscal Impact	0	0	0	0

**Recommendation**

The Governor recommends that additional resources be provided from the Game and Fish Fund as mandated by the Federal Sport Fish Restoration Program. The recommendation includes \$861,000 for FY 2004 and \$374,000 for FY 2005.

**Background**

The Federal Sport Fish Restoration Program administered by the U.S. Fish and Wildlife Service, requires the state to allocate 15% of the funds apportioned to it each fiscal year for the payment of up to 75% of the costs of acquisition, development and renovation or improvement of public boat access facilities for recreational boating purposes. This budget initiative is necessary to align the level of state funds with the required federal 15% apportionment.

**Relationship to Base Budget**

The base level funding from the Game and Fish fund for this program is \$1.310 million for FY 2003.

**Key Measures**

The additional resources will be used to upgrade and increase boat access facilities through land acquisition and development of new boat access sites and expansion and renovation of existing boat access sites through out the state. With the technological advances in boats, motors and equipment, and their cost to the customer, there is increasingly greater expectations for quality launch facilities.

**Alternatives Considered**

Not Applicable.

**Statutory Change:** No change required.

**NATURAL RESOURCES DEPT****Program: TRAILS & WATERWAYS MGMT****Change Item: STATE SNOWMOBILE TRAIL OPERATIONS**

<b>Fiscal Impact (\$000s)</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Snowmobile – Fund 182				
Expenditures	\$500	\$500	\$500	\$500
Revenues	0	0	0	0
Net Fiscal Impact	0	0	0	0

**Recommendation**

The Governor recommends an increase to State Snowmobile Trail Operations.

**Background**

During the last biennial budget submission the department recommended a number of budget reductions to maintain a positive balance in the Snowmobile Trails and Enforcement Account. The proposed reductions were necessary due to the unrefunded gas tax going from 1% back to .75%. The legislature had raised it to 1% for two years based on several excellent winters. The legislature also directed the Department of Administration to do a gas tax study on snowmobile usage. This study recommended that .75% was appropriate. The study showed that the upper limit for a good winter is 1.067% and the lower limit of .62%. The legislature then reinstated the 1% and increased the appropriations for snowmobile grants-in-aid and allowed the recommended reductions of \$216,000 to the State Snowmobile Trail Operations.

**Relationship to Base Budget**

The base budget prior to the reduction made in FY 2002 was inadequate to provide for a well-groomed Department of Natural Resources system. Since 1988 there has been a rising trend in snowmobile registrations, which in turn has increased demand for more trail grooming and maintenance. The present base level funding will provide for a shorter grooming season, and a reduction in frequency of grooming.

**Key Measures**

This change item will allow for a full grooming season throughout the state, and allow for multiple grooming per week where needed. Also this increase will help pay for the administrative costs that have been created by the expansion of the grant-in-aid trail system (added 2,800 miles to the existing system).

**Alternatives Considered**

As stated, based on the existing level of funding, services will be decreased during an average winter. When the base was reduced two years ago, the idea of expanding contract grooming was explored, but it was found that the existing contractors could only take on limited mileage and could not commit to the frequency of grooming that was needed.

**Statutory Change:** No change required.



## NATURAL RESOURCES DEPT

Program: FISH MANAGEMENT

Change Item: 1837 TREATY MANAGEMENT

Fiscal Impact (\$000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Game & Fish Fund				
Expenditures	\$175	\$175	\$175	\$175
Revenues	0	0	0	0
Net Fiscal Impact	\$175	\$175	\$175	\$175

### Recommendation

The Governor recommends an increase to Fisheries Treaty Management of \$175,000 (\$350,000 per biennium) to cover the costs of increased management activities and special projects needed to manage the court ordered treaty fishery.

### Background

With the court ordered decision that two Minnesota and eight Wisconsin Indian Bands had harvest rights in the 1837 Ceded Territory (east-central Minnesota including Mille Lacs Lake), appropriations from the General Fund and Game and Fish Fund were authorized during the 1994 Legislative Session for resource population surveys.

Due to increasing population survey needs an additional one-time appropriation was provided in 2002 to fund a tagging study for better walleye populations and a hooking mortality study.

### Relationship to Base Budget

This appropriation would increase the base appropriation from the Game and Fish Fund to \$223,000 for 1837 Treaty Management on Mille Lacs.

### Key Measures

The goal of this increased appropriation is to fund additional work (fish tagging and catch and release studies) so that better harvest management decisions can be made.

### Alternatives Considered

Other monies are not available to undertake the additional work on Mille Lacs that are needed because of the court ordered Indian harvest.

**Statutory Change:** None.

**NATURAL RESOURCES DEPT****Program: FISH MANAGEMENT****Change Item: FISH CULTURE AND STOCKING**

<b>Fiscal Impact (\$000s)</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Game & Fish Fund				
Expenditures	\$1,000	\$1,000	\$1,000	\$1,000
Revenues	0	0	0	0
Net Fiscal Impact	\$1,000	\$1,000	\$1,000	\$1,000

**Recommendation**

The Governor recommends an increase for fisheries culture and stocking activities of \$1.0 million each year. Up to \$500,000 each year would be available for the purchase of walleye fingerlings from the private sector to meet statewide stocking priorities and needs. \$500,000 each year would be available to enhance statewide fisheries production and stocking including hatchery repairs and upgrades, purchase of fish production or stocking equipment, purchasing access easements for production ponds, and other items and activities related to fish culture and stocking.

**Background**

Reductions in walleye fingerling stocking in the 1990's led to public concern that walleye populations in stocked lakes were declining. Following legislative and public meetings, the state implemented the Accelerated Walleye Program, designed to bring walleye production up to 120,000 – 130,000 pounds of fingerlings per year and to engage in other activities and evaluation of the walleye stocking program. Funding for this program is currently provided at \$553,000 per year. Since the program began, walleye fingerling stocking has increased by 32% in pounds and 85% in numbers when compared to the three years preceding the program. Due to mild winters which prevented winterkill of predators in state production ponds, however, the state has not been able to consistently meet the target production goals. Purchase from the private sector and improving other statewide production and stocking capabilities should help ensure that we minimally meet or exceed these goals each year.

**Relationship to Base Budget**

This appropriation would increase the base appropriation to the Division of Fisheries by \$1.0 million.

**Key Measures**

The goal of this appropriation would be to ensure that the state meets its target goals for fisheries production and enhance fisheries opportunities in the state.

**Alternatives Considered**

Other funds are not available for the initiative.

**Statutory Change**

**NATURAL RESOURCES DEPT****Program: FISH MANAGEMENT****Change Item: TROUT AND SALMON MANAGEMENT**

<b>Fiscal Impact (\$000s)</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Trout & Salmon – Fund 234	\$224	\$224	\$224	\$224
Revenues	0	0	0	0
Net Fiscal Impact	\$224	\$224	\$224	\$224

**Recommendation**

The Governor recommends an increase in funds from the Trout and Salmon Management Fund. The balance in this fund has increased from \$163,465 in FY 1999 to \$876,861 in FY 2002 due to increases in the cost of a Trout and Salmon Stamp from \$5.00 to \$8.50; and the number of stamps sold each year. This change level request will increase the number of qualifying projects funded from the Trout and Salmon Management Fund.

**Background**

The Trout Stamp Program started in 1982 to generate additional revenue for the trout stream habitat improvement program. The price of the first trout stamp was \$3.00 and the funds were used in restore habitat in trout streams. In 1986, the cost of a trout and salmon stamp increased from \$3.00 to \$5.00. At the request of the Trout and Salmon Citizen Oversight Committee, the price was increased to \$8.50 in 1998. The current fee of \$8.50 is comparable to the price of trout stamps in most states. The annual appropriation out of the Trout and Salmon Stamp Management Fund has not increased significantly since 1999 and the unappropriated balance has grown to \$876,861 in FY 2002.

In 1985, the requirement for needing a stamp was changed to include fishing on designated stream trout lakes and Lake Superior. Types of projects eligible for funding increased to include the rearing and stocking of trout and salmon and the development, restoration, maintenance, and preservation of trout lakes. In 1997, the type of projects eligible for funding from the stamp fund changed again. New activities eligible for funding are the purchase and identification of easement and fee title land along trout streams; and research and special management projects on Lake Superior and the anadromous portions of its tributaries (M.S. 97C.305).

In 1994, the Minnesota legislature established six citizen oversight committees to make recommendations to the legislature and the commissioner of the Department of Natural Resources (DNR) for improvements in the management and use of money in the game and fish fund (M.S. 97A.055, Subd. 4a). The members of these citizen oversight committees are appointed by the commissioner of the DNR. The Trout and Salmon Citizen Oversight Committee reviews the use of the money in the Trout and Salmon Management Fund. This committee will have input on the types of projects funded with this increase in appropriations.

**Relationship to Base Budget**

This appropriation increase will have little impact on the overall budget for the Division of Fisheries. However, this represents a significant increase (33%) in the number of qualifying projects funded from the Trout and Salmon Management Fund.

## NATURAL RESOURCES DEPT

Program: FISH MANAGEMENT

Change Item: TROUT AND SALMON MANAGEMENT

### Key Measures

The goal of this change level request is to utilize the growing balance in the Trout and Salmon Management Fund for its intended purpose. Each November, the Division of Fisheries sends a report to the Trout and Salmon Stamp Citizen Oversight Committee showing the amount of stamp funds spent in each of five categories (M.S. 97A.075, Subd. 3) for the previous fiscal year. These categories are: 1) fish culture and stocking; 2) habitat improvement; 3) Lake Superior research; 4) Lake Superior special projects; and 5) easement acquisition and identification. After reviewing how the stamp funds were spent, the Trout and Salmon Stamp Citizen Oversight Committee sends a report to the legislature and the commissioner of the DNR.

### Alternatives Considered

None. The purpose of this recommendation is to increase the number of qualifying projects funded from the Trout and Salmon Management Fund.

**Statutory Change:** No statutory change required.

# NATURAL RESOURCES DEPT

Program: WILDLIFE MANAGEMENT

Change Item: IMPROVE WMA HABITAT AND WILD TURKEY MGMT

Fiscal Impact (\$000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Fund				
Expenditures – Game and Fish Fund - 230	\$600	\$600	\$600	\$600
Expenditures – Wild Turkey Management Fund - 238	25	25	25	25
Net Fiscal Impact	\$625	\$625	\$625	\$625

## Recommendation

The Governor recommends the annual appropriation from the Wild Turkey Management Fund be increased and the receipts from the sales of natural resources such as timber, gravel and crops from Wildlife Management Areas (WMAs) be appropriated to the Division of Wildlife.

## Background

⇒ **Turkey stamp account:** the Wild Turkey Program started in 1997 and the annual receipts have exceeded the appropriation amounts. **Intended use:** increased wild turkey habitat and population management.

⇒ **Natural resource revenue:** reinvest natural resource revenue from WMAs. **Funds generated:** currently \$600,000 per year. **Intended use:** revenues raised from sales of natural resource products from WMAs invested back into improved wildlife habitat and facility management.

## Relationship to Base Budget

The appropriation increase for the Wild Turkey Management Fund would have little impact on the overall budget for the Division of Wildlife. The appropriation of \$600,000 per year would approximate the receipts from natural resource sales on WMAs to be used by the Division of Wildlife for wildlife habitat and facility management on these areas.

## Key Measures

### Wild Turkey Program

The appropriation would provide annually an additional 25 acres of turkey habitat acquisition for WMA's and an additional 100 acres of improvement to turkey habitat on WMA's.

### Natural Resource Revenue

WMA derived revenues would provide for developing and improving annually an additional 1,300 acres of wildlife habitat management on prairie/grasslands, forest and wetland habitats. Funding would also provide for addressing chronic problems of maintaining and improving annually an additional 175 miles of access roads and trails and 175 parking lots and other user facilities at WMAs.

## Alternatives Considered

Requesting additional General Fund dollars or not doing these activities were the only other alternatives considered.

**Statutory Change:** None.

## NATURAL RESOURCES DEPT

Program: ECOLOGICAL SERVICES

Change Item: CONTINUATION OF WATERCRAFT INSPECTIONS

Fiscal Impact (\$000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Fund				
Expenditures	\$179	\$179	\$179	\$179
Revenues	0	0	0	0
Net Fiscal Impact	\$179	\$179	\$179	\$179

### Recommendation

The Governor recommends that funding for the watercraft inspections from the watercraft surcharge be continued.

### Background

As mandated by statute, the Department of Natural Resources (DNR) has been inspecting watercraft leaving public accesses on “infested” waters since 1992. Through the 2001 boating season, inspections were conducted by Minnesota Conservation Corps (MCC) personnel as part of a cooperative effort between MCC and the Division of Ecological Services. Watercraft Surcharge funds (intended for control, public awareness, law enforcement, monitoring, and research of nuisance aquatic exotic species – see M.S. 86B.415, Subd. 7), in the Water Recreation Account, were appropriated to MCC to cover the salary of employees who conducted the inspections under the direction of the Exotic Species Program in the Division of Ecological Services. These new funds would be used to help meet the following objective in *Directions 2000* — “Populations of the most harmful aquatic exotic or invasive species will be reduced and no new introductions occur.”

Beginning in the summer of 2002, the Division of Ecological Services took over full responsibility for conducting the watercraft inspection effort (MCC employees are no longer used). The funding for the watercraft inspectors needs to be appropriated to Ecological Services to reflect the new approach to meet the watercraft inspection mandate in M.S. 84D, Subd. 4.

### Relationship to Base Budget

The base budget the Division of Ecological Services receives from the Exotic Species Surcharge portion of the Water Recreation Account will increase by \$179,000 (using FY 2003 as base).

### Key Measures

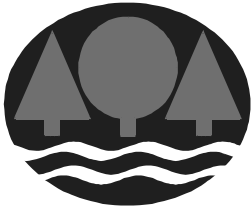
This funding reappropriation will allow the Division of Ecological Services to continue to provide the 20,000 hours of watercraft inspection effort required in M.S. 84D.02, Subd. 4. The DNR annually (by January 15<sup>th</sup>) reports to the legislature and provides documentation that this and other requirements of M.S. 84D have been met.

### Alternatives Considered

- ⇒ A statutory change in the number of hours that watercraft inspections are required each year would not be supported by citizen groups such as the Minnesota Lakes Association who originally sought to establish the watercraft inspection mandate.
- ⇒ Taking no action would have the effect of eliminating the inspections because the necessary funds would not be available for the DNR to meet its mandate.

**Statutory Change:** No statutory changes required.

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# Minnesota Pollution Control Agency

## Office of the Commissioner

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(651) 296-6300, toll-free 1-800-657-3864, [www.pca.state.mn.us](http://www.pca.state.mn.us)

February 18, 2003

The 2003 Minnesota Legislature:

I am pleased to present the Governor's recommendation for the Minnesota Pollution Control Agency's (PCA) budget for the FY 2004-05 biennium. The Governor recommends a proposed total budget of \$233.65 million over the FY 2004-05 biennium. The PCA's *General Fund* budget request is for \$29.638 million. The funds available to the PCA for this biennium will be used to maintain the PCA's mission, core functions, and address the state's highest environmental priorities.

In building this proposed budget, the agency has avoided across-the-board reductions. Instead, we have prioritized programs based on a review of state and federal requirements, condition of the environment, environmental concerns expressed by citizens, socioeconomic conditions, and effectiveness of the activity in addressing environmental risk. Based on this prioritization, reductions were taken in low priority programs.

In keeping with our prioritization, the proposed budget reflects PCA's focus on water and air pollution from large industrial or municipal sources (known as "point" sources) as well as smaller, more dispersed sources (referred to as "nonpoint" sources). It also reflects our efforts to move solid and hazardous waste regulatory and remediation programs to maintenance levels. Within each of these areas, the agency will continue to monitor the health of our environment, measure the effectiveness of our programs, and report on our results.

Specific environmental priorities for this biennium include:

- ⇒ **Water Quality Point Source Permitting.** The proposed budget retains the level of effort in water quality point source regulation that reduced the permitting backlog by 33%, while maintaining a compliance rate of nearly 90%.
- ⇒ **Storm Water Permitting.** This budget provides funding to implement Phase II of the federally-required Storm Water Program. Stormwater, and other types of "nonpoint" source pollution, are the most significant contributors to the degradation of Minnesota's water resources.
- ⇒ **Feedlot Program County Grants.** Delegated counties are the local resource for implementing feedlot regulations and providing technical assistance. As such, they are key to the overall success of the Feedlot Program in Minnesota. Although not part of the budget proposal, the PCA will reallocate resources internally by reducing six FTE in feedlot staffing and redirecting that funding in the form of grants to those counties delegated to run the Feedlot Program.

### Funding Environmental Protection

This budget represents a proposed simplification and consolidation of the PCA's funding structure to ensure the Agency has the flexibility to apply resources to the highest environmental priorities. The current structure is the result of 35+ years of short- and long-term funding fixes, fees, and taxes, and has become an impediment to effective and transparent environmental management. The consolidation proposed for this biennium leverages existing revenues to provide stable funding for priority programs, and reinforces Agency accountability and results.



The fund consolidation contemplated in this budget was not developed by the PCA alone. In 2001, the legislature recognized the problems inherent in the Agency's current funding structure, and commissioned a legislative audit that was completed in January 2002. As a result of the audit, legislative committee leaders joined with the PCA and invited stakeholders to develop the criteria and principles to guide appropriate funding structure options. I am very appreciative of the guidance provided by the Funding Options Working Group, and our proposal for PCA fund consolidation is based on their recommendations.

Under the proposal for fund consolidation, fees, taxes, and special revenues related to environmental protection would be pooled into a restructured Environmental Fund. The Governor could then recommend, and the legislature could appropriate, funding according to environmental priorities. Funding sources related to cleanup of contaminated sites and landfills would similarly be pooled into a Remediation Fund. This fund would ensure resources are available to construct final cleanup remedies and reduce cleanup programs to long-term maintenance levels within the next four years.

**Conclusion**

The development of this budget proposal provided PCA an opportunity to look critically at our mission, core functions, program priorities, and results. The PCA defined priorities based on sound science, as well as input from citizens and stakeholders. Our proposed budget will help the agency maintain past environmental improvements, move priority programs forward, and continue to meet Minnesotan's expectations for a cleaner, healthier place to live and do business. I look forward to working with you on the implementation of this budget.

Sincerely,



Sheryl A. Corrigan  
Commissioner

POLLUTION CONTROL AGENCY

Budget in Brief

FY 2004-05 Expenditures (\$000s)

	General Fund	Other Funds	Total
<b>2003 Funding Level</b>	31,170	195,844	227,014
Biennial Appropriations	2,600	0	2,600
One-Time Appropriations	-1,000	-200	-1,200
Transfers Between Agencies	0	-2,082	-2,082
<b>Adjusted Base Funding</b>	32,770	193,562	226,332
<b>Change Items</b>			
Budget Reduction	-3,008	2,444	-564
Environmental Funding Consolidation	0	0	0
Water			
Stormwater Regulatory Program	0	7,026	7,026
Air			
General Fund Mercury Reduction	-124	0	-124
Multimedia			
LCMR-Surface Water Monitoring	0	982	982
<b>Governor's Recommendations</b>	29,638	204,014	233,652
<b>Biennial Change, 2002-03 to 2004-05</b>	2,319	-693	1,626
<b>Percent Change</b>	8%	0%	1%

**Brief Explanation Of Budget Decisions:**

Expenditures FY2004-05

The proposed budget reduction amount does not include \$685,000 per year for Debt Service payments which will be reimbursed from the old Solid Waste Fund.

Base Adjustments:

- ◆ Biennial Appropriations represents restoring General Fund Clean Water Partnership Grants appropriation to base level.
- ◆ One-Time Appropriations represents Environmental Fund Lake Superior LaMP (LCMR) and \$500,000 per year reduction to the County Feedlot Grant Program.
- ◆ Household Hazardous Waste Program appropriated to Office of Environmental Assistance beginning fiscal year 2004 (\$2,082,000).

FY 2004-05 Revenues (\$000s)

	General Fund	Other Funds	Total
<b>FY 2004-05 Current Law Revenues</b>	636	114,650	115,286
<b>Change Items</b>			
Environmental Funding Consolidation	0	6,326	6,326
Water			
Stormwater Regulatory Program	0	7,124	7,124
<b>FY 2004-05 Total Revenues</b>	636	128,100	128,736
<b>Biennial Change 2002-03 to 2004-05</b>	(261)	13,450	13,450
<b>Percent Change</b>	(29%)	11%	12%

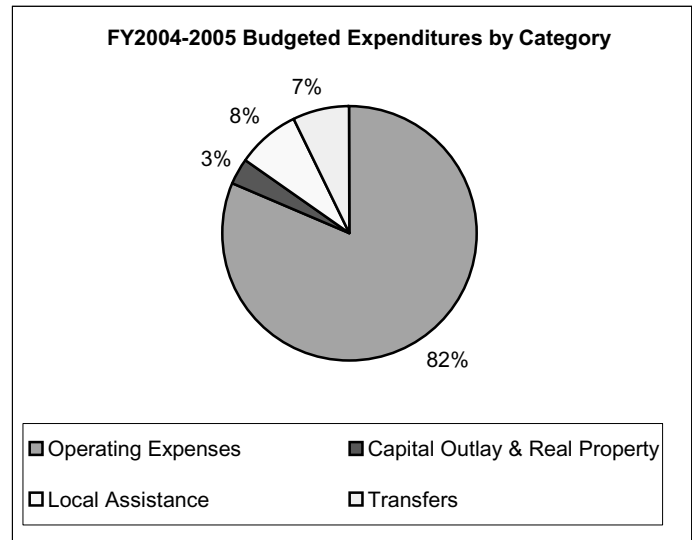
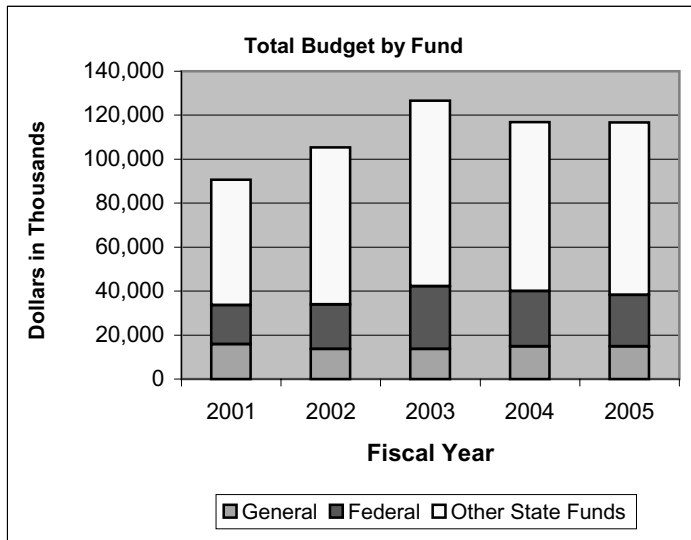
Revenue Summary

- ◆ Debt Service Account in the General Fund will be reimbursed \$685,000 from the old Solid Waste Fund (now Environmental Fund). The revenues to the General Fund are not to the PCA and therefore are not included in the above chart.

## POLLUTION CONTROL AGENCY

## Budget in Brief

- ◆ Transfers of \$5 million each year for FY04 and FY05 from the old Solid Waste Fund balance will be made to the General Fund. The revenues to the General Fund are not to the PCA and therefore are not included in the above chart.
- ◆ Motor Vehicle Title Transfer Fees are collected by Public Safety. Therefore, the reduction of these receipts is not part of the PCA revenues and is not included in the above chart.



<i>Dollars in Thousands</i>	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
<b>Expenditures by Fund</b>						
<b>Direct Appropriations</b>						
Environment & Natural Resource	649	0	0	822	160	982
General	15,931	13,704	13,615	14,819	14,819	29,638
Minnesota Resources	50	0	0	0	0	0
Petroleum Tank Release Cleanup	5,775	3,204	3,923	0	0	0
State Government Special Revenue	45	41	54	48	48	96
Special Revenue	15	0	87	0	0	0
Environmental	24,674	19,733	25,341	27,107	27,193	54,300
Remediation	0	0	0	11,404	11,404	22,808
Metro Landfill Contingency	0	1,000	0	0	0	0
Solid Waste	7,155	7,657	8,993	0	0	0
<b>Open Appropriations</b>						
Remediation	0	0	0	4,998	7,000	11,998
Solid Waste	4,294	6,497	7,000	0	0	0
<b>Statutory Appropriations</b>						
Public Facilities Authority	714	2,785	1,106	987	968	1,955
Petroleum Tank Release Cleanup	0	2,969	3,922	0	0	0
State Government Special Revenue	1	1	1	1	1	2
Special Revenue	3,405	12,470	14,274	11,766	11,766	23,532
Federal	17,681	20,147	28,609	25,152	23,444	48,596
Environmental	1,029	3,925	7,578	5,945	5,945	11,890
Remediation	0	0	0	13,831	14,024	27,855
Metro Landfill Contingency	0	627	250	0	0	0
Solid Waste	9,249	10,661	11,852	0	0	0
<b>Total</b>	<b>90,667</b>	<b>105,421</b>	<b>126,605</b>	<b>116,880</b>	<b>116,772</b>	<b>233,652</b>



# POLLUTION CONTROL AGENCY

Change Item: BUDGET REDUCTION

Fiscal Impact (\$000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	(\$2,189)	(\$2,189)	(\$2,189)	(\$2,189)
Revenues				
Environmental Fund				
Expenditures	6,611	6,611	1,611	1,611
Revenues				
Remediation Fund				
Expenditures	(5,389)	(5,389)	(5,389)	(5,389)
Revenues				
Net Fiscal Impact	(\$967)	(\$967)	(\$5,967)	(\$5,967)

## Recommendation

The Governor recommends a reduction in general fund expenditures of \$2,189,000 in FY 2004 and \$2,189,000 in FY 2005 to the budget of the Pollution Control Agency (PCA). In addition, the Governor recommends that the Motor Vehicle Title Transfer fee be redirected to the General Fund. The Governor also recommend that \$10,000,000 of the balance of the old Solid Waste Fund (now Environmental Fund) be transferred to the General Fund.

## Background

Since the 1980s, the PCA's budget has shifted to a mostly "polluter-pays" system of fees and taxes. Currently, about 10% of the PCA's annual budget is General Fund, which is used primarily to support activities designed to protect water quality from point or nonpoint source pollution. Point sources of pollution are pipes or stacks discharging into the environment and nonpoint source pollution is caused by the combined actions of individual or small sources. Statewide citizen survey after survey (the most recent being July 2002) indicates that protecting the water is Minnesotans' highest environmental priority and that citizens are concerned that the quality of their water is deteriorating. In 1998, a little more than 1,200 lakes, rivers, and streams no longer met their intended uses.

Thus, in making the required \$2,189,000 per year reduction in General Fund, the PCA strove to preserve funding to protect water quality protection programs by recommending a shift of \$1,280,000 per year from General Fund appropriations for water quality to the old Solid Waste Fund. In addition, the PCA will reduce General Funds for emergency response \$224,000 per year, but shift those expenses to the old Solid Waste Fund given the direct protection of citizen's health and safety, a critical function.

The proposed budget also recommends that the Debt Service Account of the General Fund be reimbursed \$685,000 from the old Solid Waste Fund for past sales of bonds used to support PCA's Closed Landfill Program. In addition, \$5 million each year from the fund balance of the old Solid Waste Fund would be transferred to the General Fund for FY 2004 and FY 2005.

The permanent redirection of the Motor Vehicle Title Transfer fee from the Environmental Fund to the General Fund will eliminate revenues and programs. The PCA believes it is able to manage the reductions through reassignments to funded vacancies, rather than layoffs.

- ◆ **Waste tire permitting, compliance and enforcement** (1.8 FTE). (\$139,000 per year). The program is currently in maintenance mode after successfully cleaning up 15 million tires. The PCA will continue to respond to emergencies, such as tire dump fires but the PCA will no longer permit 12 tire processors or license 120 tire transporters.
- ◆ **Licensing and technical support for used oil management** (1.7 FTE) and reimbursement of service station owners for management of contaminated used oil. (\$177,000 per year) The used oil program at PCA

has provided technical assistance, training and licensing for businesses and the public. It has been a maintenance program for the last few years. The Governor’s recommendation includes revoking the rule requiring licensing for used oil filter haulers (7045.0990, subpart 4). The PCA would also eliminate direct technical assistance for individuals and businesses provided by training and Customer Assistance Center staff. (Approximately 10 contacts/month, mostly businesses), and reimbursements of services stations for contaminated used oil would cease (\$51,000 per year, .2 FTE). (Approximately 2-3 reimbursements per year). Money remaining after reimbursements would no longer be transferred to OEA for education on waste oil management.

- ◆ **Increased air toxics monitoring in Twin Cities Metropolitan Area.** (\$125,000 per year, 1.2 FTE). In 2001, the PCA was directed to begin increased monitoring of air pollutants in the metropolitan area. Legislators were responding to environmental data which highlighted potential air quality concerns in the Twin Cities. In addition, citizen groups had become increasingly concerned about the effects of air pollution on public health. A December 2002 report titled “Air Toxics Monitoring in the Twin Cities Area, Preliminary Report” was submitted to the Legislature, as required by law, but enhanced monitoring efforts will cease.
- ◆ **State fund-financed cleanups at Superfund Sites.** (\$2,000,000 per year) This program identifies and oversees the investigation and cleanup of abandoned or uncontrolled hazardous waste sites that release hazardous substances, pollutants or contaminants that may threaten public health and the environment. Federally funded and responsible party cleanup work would be prioritized over state fund financed work and would continue forward. For the state fund-financed work no cleanup activities would be conducted at the remaining 32 fund-financed sites with the exception of limited work at one dry cleaning site with funds from the Dry Cleaning Account. This reduction also impacts Department of Agriculture cleanup of sites contaminated with agricultural chemicals.
- ◆ **Voluntary Investigation and Cleanup (VIC).** (15 FTE) (\$1,200,000 per year) Without fund consolidation 15 FTE would be eliminated in the VIC program, representing an 80% reduction of staff in brownfield cleanup work. The reductions are being made in VIC because Superfund sites are being cleaned up to mitigate public health and environmental risks to acceptable levels while Brownfields are being cleaned up for development purposes and do not pose the same level of risk to public health or the environment. However, because this is a fee-for-service program, with reduction of program activity there will be a corresponding loss of revenue to the Remediation Fund.

The old Solid Waste Fund receives 50% of the Solid Waste Tax. This fund carries a balance as of the November 2002 forecast. The recommendation includes an increase of expenditures from this fund to accommodate the shift of water quality and emergency response activities to this fund. The increased expenditures will be offset by a decrease in lower priority environmental activities, affecting one closed landfill site, where PCA has not come to an agreement with the private owner for Minnesota to assume responsibility for cleanup of this site.

**Relationship to Base Budget**

The recommendation to shift water quality and emergency response activities is key to enabling the PCA to focus resources on the highest environmental priorities.

**Key Measures**

Continued work on A and B level contaminated sites.

**Statutory Change:** Not applicable

# POLLUTION CONTROL AGENCY

Change Item: ENVIRONMENTAL FUNDING CONSOLIDATION

Fiscal Impact (\$000s)	FY 2004	FY 2005	FY 2006	FY 2007
<b>Petro Fund</b>				
Expenditures	(\$7,513)	(\$7,513)	\$0	\$0
Revenues	0	0	0	0
<b>Environmental Fund</b>				
Expenditures	(25,735)	(25,576)	(25,735)	(25,735)
Revenues	(19,093)	(18,515)	(18,025)	(17,553)
<b>Metro Landfill Contingency Trust Fund</b>				
Expenditures	(5,400)	0	0	0
Revenues	(515)	(363)	(402)	(442)
<b>Solid Waste Fund</b>				
Expenditures	(19,945)	(27,699)	(26,196)	(21,296)
Revenues	(2,148)	(1,232)	(982)	(1,119)
<b>Environmental Fund (Restructured)</b>				
Expenditures	22,971	22,971	22,971	22,971
Revenues	19,070	20,745	20,442	20,157
<b>Remediation Fund</b>				
Expenditures	35,622	37,817	28,960	24,060
Revenues	4,849	3,528	3,130	3,120
<b>Net Fiscal Impact</b>	<b>(\$2,163)</b>	<b>(\$4,163)</b>	<b>(\$4,163)</b>	<b>(\$4,163)</b>

**Note:** The above table does not represent the total impact to the specified funds. The table includes only Pollution Control Agency (PCA) expenditures and not expenditures for other agencies. The Revenues only include receipts collected by PCA and not those collected by all other agencies that deposit to the specified funds. Although it appears that state expenditures increase, the recommendation does not result in an increase in expenditures beyond those identified below. The balance of the restructured Environmental Fund is \$23.1 million in FY 2004, \$10.3 million in FY 2005, \$13.4 million in FY 2006, and \$21.8 in FY 2007. The Remediation Fund has a negative balance of \$26.1 million, which represents the negative if bonding not realized.

## Recommendation

The Governor recommends environmental fund simplification that will enhance the PCA's ability to direct resources toward priority programs.

## Background

The environmental funds simplification proposal includes the following changes:

- ◆ Restructure the Environmental Fund and create a new Remediation Fund to improve the ability of the PCA and the affected agencies to direct money to the highest environmental priorities;
- ◆ Rename the solid waste tax to the "environmental tax" to reflect the broader purposes for which it is spent;
- ◆ Increasing water quality permit application fees from \$240 to \$1,000 (a \$760 increase), resulting in a \$152 increase per permittee per year over the five year permit cycle and directing those revenues to the Environmental Fund;
- ◆ Upon sunset of the Hazardous Waste Generator Tax in January 2004, combine the Hazardous Waste Fee and the Hazardous Waste Generator Tax into one fee that raises the amount of revenue needed. This recommendation would continue current revenue generation of \$2 million from the old Hazardous Waste Generator Tax, directed to the Environmental Fund;
- ◆ Redirect half of all insurance recovery lawsuit proceeds associated with the Closed Landfill Cleanup Program from FY 2002 onward to the Closed Landfill Investment Fund and the remainder into the reserves for the Remediation Fund. (This transfer will assure that these proceeds will be used for the state's perpetual care at eligible landfill sites, which currently represents a thirty-year \$231 million liability to the state.)
- ◆ Abolish the Solid Waste Fund and redirect \$15.7 million of the reserves into the Remediation Fund; \$5.280 million of the balance (from the remaining half of the insurance recovery proceeds) into the Closed Landfill Investment Fund, and the remaining balance into the Environmental Fund; and



- ◆ Abolishing the Metropolitan Landfill Contingency Action Trust Fund, and transfer the balance to the Remediation Fund, MLCAT account.

In 2000, PCA proposed a restructuring of existing environmental funding sources that would enable environmental agencies to propose, and the legislature to allocate, resources based on environmental priorities rather than the funding source. As a result, the legislature directed the Legislative Auditor to study how the PCA is funded and to assess possible funding alternatives. The audit found that “determining the right mix of funding sources for PCA will require legislative judgements about some fundamental issues.” After reviewing the audit results in 2001, the house and senate environment and environmental finance committees, in cooperation with the PCA, worked with those paying fees or taxes to develop a common understanding of the current funding structure and issues, and analyze possible options. The PCA Funding Options Workgroup, composed of businesses, farmers, counties, cities, and environmental groups suggested that “simplicity” and “shared responsibility” are the key elements of funding for environmental protection and ranked existing and new funding sources on that basis. In addition, the Funding Options Workgroup strongly indicated that sources of funding must be able to meet the needs of nonpoint pollution, the majority of the pollution remaining in the state.

It is possible to meet these needs within the current funding sources by restructuring the separate accounts within the Environmental Fund and managing the revenues at the fund level, which includes broadly based fees and taxes, such as the solid waste tax. (See web site address below for graphic depicting this fund structure compared to existing fund structure.) Most Minnesotans pay the solid waste tax. A recent survey commissioned for the Funding Options Workgroup indicates the public supports using the solid waste tax for more environmental purposes. Renaming the solid waste tax to the “environmental tax,” provides “truth in taxation” and the opportunity for the legislature to focus on the level of appropriation needed to support environmental priorities. Currently, the amount of money in numerous dedicated accounts drives where the environmental protection work is done, instead of the environmental protection priority.

### Relationship to Base Budget

This proposal is based on existing funding sources and existing appropriations for environmental protection activities, with key exceptions as related below. The proposal reduces the current five funds (one with 14 accounts) down to three funds. The PCA would continue to receive General Fund appropriations.

### Key Measures

The Funding Options Working Group established the following criteria as the measure of success for the new funding structure. These criteria are very similar to those recommended to the legislature by the Legislative Auditor:

- ◆ understandability and simplicity of the funding structure to the general public, fee payers, and legislature;
- ◆ fiscally sustainable over time with sufficient revenues to address the problems;
- ◆ equity between sector impacts and population (who causes pollution—point vs. nonpoint); and
- ◆ linkage between revenue sources and uses; incentives for environmental impact.

Fund statements that detail revenues and legislative appropriations (available to the public at <http://www.finance.state.mn.us>) provide the linkage between revenue sources and uses. More detailed fund statements are available on the PCA's web site <http://www.pca.state.mn.us>. In addition, the PCA has revised its biennial report, “A Guide to MPCA Programs”, to include budget and FTE associated with environmental protection activities and results. Lastly, the PCA is implementing and publishing program measurements to allow interested citizens to review PCA's progress in achieving environmental outcomes.

### Alternatives Considered

The 2002 Legislative Audit on PCA Funding, Appendix C identified new funding sources that could be considered in addition to the fees and taxes that currently support environmental protection activities.

**Statutory Change:** M.S. 16A, 115B, 116, 116J, 270B, 297H, 325E, 469, and 473; and Laws of 1999, M.S. ch. 231, sec. 143.

# POLLUTION CONTROL AGENCY

Program: WATER

Change Item: STORMWATER REGULATORY PROGRAM

Fiscal Impact (\$000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Environmental Fund				
Expenditures	\$3,470	\$3,556	\$3,562	\$3,562
Revenues	3,562	3,562	3,562	3,562
Net Fiscal Impact	(\$92)	(\$6)	0	0

Note: The revenues represent new fee income from all fee payers.

## Recommendation

The Governor recommends implementation of the Phase II Stormwater Program, a federally required program and the new application fee necessary to implement the program.

## Background

Phase I of the U.S. Environmental Protection Agency's (EPA's) stormwater program was promulgated in 1990 pursuant to the federal Clean Water Act. The Phase I program applied only to the cities of Minneapolis and St. Paul, approximately 2,200 industrial sites, and approximately 900 new construction sites each year that disturbed greater than five acres. This results in about 3,100 revenue generating permits per year (2,200 industrial annual fees, plus 900 construction projects per year).

In 2003, the Stormwater Phase II Final Rule takes effect. It is the next step in EPA's effort to preserve, protect and improve water resources from polluted stormwater runoff. The Phase II Program expands the Phase I Program by requiring an estimated 250 additional municipalities and other owners of stormwater infrastructure to implement programs and practices to control polluted stormwater runoff. A temporary exclusion in federal law expires on 3-10-03, resulting in an additional 1,700 industrial sites (those owned by municipalities) being regulated. In addition, approximately 5,000 additional construction stormwater sites per year will fall under EPA's new regulations, including sites that disturb between one and five acres of land.

The Stormwater Phase II Final Rule will:

- ⇒ Authorize the Pollution Control Agency (PCA) to collect and be appropriated fees collected from regulated parties under the Stormwater Program for issuing construction, industrial, and municipal general permits;
- ⇒ Affirm PCA's authority to issue general permits;
- ⇒ Establish effectiveness monitoring and oversight for implementation of best management practices for stormwater;
- ⇒ Require PCA to set new application fees for construction site general permits of \$400, and new annual fees for industrial facilities general permits of \$400, with no fees for municipal general permits for a consistent fee structure across phase I and phase II. These fees would replace fees currently charged for regulated parties under phase I.
- ⇒ Allow for the pass-through of funds from construction and industrial permit fees to soil and water conservation districts or local units of government as contracts or joint powers agreements for inspections, compliance, and other assistance in program implementation;
- ⇒ Authorize PCA to allow conditional exclusion from Minn. R. 7050.0180, 7050.0185, and 7050.0186 for general stormwater permits that have Best Management Practices in place. This will ensure Minnesota waters are protected until those rules are amended.

The PCA is required to implement this program as part of Minnesota's National Pollutant Discharge Elimination System (NPDES) authority. In total, the PCA anticipates having approximately 6,950 additional permittees per year covered under general stormwater permits. Authorization to collect and utilize fees from previously unregulated parties is needed to enact this federally mandated program and to enhance environmental protection related to polluted stormwater discharges. Fees will be used for additional staff to run the program; however, the

## POLLUTION CONTROL AGENCY

Program: WATER

Change Item: STORMWATER REGULATORY PROGRAM

PCA will utilize existing staff in other downsized program areas and not increase the overall complement of PCA staff. Contracts or joint powers agreements to Soil and Water Conservation Districts and local units of government will be used to assist the PCA in administering the inspection, compliance and assistance aspects of the program. Fees may also be used to support municipalities in educating the public regarding storm water impacts.

The recommendation includes funding for monitoring the establishment and effectiveness of best management practices. This will be in lieu of asking each permittee to monitor the effectiveness of their best management practices. The PCA will develop and implement, primarily through contracts, the water monitoring necessary to document effectiveness of best management practices for stormwater pollutant reduction.

Conditional exclusion from Minn. R. 7050.0180, 7050.0185 and 7050.0186 for stormwater general permits (containing best management practices) is needed because these rules were written prior to general permit authorization and would be extremely difficult and expensive to implement for the varied and numerous sources of pollution that the agency is now required to permit. Legislative action is required to clarify how the PCA will permit these newly regulated sources of pollutants and provide direction to the PCA for rulemaking.

### Relationship to Base Budget

The PCA currently has authority to assess stormwater permit fees to municipalities, industries, and construction sites under the Phase I Stormwater program. This change item recommends that fees collected from regulated parties become part of the PCA's base budget. The PCA's total permit fees for the stormwater program will generate an estimated \$3.562 million per year. The fees cover MPCA staff resources, education, monitoring to demonstrate the effectiveness of best management practices in reducing stormwater pollutant loads to surface water, and pass through funds to Soil and Water Conservation Districts and local units of government where PCA needs their assistance to administer the program.

### Key Measures

- ⇒ The PCA will comply with the stormwater requirements for Minnesota's delegated National Pollutant Discharge Elimination System permit program.
- ⇒ Once the Phase II program is implemented, the PCA will issue an estimated 5,900 general construction stormwater permits per year. In addition, the PCA will cover up to 3,900 industrial facilities under a general permit—the exact number depending on how many may qualify for exemptions based on “no exposure” to precipitation and runoff. In addition to these fee-paying permittees, approximately 250 municipal systems will be covered under a general permit with no fees. These numbers compare with the current 900 construction permits per year and 2,200 industrial facilities, all under general permits, and just two individual permits for municipal systems.
- ⇒ Municipal programs will comply with PCA general permit requirements, will implement compliance and enforcement activities at the local level, and will not duplicate PCA program requirements.
- ⇒ Reductions in polluted runoff (sediments, nutrients, metals, organics) from urban areas, construction sites, and industrial sites will result in improvements in water quality of receiving waters. For example, stormwater controls achieve 93% reductions in sediment release. Phase 2 stormwater implementation is expected to result in reduction of between 800,000 and 1,600,000 tons of sediment. In Minneapolis, implementation of structural and non-structural stormwater best management practices at Cedar Lake also resulted in a 40% reduction in phosphorus.

### Alternatives Considered

- ⇒ Return stormwater delegation to the EPA. This option would give up both state and local control to the federal government, so the program may be designed in a way that is not palatable to Minnesota's citizens. Regulated parties suggested that this be an option that PCA not pursue.

**Statutory Change:** MS Revision to M.S. 116.074 subd. 4.d.(a) to authorize collection of fees from newly-regulated entities, M.S. Ch.116 to allow conditional exclusion of Minn. R. 7050.0180, 7050.0185, and 7050.0186, and to provide direction on stormwater rulemaking.

# POLLUTION CONTROL AGENCY

Change Item: GENERAL FUND MERCURY REDUCTION

Fiscal Impact (\$000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	(\$62)	(\$62)	(\$62)	(\$62)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	(\$62)	(\$62)	(\$62)	(\$62)

## Recommendation

The Governor recommends a reduction of \$62,000 per year in general fund expenditures by reducing the Mercury Reduction program.

## Background

After working one and one-half years with a stakeholder group comprised of industry, environmental groups and other units of government, the PCA was appropriated funding beginning in 2000 to implement strategies recommended by the stakeholder advisory group. These strategies were to designed to reduce mercury contamination, particularly in fish, in the state.

A Legislative progress report was required in 2001. The next progress report is due in 2005. Since the last report, the MPCA budgeted funds to support, along with DNR and the taconite industry, research efforts to identify mercury reduction opportunities that would result in fewer mercury emissions from taconite production. This industry sector is the second largest source of mercury in Minnesota.

With federal funding, state grants, and industry gifts, the PCA also implemented a "Mercury Free Zone" program, using the only dog in North America that is trained to detect mercury. (The only other dog trained for this purpose is in Sweden). "Clancy" has been very successful in removing mercury from schools where susceptible populations are at risk. This program is focused on switching out products used in schools that contain mercury and to eliminate the risk of contamination from spills. The key indicator is that over 6,000 teachers, administrators, and students have been educated about the dangers of mercury. Over 500 lbs. of mercury have been removed directly from these schools. The federal funding is ending in the next year.

## Relationship to Base Budget

The original appropriation for Mercury Reduction was \$181,000 in FY2000. The appropriation decreased to \$142,000 in FY 2001, \$135,000 in FY 2002 to the on-going base amount of \$62,000 in FY 2003.

## Key Measures

- ⇒ Numbers of people directly educated (currently 6,000); millions of people have seen, heard or read about Clancy in press coverage.
- ⇒ Pounds of mercury removed from the environment (500 lbs).
- ⇒ The number of schools pledging to be mercury free (currently 174).

## Alternatives Considered

- ◆ Eliminating the "mercury free zone" program

**Statutory Change:** Not Applicable

# POLLUTION CONTROL AGENCY

Program: MULTIMEDIA

Change Item: LCMR-SURFACE WATER MONITORING

Fiscal Impact (\$000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Environment & Natural Resource Trust Fund				
Expenditures	\$822	\$160	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$822	\$160	0	0

## Recommendation

The Governor has recommended the elimination of the dedicated funding for the Future Resources Fund. The Governor is not making specific recommendations on LCMR projects at this point, but intends to provide a statement of the administration's priorities for Environmental Trust Fund projects at a later time.

## Background

LCMR has recommended that \$982,000 will be available for accelerating and enhancing surface water monitoring for lakes and streams.

Sound water management decisions depend on adequate information. This project will provide much needed data by accelerating existing monitoring efforts, leveraging partnerships, developing innovative assessment tools, and enabling citizen monitoring.

## Relationship to Base Budget

The MPCA spends approximately \$250,000 and 5.5 FTE each year on stream monitoring and assessment, and \$35,000 and 2 FTE on detailed lake assessments and trend analysis. Note: This does not include the time spent on general support (database management, equipment maintenance, etc.) or specific problem investigation. The MPCA is also spending \$210,000 between July 2002 and June 2003 to collaboratively develop a volunteer monitoring manual to assist in the training effort. MPCA's baseline efforts for stream and lake assessments will continue. This initiative would augment the MPCA's current efforts, allowing those efforts to be accelerated and improved.

## Key Measures

- ◆ Accelerate development of biological index from 2010 to 2007.
- ◆ Increase the number of lakes we have information on by applying remote sensing technology.
- ◆ Increase the number of citizen volunteers for surface water quality monitoring.

## Alternatives Considered

Not applicable

## Statutory Change:

Not Applicable



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Department of Finance**

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February 18, 2003

The Minnesota Legislature  
State Capitol  
St. Paul, Minnesota

Dear Legislators,

I respectfully submit for your consideration the FY 2004-05 Governor's budget proposals for the non-cabinet agencies in the Environment, Natural Resources, and Agriculture omnibus bill. These agencies collectively administer \$129 million for the FY 2004-05 biennium. The Governor encourages the agencies to work diligently to be effective stewards of taxpayer resources and focus operations and spending on their highest service priorities.

The funding recommended for these agencies for FY 2004-05 represents a \$28 million (18%) decrease from the FY 2002-03 biennium. The funding provided for these agencies will be used to protect our water quality, reduce soil erosion, protect the health of our domestic livestock, educate citizens on environmental issues, and help farmers find ways to compete in the world market.

The magnitude of the projected budget shortfall and the desire to protect core government functions necessitates reducing or eliminating some functions. The Governor intends that agencies individually redesign their operations to minimize the disruption to public services as much as possible. It will also be important for them to collaborate with other agencies to consolidate operations, co-locate facilities, or otherwise cooperate to share services in order to reduce costs.

Examples of reductions in this area include a 20% average reduction in agency administrative costs, and \$13 million in reductions to grant programs.

The pages that follow provide more detailed information on individual agency spending history and budget plans for the next biennium.

I know that my staff, the agencies, and the Governor's Office all stand ready to provide you with additional information and assistance as necessary as you go about the difficult task of crafting a sound budget for the upcoming biennium.

Sincerely,

Dan McElroy  
Commissioner

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# AGRICULTURE UTILIZATION RESRCH

Budget in Brief

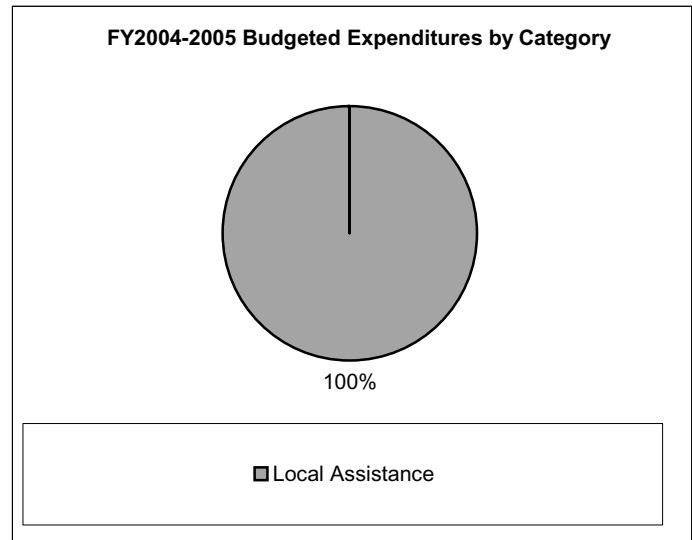
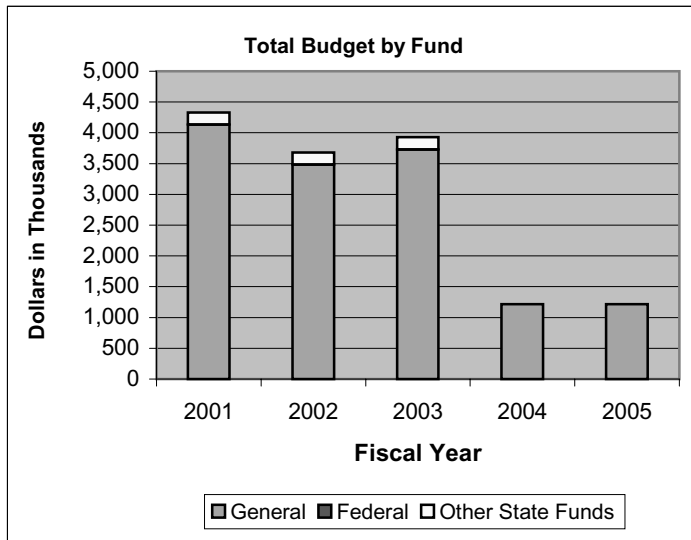
## FY 2004-05 Expenditures (\$000s)

	General Fund	Other Funds	Total
<b>2003 Funding Level</b>	7,458	400	7,858
Legislatively Mandated Base	-24	0	-24
<b>Adjusted Base Funding</b>	7,434	400	7,834
<b>Change Items</b>			
Budget Reduction	-5,000	-400	-5,400
<b>Governor's Recommendations</b>	2,434	0	2,434
<b>Biennial Change, 2002-03 to 2004-05</b>	-4,775	-400	-5,175
<b>Percent Change</b>	-66%	-100%	-68%

### Brief Description of Budget Changes:

The base is legislatively mandated to be \$7,434,000 for the FY 2004-05 biennium.





<i>Dollars in Thousands</i>	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
<b>Expenditures by Fund</b>						
Direct Appropriations						
General	4,130	3,480	3,729	1,217	1,217	2,434
Agriculture Fund	200	200	200	0	0	0
<b>Total</b>	<b>4,330</b>	<b>3,680</b>	<b>3,929</b>	<b>1,217</b>	<b>1,217</b>	<b>2,434</b>
<b>Expenditures by Category</b>						
Local Assistance	4,330	3,680	3,929	1,217	1,217	2,434
<b>Total</b>	<b>4,330</b>	<b>3,680</b>	<b>3,929</b>	<b>1,217</b>	<b>1,217</b>	<b>2,434</b>
<b>Expenditures by Program</b>						
Ag Utilization Research Inst	4,330	3,680	3,929	1,217	1,217	2,434
<b>Total</b>	<b>4,330</b>	<b>3,680</b>	<b>3,929</b>	<b>1,217</b>	<b>1,217</b>	<b>2,434</b>

# AGRICULTURE UTILIZATION RESRCH

Change Item: BUDGET REDUCTION

Fiscal Impact (\$000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	(\$2,500)	(\$2,500)	(\$2,500)	(\$2,500)
Revenues	0	0	0	0
Other Fund				
Expenditures	(200)	(200)	(200)	(200)
Revenues	0	0	0	0
Net Fiscal Impact	(\$2,700)	(\$2,700)	(\$2,700)	(\$2,700)

## Recommendation

The Governor recommends a reduction of \$2,500,000 for FY 2004 and \$2,500,00 for FY 2005 to the budget of the Agricultural Utilization Research Institute (AURI). The Governor further recommends that the administrative and operational functions of AURI be consolidated with the Department of Agriculture in order to continue critical services while reducing administrative costs.

## Background

Five areas would primarily be affected by these reductions. These areas include reductions in organizational initiatives, project grant activities, hybrid poplar, salaries/benefits and administrative costs.

A transfer of \$200,000 per year from the Department of Agriculture for pesticide use reduction programs would also be eliminated.

## Relationship to Base Budget

The recommendation represents a 67% reduction to the base budget.

## Alternatives Considered

None.

**Statutory Change:** MS 116O.09

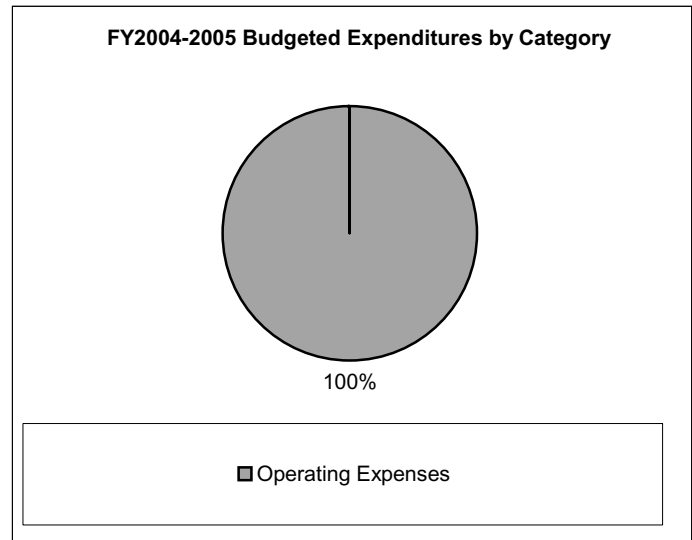
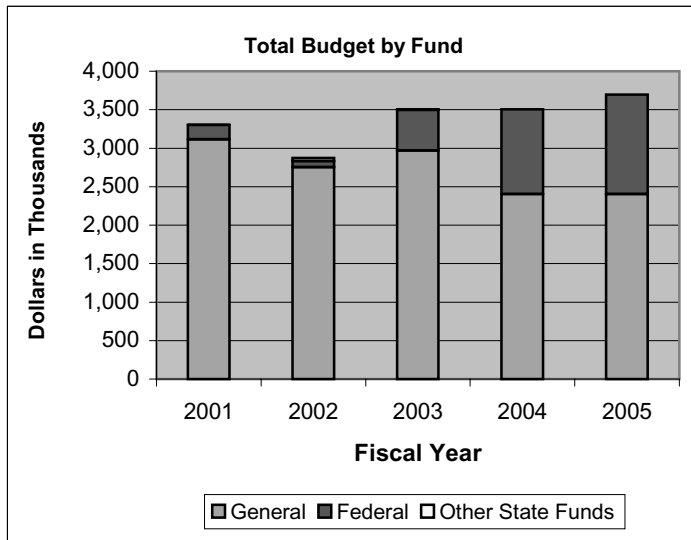
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**ANIMAL HEALTH BOARD**

Budget in Brief

**FY 2004-05 Expenditures (\$000s)**

	<b>General Fund</b>	<b>Other Funds</b>	<b>Total</b>
<b>2003 Funding Level</b>	5,606	2,398	8,004
<b>Adjusted Base Funding</b>	5,606	2,398	8,004
<b>Change Items</b>			
Budget Reduction	-800	0	-800
<b>Governor's Recommendations</b>	4,806	2,398	7,204
<b>Biennial Change, 2002-03 to 2004-05</b>	-915	1,740	825
<b>Percent Change</b>	-16%	264%	13%



<i>Dollars in Thousands</i>	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
<b>Expenditures by Fund</b>						
<b>Direct Appropriations</b>						
General	3,114	2,753	2,968	2,403	2,403	4,806
Special Revenue	1	44	6	0	0	0
<b>Statutory Appropriations</b>						
Federal	189	78	530	1,104	1,294	2,398
<b>Total</b>	<b>3,304</b>	<b>2,875</b>	<b>3,504</b>	<b>3,507</b>	<b>3,697</b>	<b>7,204</b>

<b>Expenditures by Category</b>	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Operating Expenses	3,264	2,875	3,504	3,507	3,697	7,204
Local Assistance	40	0	0	0	0	0
<b>Total</b>	<b>3,304</b>	<b>2,875</b>	<b>3,504</b>	<b>3,507</b>	<b>3,697</b>	<b>7,204</b>

<b>Expenditures by Program</b>	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Livestock And Poultry Health	3,304	2,875	3,504	3,507	3,697	7,204
<b>Total</b>	<b>3,304</b>	<b>2,875</b>	<b>3,504</b>	<b>3,507</b>	<b>3,697</b>	<b>7,204</b>

<b>Revenue by Type and Fund</b>	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
<b>Non Dedicated</b>						
General	0	3	5	5	5	10
Cambridge Deposit Fund	3	0	0	0	0	0
Subtotal Non Dedicated	3	3	5	5	5	10
<b>Dedicated</b>						
Special Revenue	1	50	0	0	0	0
Federal	176	78	530	1,104	1,294	2,398
Subtotal Dedicated	177	128	530	1,104	1,294	2,398
<b>Total Revenue</b>	<b>180</b>	<b>131</b>	<b>535</b>	<b>1,109</b>	<b>1,299</b>	<b>2,408</b>

<b>Full-Time Equivalents (FTE)</b>	<b>31.9</b>	<b>31.1</b>	<b>32.0</b>	<b>28.8</b>	<b>28.8</b>
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# ANIMAL HEALTH BOARD

Change Item: BUDGET REDUCTION

Fiscal Impact (\$000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	(\$400)	(\$400)	(\$400)	(\$400)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	(\$400)	(\$400)	(\$400)	(\$400)

## Recommendation

The Governor recommends a reduction of \$400,000 in FY 2004 and \$400,000 in FY 2005 from the budget of the Board of Animal Health. The Governor further recommends that the administrative and operational functions of the Board of Animal Health be consolidated with the Department of Agriculture in order to continue critical services while reducing administrative costs.

## Background

This recommendation only consolidates administrative and operational functions of the Board of Animal Health. The State Veterinarian and Board will continue to be independent.

The Board of Animal Health will make the following reductions:

- ◆ Close Brucellosis Laboratory \$303,000
- ◆ Administration \$97,000

## Relationship to Base Budget

The recommended reduction represents 14.3% of the base budget.

**Statutory Change:** M.S. 35

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# ENVIRONMENTAL ASSISTANCE

Budget in Brief

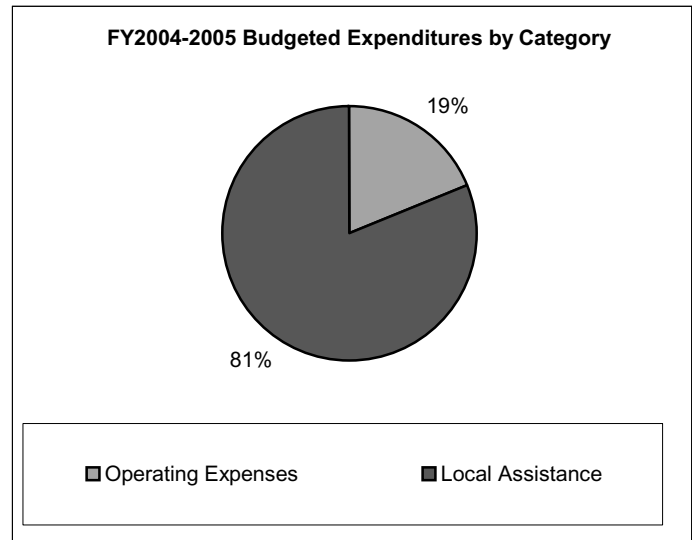
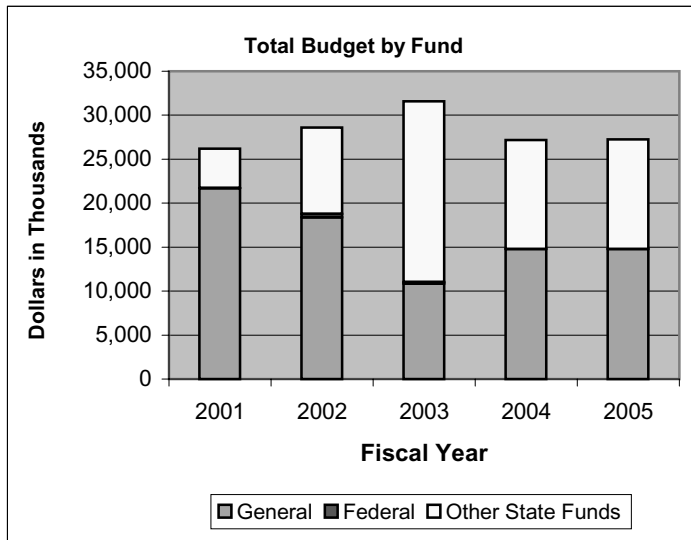
## FY 2004-05 Expenditures (\$000s)

	General Fund	Other Funds	Total
<b>2003 Funding Level</b>	18,862	40,418	59,280
Legislatively Mandated Base	18,000	0	18,000
One-Time Appropriations	0	-18,000	-18,000
Transfers Between Agencies	0	2,082	2,082
<b>Adjusted Base Funding</b>	36,862	24,500	61,362
<b>Change Items</b>			
General Fund Grants & Loans Reductions	-324	56	-268
General Fund Operations Reductions	-1,924	294	-1,630
Score Reduction	-5,044	0	-5,044
<b>Governor's Recommendations</b>	29,570	24,850	54,420
<b>Biennial Change, 2002-03 to 2004-05</b>	333	-6,092	-5,759
<b>Percent Change</b>	1%	-20%	-10%

### Brief Explanation Of Budget Decisions:

There was a one-time appropriation in FY 2003 from the Solid Waste Fund and a corresponding one-time reduction in OEA's General Fund appropriation. In addition, the Pollution Control Agency (PCA) transferred Household Hazard Waste program funds to OEA during FY 2002-03.





<i>Dollars in Thousands</i>	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
<b>Expenditures by Fund</b>						
<b>Direct Appropriations</b>						
Environment & Natural Resource	95	0	0	0	0	0
General	21,680	18,380	10,857	14,785	14,785	29,570
Environmental	1,553	1,291	1,417	1,513	1,513	3,026
Solid Waste	0	6,000	16,500	8,541	8,541	17,082
<b>Statutory Appropriations</b>						
Special Revenue	132	5	23	1	1	2
Federal	42	377	150	0	0	0
Environmental	2,670	2,397	2,590	2,294	2,342	4,636
Gift	31	138	54	52	52	104
<b>Total</b>	<b>26,203</b>	<b>28,588</b>	<b>31,591</b>	<b>27,186</b>	<b>27,234</b>	<b>54,420</b>
<b>Expenditures by Category</b>						
Operating Expenses	5,238	5,168	5,751	4,999	5,175	10,174
Local Assistance	20,965	23,420	25,640	22,028	21,852	43,880
Other Financial Transactions	0	0	200	159	207	366
<b>Total</b>	<b>26,203</b>	<b>28,588</b>	<b>31,591</b>	<b>27,186</b>	<b>27,234</b>	<b>54,420</b>
<b>Expenditures by Program</b>						
Office Of Environmental Assist	26,203	28,588	31,591	27,186	27,234	54,420
<b>Total</b>	<b>26,203</b>	<b>28,588</b>	<b>31,591</b>	<b>27,186</b>	<b>27,234</b>	<b>54,420</b>

# ENVIRONMENTAL ASSISTANCE

Fiscal Report

<i>Dollars in Thousands</i>	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	FY2001	FY2002	FY2003	FY2004	FY2005	2004-05
<b>Non Dedicated</b>						
General	22	82	83	83	83	166
Environmental	1,252	1,256	1,200	1,150	1,100	2,250
Subtotal Non Dedicated	1,274	1,338	1,283	1,233	1,183	2,416
<b>Dedicated</b>						
Special Revenue	28	1	23	1	1	2
Federal	48	382	139	0	0	0
Environmental	78	43	40	80	128	208
Miscellaneous Agency	0	78	0	0	0	0
Gift	49	89	52	52	52	104
Subtotal Dedicated	203	593	254	133	181	314
<b>Total Revenue</b>	<b>1,477</b>	<b>1,931</b>	<b>1,537</b>	<b>1,366</b>	<b>1,364</b>	<b>2,730</b>
<b>Full-Time Equivalentents (FTE)</b>	<b>62.5</b>	<b>60.4</b>	<b>62.2</b>	<b>61.6</b>	<b>59.2</b>	

## ENVIRONMENTAL ASSISTANCE

### Change Item: GENERAL FUND GRANTS AND LOANS REDUCTIONS

Fiscal Impact (\$000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	(\$162)	(\$162)	(\$162)	(\$162)
Revenues	0	0	0	0
Environmental Fund P2				
Expenditures	28	28	28	28
Revenues	0	0	0	0
Net Fiscal Impact	(\$134)	(\$134)	(\$134)	(\$134)

### Recommendation

The Governor recommends a reduction of \$162,000 in FY 2004 and \$162,000 in FY 2005 in the Office of Environmental Assistance's (OEA's) General Fund grant and loan program. In addition, the Governor recommends that the portion of funds allocated to OEA from the Pollution Prevention Account balance in the Environmental Fund be increased by \$28,000 in FY 2004 and \$28,000 in FY 2005.

### Background

Grants and loans are two of the many tools OEA uses to further its mission to help Minnesotans make informed decisions and take actions that conserve resources and prevent pollution and waste to benefit the environment, economy, and society.

Since 1985, the OEA has awarded more than \$10 million in grants to businesses, public entities, nonprofit organizations, schools, and others throughout Minnesota. From October 1999 to July 2000, OEA provided \$1.35 million to 28 projects, leveraging nearly \$1.5 million in matching funds. The program provides financial support to pollution prevention, waste reduction and reuse, source separation, recycling and market development of recyclables, resource conservation and environmental education projects throughout the state. \$28,000 from the Pollution Prevention account in the environmental fund will be used to offset a portion of the General Fund reduction in grants.

The revolving account for loans was created to provide loans to businesses for new equipment to reduce pollution and waste, and to increase recycling. The initial proposal was to award \$200,000 in loans each year for five years using new money. When repayed, the loans would go into a special revolving account to be used for future loans. Appropriations would stop once the total reached \$1,000,000. In 2001, the OEA was given authority to award up to \$400,000 in loans (\$200,000 each year). No loans were awarded during FY 2002 due to budget concerns and low commercial interest rates.

### Relationship to Base Budget

The recommended reduction represents 20% of the base budget.

**Statutory Change:** Not Applicable.

# ENVIRONMENTAL ASSISTANCE

## Change Item: GENERAL FUND OPERATIONS REDUCTIONS

Fiscal Impact (\$000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	(\$962)	(\$962)	(\$962)	(\$962)
Revenues	0	0	0	0
Environmental Fund				
Expenditures	147	147	147	147
Revenues	0	0	0	0
Net Fiscal Impact	(\$815)	(\$815)	(\$815)	(\$815)

### Recommendation

The Governor recommends that the Office of Environmental Assistance (OEA) reduce its General Fund operational budget by \$962,000 for FY 2004 and by \$962,000 for FY 2005. In addition, the Governor recommends that the portion of funds allocated OEA from the Pollution Prevention Account balance in the Environmental Fund be increased by \$147,000 in FY 2004 and \$147,000 in FY 2005.

### Background

This recommendation would result in the reduction of technical assistance and outreach available from the OEA in its service delivery. The specific programs impacted would be:

#### General Fund Item

**Events and Services:** (\$350,000)

Events and services such as the Governor's Award program, advisory council meetings, grant management, state fair booth, and miscellaneous expenditures including printing, space rental and employee training.

**Partnerships:** (\$195,000)

Mercury reduction partnership with PCA, national paint product stewardship project, ISO 14001 Certification project with MnTAP, environmentally preferable purchasing with Dept of Administration, regional local government assistance.

**Environmental Education:** (\$270,000)

Environment as an Integrating Concept education program, waste reduction campaign, sustainable communities information exchange.

**Pollution Prevention services:** (\$147,000)

**Total** (\$962,000)

#### Environmental Fund

Pollution Prevention Account Item:

**Pollution Prevention services:** \$147,000

### Relationship to Base Budget

The recommended reduction represents 20% of the base budget.

**Statutory Change:** Not Applicable.

## ENVIRONMENTAL ASSISTANCE

Program: OFFICE OF ENVIRONMENTAL ASSIST

Change Item: SCORE REDUCTION

Fiscal Impact (\$000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	(\$2,522)	(\$2,522)	(\$2,522)	(\$2,522)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	(\$2,522)	(\$2,522)	(\$2,522)	(\$2,522)

### Recommendation

The Governor recommends that the Office of Environmental Assistance (OEA) reduce SCORE funding by \$2,522,000 in FY 2004 and \$2,522,000 in FY 2005. The Governor also recommends that the use of the solid waste processing credit by counties be expanded to included SCORE related purposes.

### Background

Since the late 1980s, the OEA has been appropriated funds for the purpose of distribution to counties to:

- ◆ reduce the amount of waste generated;
- ◆ recycle the maximum amount of solid waste technically feasible;
- ◆ create and support markets for recycled products;
- ◆ remove problem materials from the solid waste stream and develop proper disposal options for them;
- ◆ inform and educate all sectors of the public about proper solid waste management procedures;
- ◆ provide technical assistance to public and private entities to ensure proper solid waste management;
- ◆ provide educational, technical and financial assistance for litter prevention; and
- ◆ process mixed municipal solid waste generated in the county at a resource recovery facility located in Minnesota.

The funds for distribution represent 70% of OEA's revenues and expenses as well as a partnership of the state and the local units of government to reduce and recycle waste. Counties are required to match the funds by 25% and have exceeded that match each year. The reduction and recycling programs have been tremendously successful. Each year Minnesota's recycling rate is in the top five nationwide; nearly half of our solid waste each year is recycled resulting in nearly 9,000 jobs, \$93 million in tax revenues and \$3.48 billion to the state's economy.

The expanded use of the solid waste processing credit would allow most counties to offset SCORE reductions.

### Relationship to Base Budget

The recommended reduction represents 20% of the base budget.

### Key Measures

The OEA reports annually the results of reduction, reuse, and recycling efforts in the state. The OEA will continue this reporting. (M.S. 115A.557, subd. 4)

**Statutory Change:** M.S 115A.545, subd. 2

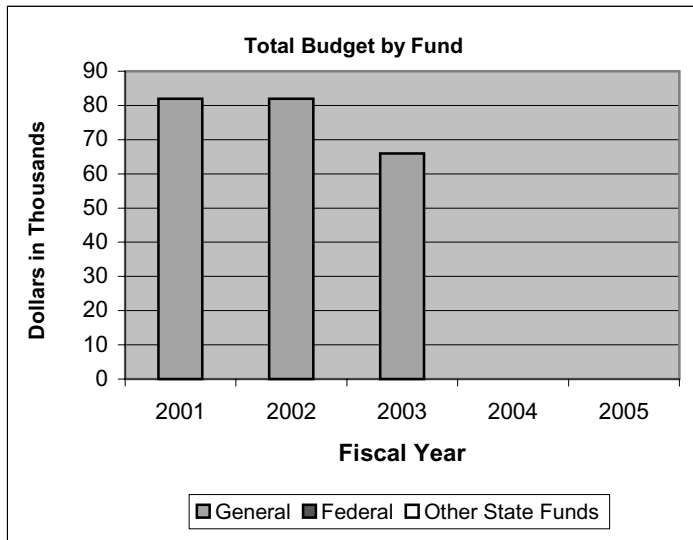
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State Funding Elimination	89

FY 2004-05 Expenditures (\$000s)

	General Fund	Other Funds	Total
<b>2003 Funding Level</b>	132	0	132
One-Time Appropriations	32	0	32
<b>Adjusted Base Funding</b>	164	0	164
<b>Change Items</b>			
State Funding Elimination	-164	0	-164
<b>Governor's Recommendations</b>	0	0	0
<b>Biennial Change, 2002-03 to 2004-05</b>	-148	0	-148
<b>Percent Change</b>	-100%	n.m.	-100%

**Brief Description of Budget changes:**

The FY 2004-05 base was adjusted because of a one-time reduction.



<i>Dollars in Thousands</i>	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
<b>Expenditures by Fund</b>						
Direct Appropriations						
General	82	82	66	0	0	0
<b>Total</b>	<b>82</b>	<b>82</b>	<b>66</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Expenditures by Category</b>						
Local Assistance	82	82	66	0	0	0
<b>Total</b>	<b>82</b>	<b>82</b>	<b>66</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Expenditures by Program</b>						
Horticultural Society	82	82	66	0	0	0
<b>Total</b>	<b>82</b>	<b>82</b>	<b>66</b>	<b>0</b>	<b>0</b>	<b>0</b>



# HORTICULTURE BOARD

## Change Item: STATE FUNDING ELIMINATION

Fiscal Impact (\$000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	(\$82)	(\$82)	(\$82)	(\$82)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	(\$82)	(\$82)	(\$82)	(\$82)

### Recommendation

The Governor recommends eliminating the state funding for the Minnesota State Horticulture Society (MSHS) in the amount of \$82,000 per year.

### Background

MSHS has the following sources of revenue: fees, donations, book and merchandise sales, and advertising revenue from its publication *Northern Gardener*.

### Relationship to Base Budget

Annual revenues total about \$1,200,000. Of this amount fees total \$550,000, donations total \$125,000, book sales equal \$290,000, advertising revenue is \$140,000. The state grant represents a small percentage of the MSHS budget.

### Key Measures

Reductions could occur in the areas of travel, staff, and the website/magazine.

**Statutory Change:** Not Applicable

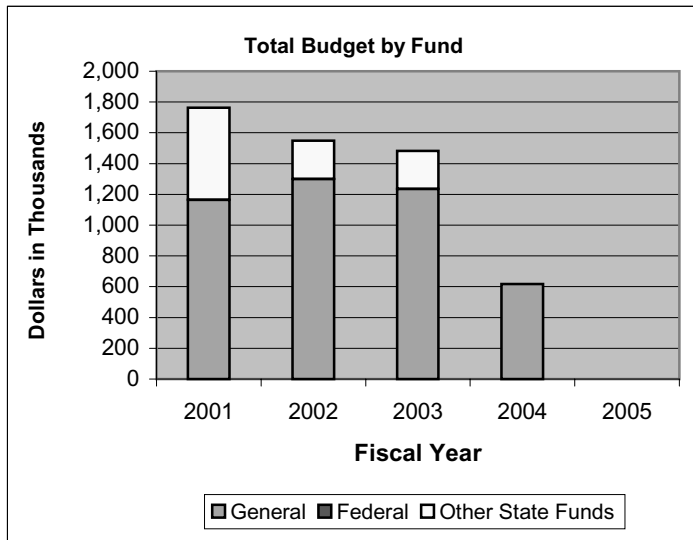
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Budget Reduction	93

FY 2004-05 Expenditures (\$000s)

	General Fund	Other Funds	Total
<b>2003 Funding Level</b>	2,600	494	3,094
Legislatively Mandated Base	-130	0	-130
One-Time Appropriations	0	-494	-494
<b>Adjusted Base Funding</b>	2,470	0	2,470
<b>Change Items</b>			
Budget Reduction	-1,852	0	-1,852
<b>Governor's Recommendations</b>	618	0	618
<b>Biennial Change, 2002-03 to 2004-05</b>	-1,917	-495	-2,412
<b>Percent Change</b>	-76%	-100%	-80%

**Brief Explanation Of Budget Decisions:**

The Legislatively Mandated Base adjustment was passed as part of the "phase one" reductions in the '02 session. The one-time adjustment of \$494,000 in the "Other Funds" column removes two LCMR projects appropriated in the FY 2002-03 biennium from the base.



<i>Dollars in Thousands</i>	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
<b>Expenditures by Fund</b>						
<b>Direct Appropriations</b>						
Environment & Natural Resource	600	248	247	0	0	0
General	1,164	1,300	1,235	618	0	618
<b>Total</b>	<b>1,764</b>	<b>1,548</b>	<b>1,482</b>	<b>618</b>	<b>0</b>	<b>618</b>
<b>Expenditures by Category</b>						
Local Assistance	1,764	1,548	1,482	618	0	618
<b>Total</b>	<b>1,764</b>	<b>1,548</b>	<b>1,482</b>	<b>618</b>	<b>0</b>	<b>618</b>
<b>Expenditures by Program</b>						
Science Museum Of Minn	1,764	1,548	1,482	618	0	618
<b>Total</b>	<b>1,764</b>	<b>1,548</b>	<b>1,482</b>	<b>618</b>	<b>0</b>	<b>618</b>

# SCIENCE MUSEUM

## Change Item: BUDGET REDUCTION

Fiscal Impact (\$000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	(\$617)	(\$1,235)	(\$1,235)	(\$1,235)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	(\$617)	(\$1,235)	(\$1,235)	(\$1,235)

### Recommendation

The Governor recommends a \$617,000 reduction to the base in FY 2004, and a reduction of \$1,235,000 in FY 2005 and beyond.

### Background

The Science Museum has an annual operating budget of approximately \$33.6 million. Of this amount, approximately 7% comes from state and county governments.

### Relationship to Base Budget

The reduction of 50% of the adjusted 2003 amount is intended to give the Museum time to plan for the complete loss of state funding in FY 2005.

**Statutory Change:** Not Applicable

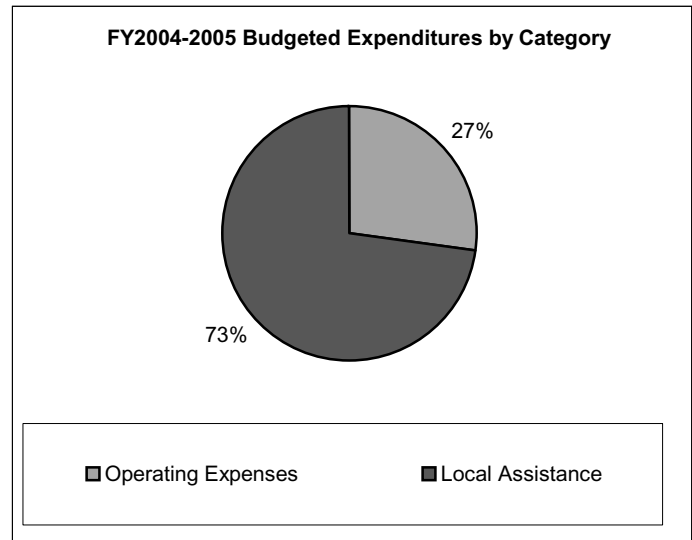
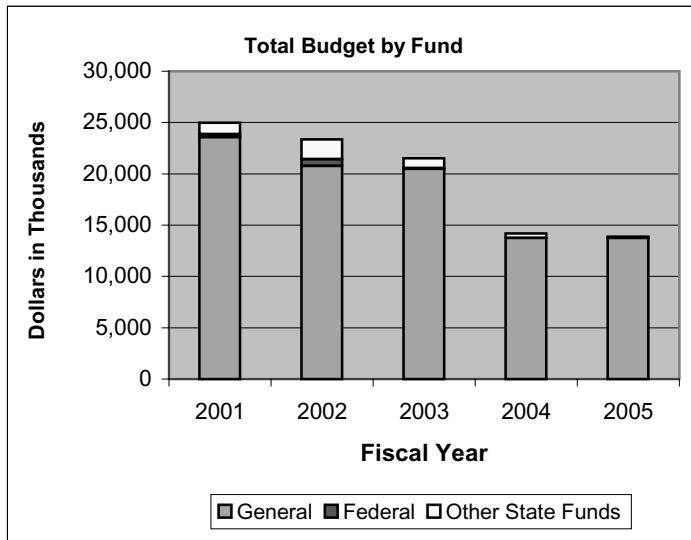
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Budget Reduction	98
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FY 2004-05 Expenditures (\$000s)

	General Fund	Other Funds	Total
<b>2003 Funding Level</b>	33,664	767	34,431
Biennial Appropriations	700	0	700
Legislatively Mandated Base	-280	0	-280
One-Time Appropriations	0	-500	-500
<b>Adjusted Base Funding</b>	34,084	267	34,351
<b>Change Items</b>			
Budget Reduction	-6,817	0	-6,817
LCMR Recommendation	0	292	292
Wetland Banking	256	0	256
<b>Governor's Recommendations</b>	27,523	559	28,082
<b>Biennial Change, 2002-03 to 2004-05</b>	-13,710	-3,099	-16,809
<b>Percent Change</b>	-33%	-85%	-37%

**Brief Explanation Of Budget Decisions:**

The biennial appropriation base adjustment was needed to reflect BWSR's use of its "carry-forward carry-back" authority. The legislatively mandated base adjustment reflects the "phase one" reduction BWSR received in the FY 2002 session. The one-time appropriation adjustment was for an LCMR project.



<i>Dollars in Thousands</i>	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
<b>Expenditures by Fund</b>						
<b>Direct Appropriations</b>						
Environment & Natural Resource	463	261	280	118	118	236
General	23,577	20,757	20,476	13,762	13,761	27,523
Minnesota Resources	0	1,365	0	0	0	0
<b>Statutory Appropriations</b>						
Special Revenue	684	331	684	321	2	323
Federal	265	653	84	0	0	0
<b>Total</b>	<b>24,989</b>	<b>23,367</b>	<b>21,524</b>	<b>14,201</b>	<b>13,881</b>	<b>28,082</b>
<b>Expenditures by Category</b>						
Operating Expenses	5,184	4,954	5,052	4,532	4,393	8,925
Capital Outlay & Real Property	96	101	0	125	0	125
Local Assistance	19,709	18,312	16,472	11,971	11,915	23,886
Transfers	0	0	0	-2,427	-2,427	-4,854
<b>Total</b>	<b>24,989</b>	<b>23,367</b>	<b>21,524</b>	<b>14,201</b>	<b>13,881</b>	<b>28,082</b>
<b>Expenditures by Program</b>						
Water & Soil Resrcs Bd	24,989	23,367	21,524	14,201	13,881	28,082
<b>Total</b>	<b>24,989</b>	<b>23,367</b>	<b>21,524</b>	<b>14,201</b>	<b>13,881</b>	<b>28,082</b>



# WATER & SOIL RESOURCES BOARD

# Fiscal Report

<i>Dollars in Thousands</i>						
	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	FY2001	FY2002	FY2003	FY2004	FY2005	2004-05
<b>Non Dedicated</b>						
Environment & Natural Resource	0	0	12	0	0	0
General	45	99	51	128	128	256
Minnesota Resources	0	4	0	0	0	0
Subtotal Non Dedicated	45	103	63	128	128	256
<b>Dedicated</b>						
Special Revenue	546	551	500	182	2	184
Federal	438	395	68	0	0	0
Subtotal Dedicated	984	946	568	182	2	184
<b>Total Revenue</b>	<b>1,029</b>	<b>1,049</b>	<b>631</b>	<b>310</b>	<b>130</b>	<b>440</b>
<b>Full-Time Equivalent (FTE)</b>	<b>58.4</b>	<b>52.2</b>	<b>50.8</b>	<b>45.9</b>	<b>45.9</b>	

# WATER & SOIL RESOURCES BOARD

Change Item: BUDGET REDUCTION

Fiscal Impact (\$000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	(\$3,408)	(\$3,409)	(\$3,409)	(\$3,409)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	(\$3,408)	(\$3,409)	(\$3,409)	(\$3,409)

## Recommendation

The Governor recommends a reduction of \$3,408,000 in FY 2004 and \$3,409,000 in FY 2005. This reduction requires changes in both the business processes of the agency and the way the agency provides funds to local governments that provide soil, water and wetland protection programs on behalf of the state.

## Background

The agency accomplishes its goals through the state's 91 soil and water conservation districts (SWCD), 45 watershed districts and counties, cities and townships implementing wetland protection and comprehensive local water management programs. This budget plan places priority on the agencies mission of achieving the state's objectives for clean air, clean water and abundant fish and wildlife habitat through the wise use and management of the state's 41.7 million acres of private land. The budget plan preserves:

- ⇒ The agency's core mission of soil erosion control and water conservation on private lands.
- ⇒ Cost-share assistance that offsets a portion of landowner cost for implementing soil and water conservation projects and feedlot pollution control abatement systems.
- ⇒ Technical assistance to farmers, ranchers and forestland owners through the agencies non-point engineering assistance program and the state's 91 SWCD's.
- ⇒ Technical and financial assistance to over 300 local governments, which carry out the state's mandatory wetland protection program.
- ⇒ The agencies alternative dispute resolution program for citizens that are aggrieved by local government decisions relating to the wetland conservation act, and watershed district projects and rules.
- ⇒ The agencies ability to partner with and leverage technical assistance and financial resources of the U.S. Department of Agriculture Natural Resources Conservation Services and Farm Service Agency, the Minnesota Pollution Control Agency and the U.S. Environmental Protection Agency.

This proposal eliminates funding and staff technical assistance for the state's voluntary Comprehensive Local Water Planning Act implemented by counties outside the seven county metropolitan area. Implementation activities funded through this program can be broadly categorized under the headings of education and information, monitoring and data collection, inventory and mapping, land use planning and regulation, and land and water treatment practices. Based on 2001 calendar year reporting, loss of funding will result in:

- ◆ 606 fewer education projects;
- ◆ elimination of 293 local surface and groundwater monitoring projects; and
- ◆ approximately 700 land and water treatment projects not being implemented.

Surface water planning in the seven metropolitan counties will not be affected by this reduction.

The reduction proposed is split between the agency operating funds and the agency grant programs. Operating funds will be reduced by 5% in this plan with the reduction primarily relating to support for local water management planning grants being eliminated in the proposal. The grant funds reduction represents a 25% reduction to grants. In addition to the water planning grant elimination, \$615,000 is being reduced from feedlot cost share per year. This reduction is possible because of the increase in federal funding that will be targeted for feedlots in this state from the USDA Environmental Quality Incentive Program. This reduction should not impact the target established for clean up and fixes of polluting feedlots because the money reduced by the state will be available from the federal program.

**Relationship to Base Budget**

The change item represents a 20% reduction in agency operating and grant funds. The budget reduction also requires the repeal of the State's local government road wetland replacement program, which has no longer been funded in bonding appropriations.

**Key Measures**

- ⇒ Increased accountability for local units of government.
- ⇒ Maximize Minnesota's share of federal farm bill conservation program funding.
- ⇒ Advancements towards one stop shopping for WCA.
- ⇒ Improved use of technology for processing grants and reporting accomplishments.

**Alternatives Considered**

Several alternatives were considered in management of the agency operating and grant programs. Also reviewed in this process were federal farm bill conservation programs that need to be leveraged. All proposals directly affect the agencies ability to deliver on the critical mission factors of the programs. In weighing the pro's and con's of all proposals, the impacts of the one presented seemed most manageable.

Specific proposals considered would have had the following impacts:

- ⇒ Across the board cuts.
- ⇒ Stop the GP2 permitting process and give up on assumption of 404.
- ⇒ No agency participation in technical panels for WCA.
- ⇒ All disputes would have to go to district court.
- ⇒ No maintenance performed on RIM easements.
- ⇒ Leave federal dollars earmarked for Minnesota conservation programs with the federal government.
- ⇒ Provide additional mandates and increase cost for local government to pick up state programs.

**Statutory Change:** M.S. 103B, 103C and 103G

# WATER & SOIL RESOURCES BOARD

Change Item: WETLAND BANKING

Fiscal Impact (\$000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	\$128	\$128	\$128	\$128
Revenues	\$128	\$128	\$128	\$128
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	0	0	0	0

## Recommendation

The Governor recommends a proposed new fee for costs of wetland banking accounting and administration and the funding necessary to administer the wetland banking program. Significant increases in the workload associated with wetland bank accounting and administration have occurred as use of the bank has increased since it was established in 1993. The recommendation is to assess fees to cover bank administration costs associated with project reviews, legal documentation, client inquiries, reporting, database development and management, and accounting requirements necessary to maintain the state's wetland banking system.

## Background

The face of wetland mitigation banking has changed substantially over the past 10 years in Minnesota and nationally according to recent reports by the Environmental Law Institute, the General Accounting Office of the federal government and two assessments of the state wetland banking system by interagency committees. The ELI study noted what has been occurring in Minnesota for several years, wetland mitigation banking has evolved from a small industry dominated by state and local governments to a growing commercial enterprise dominated by entrepreneurs. In Minnesota, activity in the wetland bank has grown to approximately 80 private accounts and over 20 public accounts.

Since the early 1990's federal agency guidance and legislation (Clean Water Act and Federal Farm Bills), state policies (Executive Orders 91-3. 00-02) and legislation (Wetland Conservation Act) have promoted the use of wetland mitigation banking, which allows developers and landowners to compensate for the negative impacts of their development projects on existing wetlands by paying for the restoration or creation of an off-site wetland.

Wetland mitigation banking is an innovative, market driven system that has improved the efficiency and effectiveness of state environmental standards, streamlined the state and federal regulatory processes for developers and landowners and provided entrepreneurs and land speculators with an income stream. However, thus far, the costs of the program have been borne by the public at large rather than the users of the system who are building, buying and selling the wetland credits.

Fees would be established for account maintenance; account establishment, deposit or transfer and withdrawal. The maintenance fee would be set at \$500.00 per year and generate and estimated \$40,000.00 per year. Establishment, deposit or transfer fee would be \$1,000.00 and would generate and estimated \$30,000.00 per year. The withdrawal fee would be 6.5% of the value of the credits and would generate \$58,500.00 per year.

## Relationship to Base Budget

The workload associated with the bank was initially accommodated as part general Wetland Conservation Act program responsibilities but the growth of the banking system has greatly outstripped the capacity of the existing program staff. The reduction in agency staff available and the greater use of the wetland bank have created the need to establish a funding system to cover the cost of continued operation of the wetland bank.

## Key Measures

- ⇒ High quality wetland restorations.
- ⇒ Accounting integrity for account holders and regulatory agencies.
- ⇒ Clear and legally sound processes for buyers and sellers.

- ⇒ Regulatory standards are met.
- ⇒ Regulatory simplification and efficient and improved wetland mitigation is achieved.
- ⇒ Fragmented impacts from projects are consolidated in well managed areas to provide habitat, water quality and other wetland functions generally at lower cost.

### **Alternatives Considered**

Examples of alternatives considered include:

- ⇒ Eliminate the wetland banking program which would create a state liability to existing account holders.
- ⇒ Freeze on any new deposits, upsets market driven system and still has an 8 to 12 year workload component to manage existing accounts.
- ⇒ Convert the banking program into a private enterprise, which has complications because of being a regulatory program that serves standards also required by the federal government. (Not a short term solution.)
- ⇒ Convert the banking system to an entirely public system that would not include private development of credits except for the state acquisition of land but this would require a significant investment of capital funds.
- ⇒ Provide for a fee system driven by wetland account activity, project application or value of credits sold.

**Statutory Change:** M.S. 103G

# WATER & SOIL RESOURCES BOARD

## Change Item: LCMR RECOMMENDATIONS

Fiscal Impact (\$000s)	FY 2004	FY 2005	FY 2006	FY 2007
Environmental Trust Fund Expenditures	\$118	\$118	0	0
Future Resources Fund Expenditures	0	0	0	0
Great Lakes Protection Account Expenditures	56	0	0	0
Net Fiscal Impact	\$174	\$118	0	0

### Recommendation

The Governor has recommended the elimination of the dedicated funding for the Future Resources Fund. The Governor is not making specific recommendations on LCMR projects at this point, but intends to provide a statement of the administration's priorities for Environmental Trust Fund projects at a later time.

### Background

Local Water Planning Challenge Grants – \$790,000 from the Future Resources Fund to accelerate the local water planning challenge grant program. Local match required.

Updating Outmoded Soil Survey: Improving Existing Soils Database – \$118,000 each year from the Environmental Trust Fund to continue updating and digitizing outmoded soil surveys in Fillmore, Goodhue, Dodge, and Wabasha counties. Cost share is required.

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ZOOLOGICAL BOARD

Budget in Brief

FY 2004-05 Expenditures (\$000s)

	General Fund	Other Funds	Total
<b>2003 Funding Level</b>	14,570	22,348	36,918
One-Time Appropriations	0	-304	-304
<b>Adjusted Base Funding</b>	14,570	22,044	36,614
<b>Change Items</b>			
Elementary School Fee	0	430	430
Lottery In Lieu Funds	0	244	244
Reduction Plan	-1,456	-249	-1,705
<b>Governor's Recommendations</b>	13,114	22,469	35,583
<b>Biennial Change, 2002-03 to 2004-05</b>	-1,089	2,049	960
<b>Percent Change</b>	-8%	10%	3%

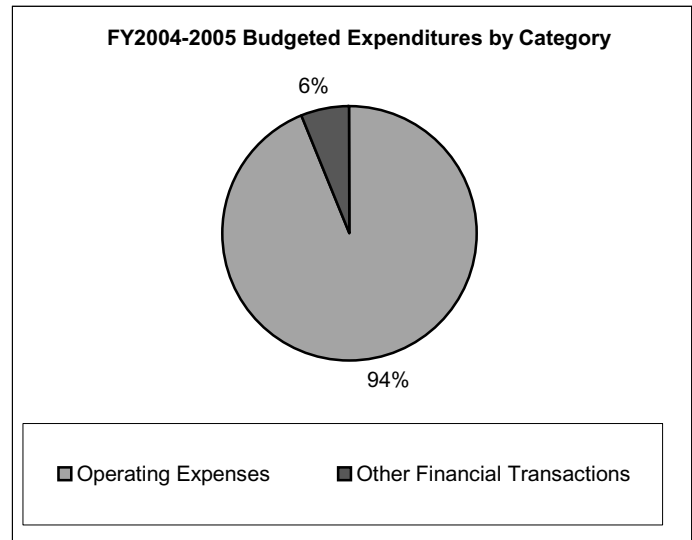
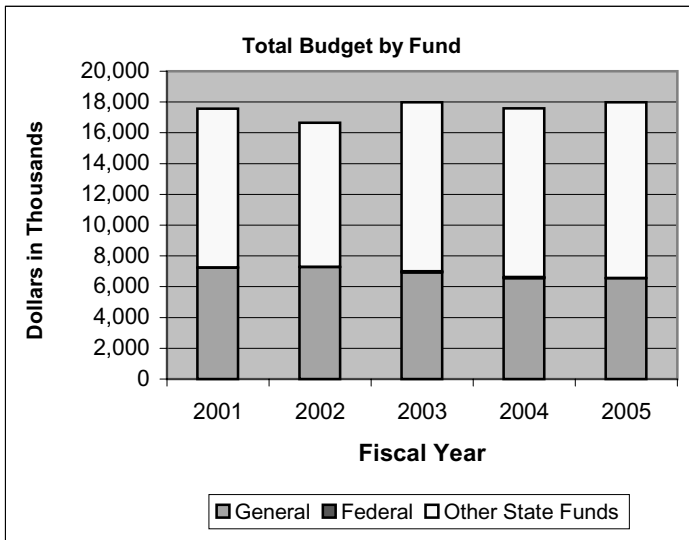
**Brief Description of Budget Changes:**

The Zoological Board received \$304,000 in FY 2002-03 from the Lottery in lieu.

FY 2004-05 Revenues (\$000s)

	General Fund	Other Funds	Total
<b>FY 2004-05 Current Law Revenues</b>	0	21,006	21,006
<b>Change Items</b>			
Elementary School Fee	0	430	430
Miscellaneous Fee Increases	0	758	758
Lottery in Lieu	0	244	244
<b>FY 2004-05 Total Revenues</b>	0	22,438	22,438
<b>Biennial Change 2002-03 to 2004-05</b>	0	1,432	1,432
<b>Percent Change</b>	0	7%	7%





<i>Dollars in Thousands</i>	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
<b>Expenditures by Fund</b>						
<b>Direct Appropriations</b>						
General	7,238	7,277	6,926	6,557	6,557	13,114
Minnesota Resources	0	213	17	0	0	0
Natural Resources	154	142	152	122	122	244
<b>Statutory Appropriations</b>						
Special Revenue	8,609	8,028	9,121	9,791	10,238	20,029
Federal	0	0	56	56	0	56
Miscellaneous Agency	0	0	373	0	0	0
Gift	1,557	985	1,333	1,070	1,070	2,140
<b>Total</b>	<b>17,558</b>	<b>16,645</b>	<b>17,978</b>	<b>17,596</b>	<b>17,987</b>	<b>35,583</b>

<b>Expenditures by Category</b>	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Operating Expenses	16,121	14,868	16,743	16,399	16,829	33,228
Capital Outlay & Real Property	39	511	95	95	95	190
Other Financial Transactions	1,398	1,266	1,140	1,102	1,063	2,165
<b>Total</b>	<b>17,558</b>	<b>16,645</b>	<b>17,978</b>	<b>17,596</b>	<b>17,987</b>	<b>35,583</b>

<b>Expenditures by Program</b>	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Minnesota Zoo	17,558	16,645	17,978	17,596	17,987	35,583
<b>Total</b>	<b>17,558</b>	<b>16,645</b>	<b>17,978</b>	<b>17,596</b>	<b>17,987</b>	<b>35,583</b>

<b>Revenue by Type and Fund</b>	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
<b>Dedicated</b>						
Special Revenue	8,383	8,285	9,271	10,199	10,055	20,254
Federal	0	0	56	56	0	56
Miscellaneous Agency	0	0	373	0	0	0
Gift	1,584	826	1,325	1,064	1,064	2,128
Subtotal Dedicated	9,967	9,111	11,025	11,319	11,119	22,438
<b>Total Revenue</b>	<b>9,967</b>	<b>9,111</b>	<b>11,025</b>	<b>11,319</b>	<b>11,119</b>	<b>22,438</b>

<b>Full-Time Equivalents (FTE)</b>	<b>204.3</b>	<b>199.1</b>	<b>205.1</b>	<b>200.2</b>	<b>198.8</b>
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# ZOOLOGICAL BOARD

Change Item: ELEMENTARY SCHOOL FEE

Fiscal Impact (\$000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Fund				
Expenditures	\$215	\$215	\$215	\$215
Revenues	\$215	\$215	\$215	\$215
Net Fiscal Impact	0	0	0	0

## Recommendation

The Governor recommends \$215,000 in FY 2004 and \$215,000 in FY 2005 for the Minnesota Zoological Garden from the Special Revenue Fund. This appropriation is a new revenue source from a fee charged to elementary school children who are part of an organized school activity.

## Background

The current M.S.85A.02, subd.17 reads in part, "the board shall have a policy admitting elementary school children at no charge when they are part of an organized school activity." This change would allow the board to charge a fee for admission to these children. This new revenue source would be a mitigation factor for the General Fund reductions impact on animal exhibits and services. It is anticipated that approximately 72,000 students would pay a \$3 fee for admission to the zoo each year.

## Relationship to Base Budget

The implementation of this new revenue source for the zoo will allow the continued operation of animal exhibits.

## Alternatives Considered

The alternative to not implementing this fee will be the closure of animal exhibits.

**Statutory Change:** M.S. 85A.02, subd.17

# ZOOLOGICAL BOARD

Change Item: LOTTERY IN LIEU FUNDS

Fiscal Impact (\$000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Fund				
Expenditures	\$122	\$122	\$122	\$122
Revenues	0	0	0	0
Net Fiscal Impact	\$122	\$122	\$122	\$122

## Recommendation

The Governor recommends \$122,000 in FY 2004 and \$122,000 in FY 2005 for the Minnesota Zoological Garden from the Natural Resources Fund. This appropriation is a continuation of the funding appropriated to the Zoo in FY 2002 and FY 2003.

## Background

In the 2000 session, M.S. 297A.44 was amended to direct certain revenues collected under M.S. 297A.259 to dedicated accounts in the Natural Resources Fund. This revenue source has commonly been referred to as the lottery in lieu of funds. M.S. 297A.44 requires the commissioner of revenue to deposit 2% of the receipts into the Natural Resources fund and restricts the spending of the money so deposited for the Minnesota Zoological Garden, the Como Park Zoo and the Duluth Zoo. Also in the 2000 session the Minnesota Zoo received an appropriation of \$154,000 for FY 2001 from these funds. In the FY 2002-03 biennium the Zoo received an appropriation of \$142,000 for FY 2002 and \$152,000 for FY 2003.

## Relationship to Base Budget

Appropriations made from the Lottery in Lieu are not included in the base budget.

## Key Measures

The zoo facility maintenance program will operate at a higher level as measured by an increase in facility maintenance activity than would be possible if the funding is not continued.

## Alternatives Considered

If this funding were not continued the zoo would reduce maintenance of zoo facilities.

**Statutory Change:** M.S. 297A.44

# ZOOLOGICAL BOARD

Change Item: REDUCTION PLAN

Fiscal Impact (\$000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	(\$728)	(\$728)	(\$728)	(\$728)
Revenues	0	0	0	0
Other Fund				
Expenditures	(20)	(229)	(229)	(229)
Revenues	451	307	307	307
Net Fiscal Impact	(\$297)	(\$650)	(\$650)	(\$650)

## Recommendation

The Governor recommends a reduction of \$728,000 in FY 2004 and \$728,000 in FY 2005 to the budget of the Zoological Board. In addition, the Governor recommends that the Zoo find additional sources of revenue for its operations to offset the budget reductions.

## Background

The Zoo receives just under 38% of its revenue from the General Fund. Other sources of support are from revenue generating operations and contributions. Over the years the Zoo has attempted to reduce its reliance on the General Fund. The General Fund support has been reduced from 58% in FY 1990 to less than 38% in FY 2003. The nationwide average of public support for zoos is 40%.

Any reduction to the appropriation requires elimination of services. This, in turn, is likely to have a negative impact on revenue. Criteria used in evaluating where reductions would be made include: Popularity and impact on the public; level of subsidy needed to continue operation of the program; impact on revenue stream; and level of private investment in the exhibit or program. Also of concern is level of staffing to continue necessary zoo operations. Current staffing levels were noted as a concern by the American Zoo and Aquarium Association when evaluating the Zoo for accreditation.

Using this criteria, the Zoo will close the Zoolab after Labor Day 2003. We will also eliminate a part-time librarian position and one of two volunteer coordinator positions. A registrar position will be held vacant until funding is available. The Zoo will continue a \$3 per vehicle parking fee implemented in February 2003. A \$1 per person fee will be charged for the butterfly exhibit which runs from June through August. Admission fees will be increased by \$1 in each category beginning in the spring of 2005. The Zoo will also explore outsourcing of the retail operation.

## Relationship to Base Budget

The reduction represents 10% of the base budget.

## Key Measures

Impact can be measured by:

- ⇒ Attendance – anticipated to decrease 5% in FY 2005.
- ⇒ Revenue from enterprise funds – anticipated to decrease 5%.
- ⇒ Private contributions – anticipated to decrease 20%.
- ⇒ Visitor comment cards – anticipated increase in negative comments during the first year.
- ⇒ Accreditation- potential loss of accreditation by the American Zoo and Aquarium Association if staffing levels are reduced.

## Alternatives Considered

The Zoo carefully considered the closure of other exhibits and the savings if the Zoo remained closed one day per week. All revenue sources were reviewed. The Zoo looks at other zoos around the country and other recreation/environmental education venues in the Twin Cities area when setting fees.

**Statutory Change:** None