

FY 2004-05 Expenditures (\$000s)

	General Fund	Other Funds	Total
2003 Funding Level	119,676	61,387	181,063
Legislatively Mandated Base	-48	0	-48
One-Time Appropriations	-6,000	-206	-6,206
Open Appr. Forecast Adj.	-4,266	0	-4,266
Adjusted Base Funding	109,362	61,181	170,543
Change Items			
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
PCA Funding Consolidation	0	0	0
Seed Inspection Fee Increase	0	317	317
Governor's Recommendations	70,765	63,790	134,555
Biennial Change, 2002-03 to 2004-05	-43,543	-823	-44,366
Percent Change	-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.

AGRICULTURE DEPT

Budget in Brief

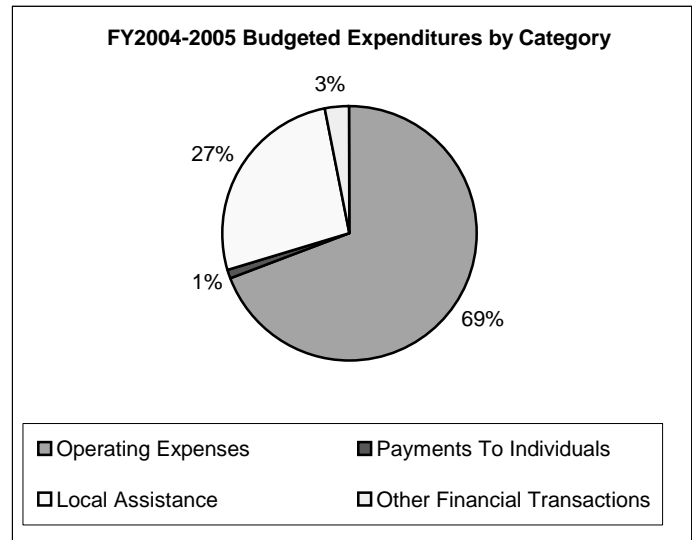
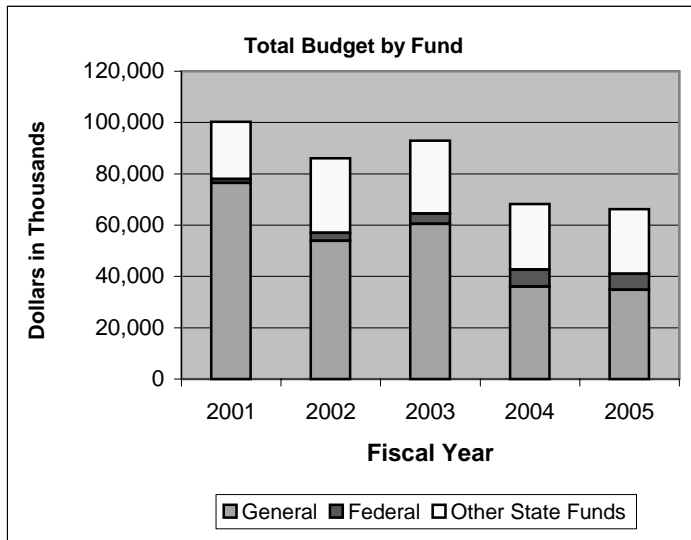
Dedicated Accounts:

- ⇒ 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
FY 2004-05 Current Law Revenues	6,325	85,828	92,153
Change Items			
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
FY 2004-05 Total Revenues	6,655	88,838	95,493
Biennial Change 2002-03 to 2004-05	330	3,010	3,340
Percent Change	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
Expenditures by Fund						
Carry Forward						
General	0	0	0	66	0	66
Direct Appropriations						
Environment & Natural Resource	225	120	189	0	0	0
General	41,924	20,146	25,025	18,276	18,276	36,552
Minnesota Resources	61	48	138	0	0	0
Environmental	338	347	353	0	0	0
Remediation	0	0	0	353	353	706
Open Appropriations						
General	34,559	33,681	35,456	17,663	16,484	34,147
Statutory Appropriations						
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	0	0	0
Remediation	0	0	0	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
Total	100,232	86,018	92,903	68,270	66,285	134,555

Expenditures by Category						
Operating Expenses	61,933	41,479	50,119	46,679	46,415	93,094
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
Total	100,232	86,018	92,903	68,270	66,285	134,555

AGRICULTURE DEPT

Fiscal Report

<i>Dollars in Thousands</i>						
Expenditures by Program	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec		Biennium 2004-05
				FY2004	FY2005	
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	16,401	12,440	11,965	24,405
Ethanol Producer Payments	34,559	33,681	35,456	17,663	16,484	34,147
Total	100,232	86,018	92,903	68,270	66,285	134,555

Revenue by Type and Fund

Non Dedicated						
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
Dedicated						
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
Total Revenue	36,896	44,362	40,490	46,942	48,551	95,493

Full-Time Equivalents (FTE)	470.7	458.9	458.4	456.9	456.4
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Budget in Brief

FY 2004-05 Expenditures (\$000s)

	General Fund	Other Funds	Total
2003 Funding Level	272,364	364,366	636,730
February Forecast Adjustment	-634	0	-634
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
Adjusted Base Funding	270,525	300,662	571,187
Change Items			
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 Projects	0	27,128	27,128
Lottery In-Lieu Sales Tax	0	20,192	20,192
New Fee For Winter Aeration Permits	0	124	124
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
Forest Management			
Burning Permits Issued Through ELS	0	800	800
Emergency Fire Fighting	0	0	0
Parks & Recreation Mgmt			
Increase State Park Camping Fees	50	1,418	1,468
Trails & Waterways Mgmt			
Federal Wallop/Breaux	0	1,235	1,235
Mississippi Whitewater Park	0	700	700
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	23	748	771
Wildlife Management			
Improve Wma Habitat & Wild Turkey Mgmt	0	1,250	1,250
Wild Rice/Camp Ripley Archery Hunt Fees	0	80	80
Youth Hunting Lic; Surcharge; And Stamps	50	1,385	1,435
Ecological Services			
Aquatic Exotic Species Management	0	1,178	1,178
Environmental Funding Consolidation	0	0	0
Enforcement-NR Laws&rules			
Enforcement Intensification	0	3,000	3,000
Environmental Funding Consolidation	0	0	0
Governor's Recommendations	239,812	364,581	604,393
Biennial Change, 2002-03 to 2004-05	-4,370	-18,078	-22,448
Percent Change	-2%	-5%	-4%

The actual DNR biennial change for the **General Fund** is -29.0 million or -11.9%.
 The actual biennial **Total** change is -47.085 million or -7.5%.

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)

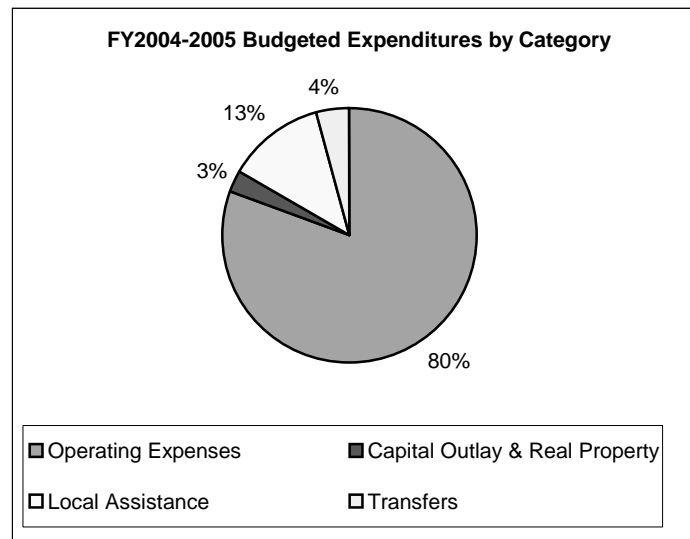
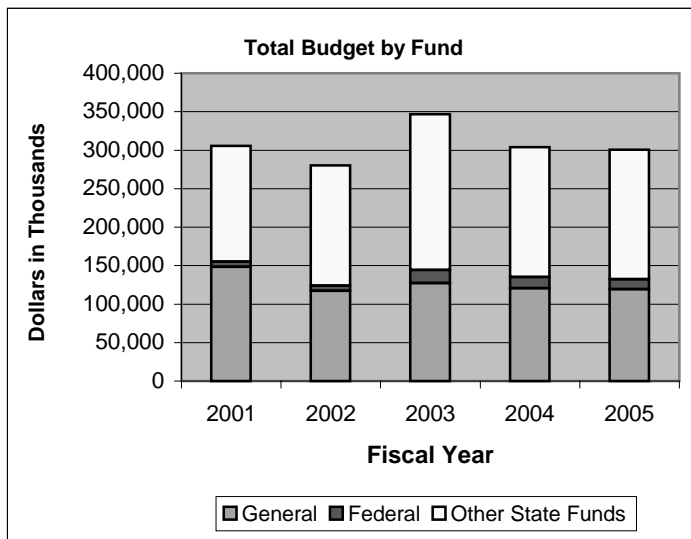
- Reduction in debt service from the Snowmobile Account

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.

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Budget in Brief

FY 2004-05 Revenues (\$000s)			
	General Fund	Other Funds	Total
FY 2004-05 Current Law Revenues	16,526	301,466	317,992
Change Items			
Lands and Minerals			
Fees for Utility Licenses	400	98	498
Water Resources			
Water Use Fee Increase	1,924	0	1,924
Forest Management			
Burning Permits Issued thru ELS	0	800	800
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
Trout and Salmon Management	0	278	278
Wildlife Management			
Wild Rice/Camp Ripley Archery Hunt Fees	0	52	52
Youth Hunting Lic; Surcharge; and Stamps	0	1,880	1,880
Change Item Total	2,374	5,195	7,569
FY 2004-05 Total Revenues	18,900	306,661	325,561
Biennial Change 2002-03 to 2004-05	1,888	23,345	25,233
Percent Change	11.1%	8.2%	8.4%



<i>Dollars in Thousands</i>	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Expenditures by Fund						
Direct Appropriations						
Environment & Natural Resource	6,457	13,633	19,924	13,564	13,564	27,128
General	124,756	101,016	109,936	91,175	89,375	180,550
Minnesota Resources	876	8,919	6,769	0	0	0
Natural Resources	38,549	41,478	51,425	47,372	46,732	94,104
Game And Fish (Operations)	80,634	69,735	88,070	82,720	82,775	165,495
Iron Range Resources & Rehab	24	0	0	0	0	0
Remediation	0	0	0	100	100	200
Solid Waste	100	100	100	0	0	0
Permanent School	28	30	142	0	0	0
Open Appropriations						
General	22,696	15,952	16,700	29,313	29,729	59,042
Natural Resources	330	256	323	323	323	646
Game And Fish (Operations)	1,112	856	1,151	1,151	1,151	2,302
Statutory Appropriations						
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	16,226	16,243	32,469
Game And Fish (Operations)	2,295	2,126	3,170	2,639	2,651	5,290
Federal	6,694	6,766	17,360	14,606	12,967	27,573
Environmental	0	25	719	0	0	0
Remediation	0	0	0	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
Total	305,768	280,144	346,697	303,801	300,592	604,393

NATURAL RESOURCES DEPT

Fiscal Report

<i>Dollars in Thousands</i>						
Expenditures by Category	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Operating Expenses	237,951	219,357	270,854	241,788	242,447	484,235
Capital Outlay & Real Property	18,553	10,671	17,774	8,341	8,043	16,384
Payments To Individuals	212	139	48	0	0	0
Local Assistance	47,503	48,345	55,569	39,875	36,127	76,002
Other Financial Transactions	1,549	1,632	2,452	1,567	1,568	3,135
Transfers	0	0	0	12,230	12,407	24,637
Total	305,768	280,144	346,697	303,801	300,592	604,393

Expenditures by Program

Land & Minerals Resource Mgmt	15,751	8,410	11,271	20,559	20,707	41,266
Water Resources Mgmt	14,642	12,200	16,330	13,981	12,664	26,645
Forest Management	57,461	53,929	63,062	55,639	55,659	111,298
Parks & Recreation Mgmt	46,036	45,114	48,332	40,973	39,172	80,145
Trails & Waterways Mgmt	23,508	24,480	34,456	27,559	25,922	53,481
Fish Management	38,605	33,323	42,455	38,479	38,742	77,221
Wildlife Management	28,652	22,117	33,384	27,489	27,854	55,343
Ecological Services	12,237	9,289	15,008	13,210	14,208	27,418
Enforcement-Nr Laws&Rules	26,529	23,918	27,553	27,765	27,870	55,635
Operations Support	42,347	47,364	54,846	38,147	37,794	75,941
Total	305,768	280,144	346,697	303,801	300,592	604,393

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	21,135	20,975	42,110
Cambridge Deposit Fund	13,242	0	0	0	0	0
Game And Fish (Operations)	63,238	67,415	67,272	69,964	73,007	142,971
Permanent School	19	388	13	40	40	80
Subtotal Non Dedicated	91,648	95,958	95,889	100,489	103,372	203,861

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	17,109	17,357	34,466
Game And Fish (Operations)	2,648	2,659	2,599	2,639	2,651	5,290
Federal	7,654	9,065	14,509	14,481	12,967	27,448
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	49,689	58,792	61,309	61,024	122,333
Total Revenue	145,384	145,647	154,681	161,798	164,396	326,194

Full-Time Equivalent (FTE)	2,844.9	2,745.9	2,719.7	2,659.4	2,657.7
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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	(\$14,670)	(\$16,470)	(\$16,470)	(\$16,470)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	(\$14,670)	(\$16,470)	(\$16,470)	(\$16,470)

Recommendation

The Governor recommends General Fund expenditure reductions of \$14.670 million in FY 2004 and \$16.470 million FY2005 from base level funding. This reduction represents 15% of the agency's base.

Background

This proposal follows guidance from the Department of Finance. In preparing the plan, the DNR also considered the staffing and program impacts of reductions passed in the 2002 legislative session. The Parks and Recreation Management Program was reduced by \$650,000 in FY 2004 and \$650,000 in FY 2005, and the Operations Support Program was reduced by \$900,000 in FY 2004 and \$900,000 in FY 2005.

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

	FY2004	FY2005
	(\$ in millions)	(\$ in millions)
Land and Minerals	(\$.987)	(\$.987)
Waters	(2.446)	(2.446)
Forestry	(3.536)	(3.536)
Parks and Recreation	(3.743)	(5.543)
Trails and Waterways	(.672)	(.672)
Fish Management	(.051)	(.051)
Wildlife Management	(.157)	(.157)
Ecological Services	(.655)	(.655)
Enforcement	.500	.500
Operations Support	<u>(2.923)</u>	<u>(2.923)</u>
Agency Total	(\$14.670)	(\$16.470)

Relationship to Base Budget

The paragraphs below identify the core functions of each division and the anticipated impact of the reductions:

Division of Lands and Minerals 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 guides and regulates the physical integrity of Minnesota's lakes, rivers and water supplies. As a result of this reduction DNR's contribution to the Minnesota Geological Atlas, and the Red River Mediation and Mississippi Headwaters Boards will be suspended. Research activities and some grants and cooperative agreements will also be suspended or reduced.

Division of Forestry sustains Minnesota forest ecosystems, provides a sustainable supply of forest resources, and protects lives and property from wildfires. The reduction will require the division to reduce some pre-suppression activities and increase it's reliance on local fire departments. White pine reforestation will be suspended, and some forest roads will be seasonally closed. Some forest research, data collection, private landowner assistance, and cooperative programs will also be reduced.

Division of Parks and Recreation provides access to state parks, including park and forest campgrounds, and preserves Minnesota's natural and cultural resources. Parks Operations is reduced by \$1.943 million per year. These reductions will be seen in interpretive activities and staffing, particularly in parks with lower visitor counts. The grant to the Met Council is reduced by \$1.8 million (50%) in FY2004, and eliminated in FY2005.

Division of Trails and Waterways provides a system of trails and water recreation facilities. The division's reduction will result in decreased maintenance of non-motorized state trails.

Division of Fisheries protects and manages aquatic resources and associated fish communities for their ecological, commercial, and recreational benefits.

Division of Wildlife conserves, manages, and enhances wildlife populations and their habitats, with an emphasis on maintaining Minnesota's hunting and trapping heritage.

Division of Ecological Services collects and links ecological data in the management of fish, wildlife, and native plant populations and their habitats. Interpretation and education services on Scientific and Natural Areas will be suspended. Limited reductions will be made in research and data management.

Division of Enforcement provides natural resource protection and public safety through information, education and law enforcement services. The reallocation of the original General Fund reduction will provide an additional \$500,000 per year to fill field positions and increase the presence of conservation officers throughout the state.

Operations Support (e.g. facilities, equipment, financial management, human resources, information systems, information and licensing, and the commissioner's office) provides essential support services to the entire agency. This reduction, together with the reduction passed in 2002, will require the agency to fully re-examine Operations Support.

Relationship to Base Budget

Expenditure reductions of \$14.670 million in FY 2004 and \$16.470 million in FY 2005 are a 15% reduction from General Fund direct appropriated base funding of \$104.658 million, and \$104.658 million respectively.

Alternatives Considered

Mitigation alternatives to the General Fund reductions in select program areas have been developed and are included as separate change items.

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
Game and Fish				
Expenditure	\$7,574	\$7,574	\$7,574	\$7,574
Natural Resources	0	0	0	0
Expenditure	2,522	2,522	2,522	2,522
Net Fiscal Impact	\$10,096	\$10,096	\$10,096	\$10,096

Recommendation

The Governor recommends, as part of the overall plan to balance the General Fund, a change in the distribution of the Lottery in-lieu receipts deposited to the General, Game and Fish, and Natural Resources Funds. For FY2004 and FY2005, the percentage of Lottery in-lieu receipts deposited to the Game and Fish and Natural Resources Funds decreases to 72.43% from 87.1% as specified in current law. This change will result in an increase of \$3.740 million to the General Fund in FY2004 and FY2005. Of the additional amount deposited to the General Fund, \$400,000 in FY2004 and \$400,000 in FY2005 are available for appropriation to the Board of Animal Health for increased program costs related to the detection and prevention of Chronic Wasting Disease.

The Governor also recommends an increase in expenditures of \$7.574 million in FY 2004 and \$7.574 million in FY 2005 from the Heritage Enhancement Account in the Game and Fish Fund, and \$2.522 million in FY 2004 and \$2.522 million in FY 2005 from the Natural Resources Fund. Included in the net change in the Natural Resources Fund are decreases of \$624,000 in FY 2004 and \$624,000 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 72.43%.

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 DNR programs. Outcomes from the use of lottery in-lieu funding in FY 2004 and FY 2005 proposed in this change item are as follows:

OUTCOMES:

Fish Management

\$2.345 million (FY 2004)

\$2.345 million (FY 2005)

- ⇒ Acquisition – acquire 16,000 feet of lake and stream shore each year.
- ⇒ Field Projects – complete about 50 survey, habitat development and hatchery improvement projects each year.
- ⇒ Aquatic Plant Restoration – restore 12,000 feet of lake and stream shoreline each year.
- ⇒ Aquatic Plant Management Positions – funding for three field positions who work to protect aquatic vegetation and shoreline habitat in Minnesota’s lakes and streams.
- ⇒ Urban Fishing Program (FIN) – stock an additional 10 kids fishing ponds in the biennium, which brings the total to 45 kids fishing ponds in the Twin Cities Metro area.

NATURAL RESOURCES DEPT

Change Item: LOTTERY IN-LIEU SALES TAX

Forestry Management **\$242,000 (FY 2004)** **\$242,000 (FY 2005)**

- ⇒ 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.

Wildlife Management **\$2.560 million (FY 2004)** **\$2.560 million (FY 2005)**

- ⇒ 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).
- ⇒ Efforts to increase hunter recruitment and improve hunter retention.

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.

Ecological Services **\$1.263 million (FY 2004)** **\$1.263 million (FY 2005)**

- ⇒ 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.

NATURAL RESOURCES DEPT

Change Item: LOTTERY IN-LIEU SALES TAX

- ⇒ Assess the current status of aquatic plant resources in Minnesota's lakes and public attitudes about the value of aquatic plants.
- ⇒ Provide technical assistance and examine new methods to manage terrestrial invasive species, such as garlic mustard and European buckthorn, in natural landscapes.
- ⇒ Expand the department's capacity to address outstanding stream resource issues by working on three to five more stream restoration projects per year.
- ⇒ Work with resource professionals to help them incorporate and apply ecological information on river and stream management to local management issues.

Enforcement

\$1.164 million (FY 2004)

\$1.164 million (FY 2005)

- ⇒ Retain officers (6.6 FTE) – increased ability to respond to citizen requests and the ability to follow-up on information helpful to overall enforcement activities.
- ⇒ Replacement of equipment – maintain officer and public safety.
- ⇒ Maintain the mileage levels for officers – prevent an approximate 20% reduction in mileage.
- ⇒ Increase Enforcement's ability to support department experimental regulations and work with vulnerable resources.
- ⇒ Maintain officers' ability to protect private property and the public's safety on trails, waters, and public lands.

Parks and Recreation

\$1.657 million (FY 2004)

\$1.657 million (FY 2005)

- ⇒ With this additional funding, Parks will be able to maintain camping in the state park system.

Trails and Waterways

Local Trail Grants

\$553,000 (FY 2004)

\$553,000 (FY 2005)

- ⇒ Assist in funding approximately 9 trail projects that connect where people live to significant resources (e.g. state parks, state trails) each year. The number of projects is based on a historical average request of about \$67,000.

State Trails

\$690,000 (FY 2004)

\$690,000 (FY 2005)

- ⇒ Provide for the operations and maintenance of state trails.
- ⇒ Enable the department to extend maintenance seasons.
- ⇒ Provide for a position for the planning, acquisition, development, and maintenance of the Gitchi-Gami State Trail.

Metropolitan Council (Parks)

(\$624,000) (FY 2004)

(\$624,000) (FY 2005)

- ⇒ Operation and maintenance for the Metro Regional Park System. (\$4.776 million from lottery in-lieu funding is currently in Park's annual base level funding for this grant to the Met Council.)

With this change item the funding for the Met Council grant is \$4.152 million in FY 2004 and \$4.152 million in FY 2005. This change item includes a decrease of \$624,000 in FY 2004 and \$624,000 in FY 2005 in the amount granted to the Met Council. This lowered base amount is required to align with available receipts at the 72.43% distribution.

Zoo Grants

\$246,000 (FY 2004)

\$246,000 (FY 2005)

- ⇒ City of St. Paul, Como Zoo and Conservatory.
 - ⇒ City of Duluth, Duluth Zoo.
- (The Minnesota Zoo receives a direct appropriation from the Natural Resources Fund in an amount equal to the amount granted the Duluth and St. Paul zoos.)

Relationship to Base Budget

Annual Lottery in-lieu funding of \$10.096 million is approximately 3.4% of DNR's annual base to include direct, statutory and open appropriations.

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 72.43% for FY 2004, FY 2005 and thereafter.

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

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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**

Fiscal Impact (\$000s)	FY 2004	FY 2005	FY 2006	FY 2007
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: FOREST MANAGEMENT

Change Item: BURNING PERMITS ISSUED THROUGH ELS

Preliminary Proposal

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

Recommendation

The Governor recommends implementing the sale of burning permits through DNR electronic licensing system (ELS). This change request includes offering burning permits through its network of ELS agents and introducing a new fee structure for burning permits.

Background

Since 1993 the department has had the responsibility for issuing all burning permits, monitoring the use of open burning in the state and ensuring that burning is done safely in conjunction with its wild fire prevention efforts.

Under current open burning law:

- ⇒ An open burning permit is required, except when the ground is snow-covered. This permit requirement also applies to municipalities. Permits are issued for vegetative fuels only.
- ⇒ A permit is not required for campfires.
- ⇒ Burners (burn barrels) are allowed for vegetative fuels only; burning without a permit is allowed only between 6:00 p.m. to 8:00 a.m. Burning vegetative material in a burner at other times requires a permit.

The department has commissioned about 3,000 volunteer fire wardens statewide to issue burning permits, and they issue over 60,000 burning permits per year. The wardens are recruited, trained and supervised by local DNR foresters. Currently, there is no charge for a burning permit. Conversely, the department spends about \$170,000 per year to administer the present burning permit system.

Specifics of Proposal

Under this change request the department proposes to implement a new fee structure for burning permits. Permits will be sold and issued through its existing network of sales agents who now sell licenses, stamps and permits using the DNR's electronic licensing system (ELS).

The permits are valid for a year and allow the permittee to burn one or more times during the year. A permit holder must call a 1-800 phone number to activate use of the permit for each individual burn event.

The new fee structure is as follows:

- ⇒ \$6.00 for a single burning event
- ⇒ \$12.00 for up to four burning events
- ⇒ \$50.00 for expanded use burning permits (Expanded use permits include more burn events and/or allow burning under special circumstances that would require the direct oversight of a DNR fire specialist.)

Once the new permit system and fee structure are in place the department anticipates it will sell about 40,000 permits, which will generate about \$400,000 per year. Fees generated will cover ELS vendor and agent fees, activation costs, and system enhancements.

NATURAL RESOURCES DEPT

Program: FOREST MANAGEMENT

Change Item: BURNING PERMITS ISSUED THROUGH ELS

Receipts from the sale of burning permits will be deposited to a Special Revenue Fund and used to operate the automated permit system. The fee structure is intended to cover the costs of this particular activity, not to over-recover costs and build up excess funds in the dedicated account.

Relationship to Base Budget

The base budget (direct, open and statutory appropriations in all funds) for Forestry is \$55.1 million in FY2004 and \$55.1 million in FY2005.

Alternatives Considered

An option is to continue the current system of issuing burning permits through volunteer fire wardens. However, the current approach has disadvantages that are difficult to address:

- ⇒ Volunteer fire wardens are increasingly difficult to recruit; recruitment and training is become more time consuming and therefore expensive.
- ⇒ Paper permits cannot be tracked or revoked when extreme fire weather occurs.

Statutory Change: The change item will require an amendment to M.S. 88.17, subdivision 1 and 2. Forestry has prepared draft language for this amendment.

NATURAL RESOURCES DEPT**Program: FOREST MANAGEMENT****Change Item: EMERGENCY FIRE FIGHTING****Preliminary Proposal**

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	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	0	0	0	0

Recommendation

The Governor recommends a reallocation of funding within Forestry, a change that does not increase funding for Forestry. This reallocation request increases the General Fund direct appropriation to Emergency Fire Fighting by \$2.250 million in FY 2004 and \$2.250 million in FY 2005 and decreases the direct appropriation to Forest Management by the same amounts. With this request the Emergency Fire Fighting direct appropriation is \$7.650 million in each of FY 2004 and FY 2005. Further, the purpose or use of the General Fund direct appropriation to Emergency Fire Fighting is expanded to include fire prevention activities.

In addition, the Governor recommends a change in language guiding the use and purpose of expenditures made from the General Fund open appropriation for fire fighting. This request adds pre-suppression activities to those expenditures authorized to be funded from this open appropriation.

Background

Without this change item the Governor's recommendation for Emergency Fire Fighting is a General Fund direct appropriation of \$5.4 million in each of FY 2004 and FY 2005 (a 10% reduction from the General Fund direct appropriation of \$6.0 million in each of FY 2002 and FY 2003.) Funding at this level has in the past been specified for both pre-suppression and suppression fire fighting activities.

Prevention, as distinct from pre-suppression, are those measures designed to keep intentional fires under control and increase the public's awareness of the dangers of wildfires. Specific activities include setting regulations on open burning, issuing open burning permits, supervising volunteer township fire wardens, conducting public education such as the Firewise effort, distributing fire prevention materials and issuing media press releases on current fire danger conditions.

Given that Emergency Fire Fighting must spend the full amount of its General Fund direct appropriation prior to spending from the General Fund open appropriation, subsequent prevention and pre-suppression expenditures are made from the Forest Management General Fund direct appropriation. This reallocation request will align and present all fire fighting expenses (prevention, pre-suppression and suppression) in the General Fund direct appropriation to Emergency Fire Fighting. Based on historical spending, \$2.250 million is recommended to be shifted from Forest Management and added to the \$5.4 million direct appropriation for a new total Emergency Fire Fighting General Fund appropriation of \$7.650 million in each of FY 2004 and FY 2005. The forest management General Fund direct appropriation is reduced by this same \$2.250 million in FY2004 and FY 2005.

After the direct appropriation has been used, the General Fund open appropriation for fire fighting is available for fire suppression activities. When the direct appropriation has been expended, no other funding remains in Emergency Fire Fighting for on-going prevention and pre-suppression activities. Prevention and pre-suppression expenditures occur throughout the year. Often Forestry is making expenditures for pre-suppression and suppression simultaneously. Consequently this request adds pre-suppression activities to those expenditures authorized from the General Fund open appropriation for fire fighting.

NATURAL RESOURCES DEPT

Program: FOREST MANAGEMENT

Change Item: EMERGENCY FIRE FIGHTING

Relationship to Base Budget

General Fund base funding (direct and open appropriations) for Forestry in FY 2004 and FY 2005 does not change.

This request reallocates a \$2.250 million General Fund direct appropriation to Emergency Fire Fighting from forest management. With this change the Emergency Fire Fighting General Fund direct appropriation increases to \$7.650 million from \$5.4 million in FY 2004 and FY 2005.

The Governor's request for Emergency Fire Fighting General Fund open appropriation, at \$9.5 million in FY2004 and FY 2005, does not change under this change request.

Alternatives Considered

The alternative described in the change request is the preferred means of aligning all expenditures for fire fighting under the Emergency Fire Fighting component of the Forestry budget.

Statutory Change: No statutory change is required. The agency will submit suggested rider language prior to preparation of the budget bill to include the addition of prevention as it relates to the Emergency Fire Fighting General Fund direct appropriation and pre-suppression as it relates to Emergency Fire Fighting General Fund open appropriation.

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	

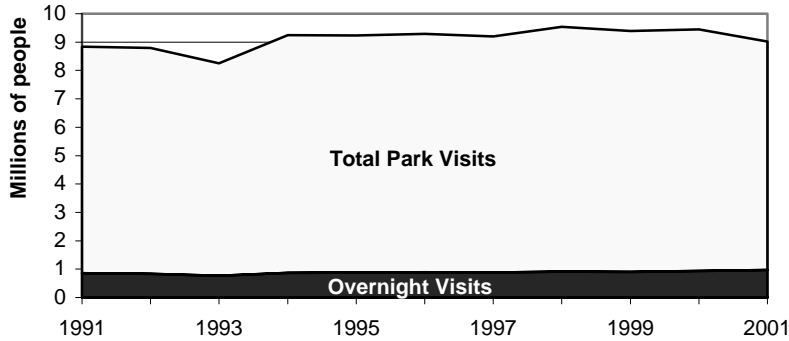
Relationship to Base Budget

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.

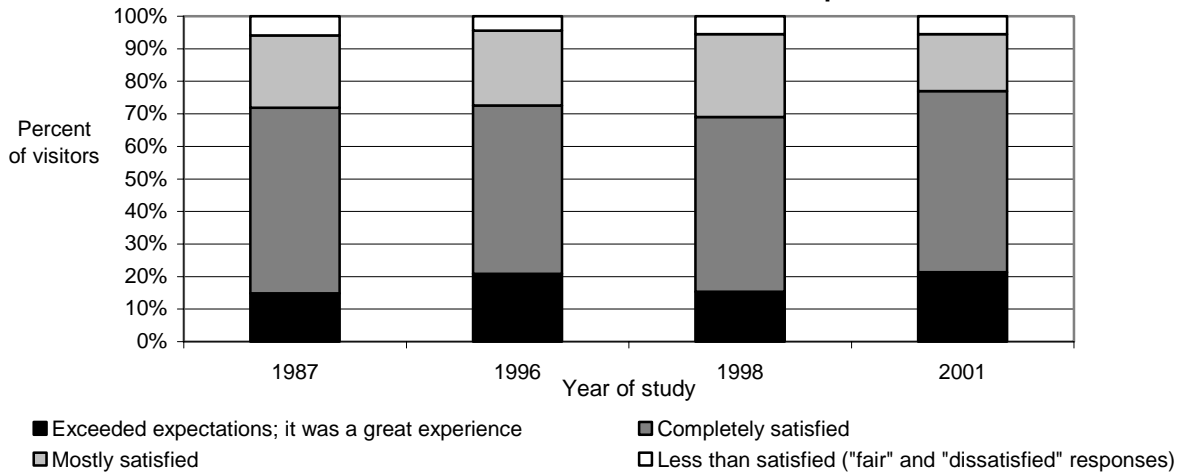
Key Measures

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**

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				
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

Change Item: MISSISSIPPI WHITEWATER PARK

Preliminary Proposal

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 Account				
Expenditures	700	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	700	0	0	0

Recommendation

The Governor recommends \$700,000 from the Water Recreation Account for a cooperative project with the US Army Corps of Engineers to develop the Mississippi Whitewater Park. Of this amount, \$525,000 will be used to match \$975,000 of federal funds (65% federal, 35% state) for construction design development, and \$175,000 will be used by the department for project management, which includes costs for the project review team, real estate acquisition, staff coordination of project, and legal services.

Background

The park was established by the 1998 Legislature (M.S. 85.0156) and is located on the Mississippi River at St. Anthony Falls within the City of Minneapolis. The proposed project will include the development of a formal whitewater rapids channel, park area, and trail on the east bank of the Mississippi. The facility will utilize 25-foot vertical drop created by the US Army Corps of Engineers Lower St. Anthony Falls lock and dam and include a new river channel approximately 2,000 feet long and 40 feet wide. The channel will flow parallel to the Mississippi River main stream in a park setting.

Relationship to Base Budget

One-time funding for the Mississippi Whitewater Park project is from the Water Recreation Account.

Key Measures

The facility will include a recreational whitewater course for rafting, kayaking, and canoeing as well as improved public access to the river, formal fishing opportunities, and trail connections to the greater park area.

Alternatives Considered

Other alternatives were not considered as this is a unique site due to the significant vertical drop of the river and the availability of the adjacent land. This is a cooperative project with the US Army Corps of Engineers and has the support of the City of Minneapolis, Minneapolis Park and Recreation Board, University of Minnesota, and many neighborhood, environmental, business, and interest groups.

Statutory Change: Not Applicable.

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

Fiscal Impact (\$000s)	FY 2004	FY 2005	FY 2006	FY 2007
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**

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	\$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

Fiscal Impact (\$000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund Open – 100				
Expenditures	5	18	21	21
Game and Fish Fund - 230				
Expenditures	15	15	15	15
Revenues	16	21	21	21
Trout & Salmon Fund - 234				
Expenditures	359	359	359	359
Revenues	104	137	137	137
Net Fiscal Impact	\$259	\$234	\$237	\$237

Recommendation

The Governor recommends an increase in the Trout and Salmon Stamp price and that annual appropriations for trout and salmon management activities be increased. 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 item would increase the stamp price to \$10.00 and would increase the number of qualifying projects funded from the Trout and Salmon Management Fund.

The increased appropriation from the Game and Fish Fund would be to cover project administration costs from the additional Trout and Salmon Stamp expenditures. The increased appropriation from the General Fund Open is necessary to cover the additional payments that would be made under the Leech Lake Indian Reservation Agreement (M.S. 97A.155) and the 1854 Treaty Area Agreement (M.S. 97A.157). These payments would increase because they are calculated on the amount of fishing and hunting license sales each fiscal year.

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. Increasing the annual appropriations would significantly reduce the unappropriated balance in the Trout and Salmon Account.

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 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 would 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

One alternative would be to not increase the appropriations and let the balance in the Trout and Salmon Stamp Management fund continue to grow. However, the trout and salmon anglers may oppose the agency not utilizing fees collected for these specific activities.

Statutory Change: M.S. 97A.475.

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: WILDLIFE MANAGEMENT

Change Item: INC FEES WILD RICE/CAMP RIPLEY ARCHERY

Preliminary Proposal

Fiscal Impact (\$000s)	FY 2004	FY 2005	FY 2006	FY 2007
Expenditures	0	0	0	0
Game and Fish – Fund 230	40	40	40	40
Total Expenditures	40	40	40	40
Revenues				
Game and Fish – Fund 230	26	26	26	26
Total Revenues	26	26	26	26
Net Fiscal Impact	14	14	14	14

Recommendation

The Governor recommends a \$2.00 increase to the Camp Ripley Archery Hunt Application Fee and various increases in the Wild Rice Licensing Fees.

Background

The application fee for the special deer hunt at Camp Ripley is currently established in game and fish rule 6232.1000 subd. 3.E. This fee has not been increased since 1992 and current revenue no longer covers the cost of program administration and resource management for the hunt. As M.S. 16A.1285 requires that the department set fees at a level that recovers costs an increase of \$2.00 is proposed. The department also requests that this fee be set in statute under M.S. 97A.475.

⇒ Special deer hunt: Raise Camp Ripley application fee from \$6 to \$8; capture revenue from previous increase. Funds generated: \$11,400 (Change level of \$25,000 needed to fully capture increased revenue from previous application fee increase when no change level was allowed). Intended use: cover increased costs of managing the hunt and associated deer management costs in Camp Ripley.

Wild rice license fees are set in statute under 84.091 and have not changed since they were established in the mid-1980s. The current license structure is restricted to residents only. The new licensing options will increase the age at which youth are required to purchase a license, will establish a new one-day license for both residents and non residents, and will allow for nonresidents to participate in this activity.

⇒ Wild rice license: increase wild rice license and establish new licensing options (increase the resident wild rice fee from \$12.50 to \$25.00; increase the minimum age for a regular license from 16 to 18; establish a resident one-day license for \$15.00; establish a nonresident one-day license for \$30.00). Funds generated: \$15,000 per year. Intended use: accelerated wild rice management.

Relationship to Base Budget

The increases proposed would not significantly change wildlife's base budget.

Key Measures

Camp Ripley. Continuation of a high quality archery deer hunt that attracts thousands of archery hunters annually from Minnesota and many other states.

Wild rice license. Accelerate management of natural wild rice stands by enhancing water level control on 25 additional natural wild rice basins annually.

Alternatives Considered

Requesting additional general fund dollars or not doing these activities were the only other alternatives. All of these additional activities are supported by users and this initiative intends to pay for them with additional user fee revenues.

Statutory Change: M.S. 84.091; 84.0911

NATURAL RESOURCES DEPT

Change Item: YOUTH HUNTING LICENSE; SURCHARGE; AND STAMP FEES

Preliminary Proposal

Fiscal Impact (\$000s)	FY 2004	FY 2005	FY 2006	FY 2007
Revenues				
Game & Fish - Fund 230	40	156	156	156
Waterfowl Habitat Improvement - Fund 233	39	261	261	261
Pheasant Habitat Improvement - Fund 235	39	214	214	214
Wildlife Acquisition Surcharge - Fund 237	393	738	738	738
Total Revenues	511	1,369	1,369	1,369
Expenditures				
General Open – Fund 100	6	44	91	91
Game & Fish - Fund 230	35	150	150	150
Waterfowl Habitat Improvement Fund - 233	100	100	100	100
Pheasant Habitat Improvement – Fund 235			110	110
Wildlife Acquisition Surcharge – Fund 237	400	600	600	600
Total Expenditures	541	894	1,051	1,051
Net Fiscal Impact	30	(475)	(318)	(318)

Recommendation

The Governor recommends establishing new youth hunting licenses for small game and deer, and increasing various wildlife user fees to improve management of wildlife populations and habitats. The recommendation also includes increasing the budget from the Game and Fish Fund to cover project administration costs from the additional dedicated account expenditures.

In addition, funds are recommended from the General Fund open appropriation to cover the additional payments that would be made under the Leech Lake Indian Reservation Agreement (M.S. 97A.155) and the 1854 Treaty Area Agreement (M.S. 97A.157). These payments would increase because they are calculated on the amount of fishing and hunting license sales each fiscal year.

Background

General hunting fees were last increased in the 2000 legislative session, but no increases have been made in stamp or surcharge fees since at least 1985. Wildlife stamp and surcharge fees are user fees that go into dedicated accounts to fund specific activities that the users desire to be funded. This proposal recommends modest increases to deer licenses and to stamps and surcharges. This proposal also creates new youth licenses for small game and deer to provide more opportunity for youth. Small increases in general small game and deer license fees are proposed to offset lost revenue from the reduced-cost youth licenses.

Specifically, this proposal calls for the following changes:

- ⇒ New Youth Licenses: establish a new youth small game hunting license for 16 to 17 year old hunters at a base fee of one-half the cost of a regular license (\$6, without the small game surcharge); establish a new youth deer hunting license for 12 to 15 year old hunters at one-half the regular license fee (\$13); increase the resident small game license by \$0.50 and increase the basic resident deer hunting license by \$1 and nonresident deer license by \$10 to offset lost revenue from the reduced cost youth licenses. This proposal does not generate additional revenue but provides more opportunity for youth participation and encourages hunter recruitment by establishing lower cost youth licenses.

- ⇒ Waterfowl stamp: increase waterfowl stamp by \$2.50. Funds generated: \$261,000 per year. Intended use: support implementation of the "fall use plan" to restore Minnesota's share of the Mississippi Flyway waterfowl harvest by restoring and managing wetlands and increasing food resources through moist soil management; maximize conservation benefits of the federal Farm Bill.
- ⇒ Pheasant stamp: increase pheasant stamp by \$2.50. Funds generated: \$214,000 per year. Intended use: reallocate existing base expenditures downward; use new revenues to maximize conservation benefits of the federal Farm Bill, accelerate WMA acquisition, and improve public and private land pheasant habitat.
- ⇒ Small game surcharge: increase the small game surcharge by \$2.50; Funds generated: \$738,000 per year. Intended use: accelerated WMA acquisition; WMA development and facility maintenance.

Relationship to Base Budget

The base wildlife budget already contains accounts for all of the fees listed above. Change levels are needed in several existing base appropriations to allow expenditures of the additional revenues generated by this proposal.

Key Measures

Small Game License Surcharge

An additional 350 acres per year will be acquired as Wildlife Management Areas (WMA); WMA habitat will be developed and improved; 150 miles of access roads and trails, and 150 parking lots and other facilities will be developed, improved and maintained annually on WMAs.

Waterfowl Stamp

An additional 750 acres per year of waterfowl habitat will be restored and managed to benefit breeding and migrating waterfowl populations and additional waterfowl habitat will be added through the Federal Farm Bill Conservation Program.

Pheasant Stamp

The existing base pheasant stamp program activities will be cut \$125,000 per year to balance expenditures and existing revenues. New revenues from this proposal will be directed at maximizing wildlife conservation benefits of the 2002 Farm Bill and acquiring additional WMA land. An additional 2,000 hours of technical guidance on the implementation of the Farm Bill will be provided to 150 private landowners for signing up contracts and improving wildlife habitat on private lands with funds from this and other initiatives and partnerships with other public and private organizations.

Alternatives Considered

Requesting additional general fund dollars or not doing these activities were the only other alternatives. All of these additional activities are supported by users and this initiative intends to pay for them with additional user fee revenues.

Statutory Change: M.S. 97A.075; M.S. 97A.475; M.S. 84.091

NATURAL RESOURCES DEPT

Program: ECOLOGICAL SERVICES

Change Item: AQUATIC EXOTIC SPECIES MANAGEMENT

Preliminary Proposal

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	0	0	0	0
Expenditures	559	619	619	619
Revenues	0	0	0	0
Net Fiscal Impact	559	619	619	619

Recommendation

The Governor recommends \$559,000 for FY 2004 and \$619,000 for FY 2005 from the Water Recreation Account to the Division of Ecological Services for the management of nuisance aquatic exotic species in public waters and public wetlands. This recommendation includes adequate funds to continue watercraft inspections at a level required by M.S. 84D.02, Subd. 4.

Background

This budget proposal will allow the department to maintain mandated levels of services and activities, and expand spending for the management of exotic species that have become established in Minnesota's waters. The number of lakes infested with Eurasian watermilfoil has increased since 1994 (from 67 to 134), as has the number of counties with infestations (increased from 13 to 24). There is an expanded need for technical and financial assistance to help local groups control milfoil and other nuisance aquatic exotics.

As mandated by M.S. 84D.02, Subd. 4, the department 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 were appropriated to MCC to cover the salary of the watercraft inspectors. Beginning in the summer of 2002, the Division of Ecological Services took over full responsibility for conducting the watercraft inspection efforts and now hires students to serve as watercraft inspectors for the summer. Funding for the watercraft inspectors needs to be appropriated to the Division of Ecological Services to reflect this new approach.

Relationship to Base Budget

This budget recommendation is funded by the Water Recreation Account.

Key Measures

These additional funds will allow the Division of Ecological Services to provide the 20,000 hours of watercraft inspection effort required by M.S. 84D.02, Subd. 4; increase law enforcement effort to the targeted level of 2,000 hours (1 FTE) per year; expand technical and financial assistance to local groups that are managing aquatic exotic species, and provide research funding to develop and test better management approaches. The DNR annually (by January 15th) reports to the legislature and provides documentation that the requirements of M.S. 84D have been met.

Alternatives Considered

The DNR considered proposing a reduction in the 20,000 hours of required watercraft inspections to reduce costs, however, the need for inspections is increasing. As stated above, the number of lakes infested with Eurasian watermilfoil has doubled since 1994. Furthermore, stakeholder groups worked hard to establish the original 20,000 hour mandate.

Statutory Change: Not Applicable.

NATURAL RESOURCES DEPT

Program: ENFORCEMENT-NR LAWS&RULES

Change Item: ENFORCEMENT INTENSIFICATION

Preliminary Proposal

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	400	400	400	400
ATV – 183	300	300	300	300
Game and Fish – 230	800	800	800	800
Net Fiscal Impact	1,500	1,500	1,500	1,500

Recommendation

The Governor recommends increasing the funding from the Water Recreation Account, ATV Account, and the Game and Fish Fund for the purposes of funding the Division of Enforcement to a level that will allow the division to hire and train conservation officer candidates. Based on FY 2003 costs, this additional funding will allow the division to fill 14 of the vacant field officer positions located throughout the state .

Background

The conservation officers are some of the department's most prominent and visible representative within the local communities. In addition to providing the protection for the state's natural resources, assuring the safety of the recreating public, and being the department's point of contact for the safety education programs, citizens have come to rely on these officers as the main resource for many of their general (non-law enforcement) natural resource questions and problems. Although law enforcement is the conservation officer's primary responsibility, they heavily invest themselves in their local community's network of user groups, businesses, and citizens, providing first contact assistance and responses for many of the DNR programs and other resource related requests.

The number of conservation officer field positions has remained relatively the same since the mid-1940s. However, the population of the state has doubled, the number of DNR licensed citizens has tripled, the number of registered watercraft has increased to 835,000, and there are now hundreds of thousands of recreational motor vehicles using Minnesota forest, trails, and open spaces. In addition, over 1.3 million Minnesota citizens have taken the safety training programs administered by the division's personnel (since 1959). This funding will allow the division to fill the numerous vacancies that exist, and provide the division with the human resources necessary to continue to provide prompt and thorough service through the "community-policing" network that is staffed by the conservation officers.

Relationship to Base Budget

Key Measures

- Increased funding from the ATV fund will allow the Enforcement Division to increase its work in protecting the resources and the public by over 7,000 hours statewide. An emphasis will be placed on the most vulnerable and fragile resource areas, and in the high usage areas that traditionally have the greatest occurrence of accident and injury.
- The additional funding from the Water Recreation Account will provide over 9,000 hours of additional work for boating safety and enforcement. An emphasis will be placed on public safety on high traffic lakes and areas with historically high incidents of accident and injury.
- Additional funding from the Game and Fish Fund will provide an additional 19,000 hours. This funding will provide the division with the necessary human resources to meet the public needs and demands, and while preserving and protecting species populations throughout the state.

NATURAL RESOURCES DEPT

Program: ENFORCEMENT-NR LAWS&RULES

Change Item: ENFORCEMENT INTENSIFICATION

Alternatives Considered

The Enforcement Division has considered plans for the restructuring of the entire division, moving away from the current community-based network of officers. Proactive enforcement efforts would be concentrated in the areas of greatest demand and use, with other services would be provided as available through a team policing structure.

Statutory Change: Not Applicable

NATURAL RESOURCES DEPT**Program: ENFORCEMENT-NR LAWS&RULES****Change Item: ENVIRONMENTAL FUNDING CONSOLIDATION****Preliminary Proposal**

Fiscal Impact (\$000s)	FY 2004	FY 2005	FY 2006	FY 2007
Solid Waste Fund				
Expenditures	(100)	(100)	(100)	(100)
Revenues	0	0	0	0
Remediation Fund				
Expenditures	100	100	100	100
Revenues	0	0	0	0
Net Fiscal Impact	0	0	0	0

Recommendation

As a part of the Pollution Control Agency's (PCA) Environmental Funding Consolidation Change Item, the Governor recommends that \$100,000 in FY 2004 and \$100,000 in FY 2005 be appropriated from the Remediation Fund, rather than the Solid Waste Fund.

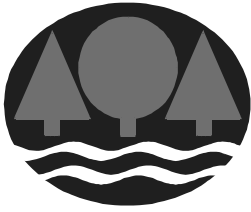
Background

In an effort to improve the ability of the legislature and affected agencies to direct money to the highest environmental priorities, the Governor recommends environmental fund simplification. Specifically, the Governor is recommending to restructure the Environmental Fund, create a new Remediation Fund and abolish the Solid Waste and Metropolitan Landfill Contingency Action Trust Funds. For more information on this change item, please see the PCA's budget.

Relationship to Base Budget

This change item simply appropriates base level funding to the Department of Natural Resources from the Remediation Fund rather than the Solid Waste Fund. No change in the amount, use or oversight of these funds is proposed as a result of this change item.

Key Measures**Alternatives Considered****Statutory Change:**



Minnesota Pollution Control Agency

Office of the Commissioner

520 Lafayette Road North, Saint Paul, Minnesota 55155-4194
(651) 296-6300, toll-free 1-800-657-3864, 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 \$232.1 million over the FY 2004-05 biennium. The PCA's *General Fund* budget request is for \$29.6 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.

POLLUTION CONTROL AGENCY

Budget in Brief

FY 2004-05 Expenditures (\$000s)

	General Fund	Other Funds	Total
2003 Funding Level	31,170	196,202	227,372
Biennial Appropriations	2,600	0	2,600
One-Time Appropriations	-1,000	-200	-1,200
Transfers Between Agencies	0	-2,082	-2,082
Adjusted Base Funding	32,770	193,920	226,690
Change Items			
Budget Reduction	-3,008	2,444	-564
Environmental Funding Consolidation	0	0	0
Water			
Stormwater Regulatory Program	0	5,110	5,110
Air			
General Fund Mercury Reduction	-124	0	-124
Multimedia			
LCMR-Surface Water Monitoring	0	982	982
Governor's Recommendations	29,638	202,456	232,094
Biennial Change, 2002-03 to 2004-05	2,319	-4,214	-1,895
Percent Change	8%	-2%	-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:

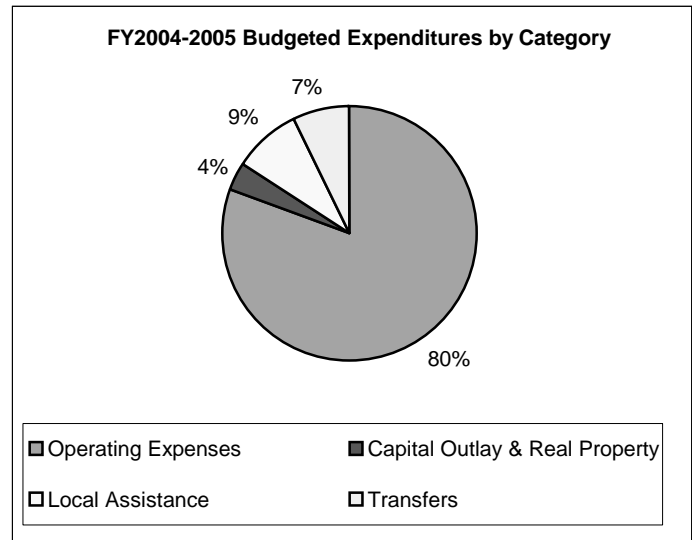
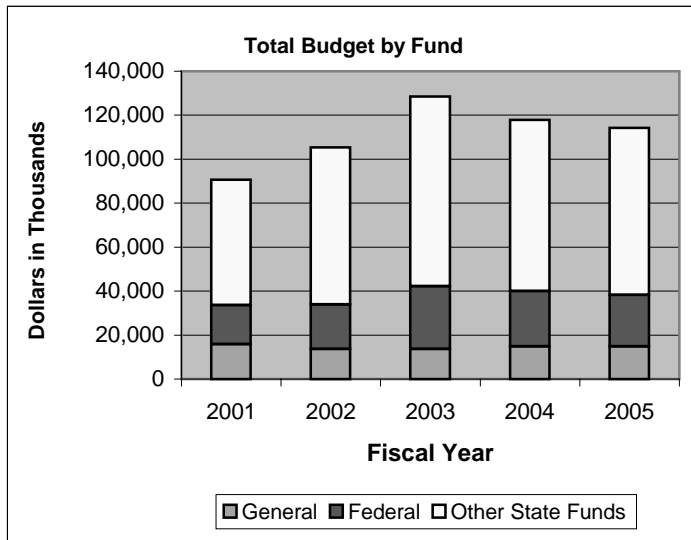
- ◆ Biennial Appropriations represents restoring General Fund Clean Water Partnership Grants appropriation to base level.
- ◆ One-Time Appropriations represents Environmental Fund Lake Superior LaMP (LCMR) and \$500,000 per year reduction to the County Feedlot Grant Program.
- ◆ Household Hazardous Waste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

FY 2004-05 Revenues (\$000s)

	General Fund	Other Funds	Total
FY 2004-05 Current Law Revenues	636	115,597	116,233
Change Items			
Environmental Funding Consolidation	0	6,326	6,326
Water			
Stormwater Regulatory Program	0	5,110	5,110
FY 2004-05 Total Revenues	636	127,033	127,669
Biennial Change 2002-03 to 2004-05	(261)	13,862	13,601
Percent Change	(29%)	12%	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.



<i>Dollars in Thousands</i>	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Expenditures by Fund						
Direct Appropriations						
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	26,192	26,192	52,384
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
Open Appropriations						
Remediation	0	0	0	4,998	7,000	11,998
Solid Waste	4,294	6,497	7,000	0	0	0
Statutory Appropriations						
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	15,751	12,462	28,213
Metro Landfill Contingency	0	627	250	0	0	0
Solid Waste	9,249	10,661	13,815	0	0	0
Total	90,667	105,421	128,568	117,885	114,209	232,094

POLLUTION CONTROL AGENCY

Fiscal Report

<i>Dollars in Thousands</i>						
Expenditures by Category	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Operating Expenses	77,421	90,049	108,588	95,082	91,344	186,426
Capital Outlay & Real Property	3,743	3,740	8,725	2,511	5,739	8,250
Local Assistance	9,228	9,520	10,961	11,786	8,620	20,406
Other Financial Transactions	275	2,112	294	248	248	496
Transfers	0	0	0	8,258	8,258	16,516
Total	90,667	105,421	128,568	117,885	114,209	232,094

Expenditures by Program

Water	20,329	24,674	29,569	32,536	29,290	61,826
Air	7,650	8,442	10,861	9,544	9,477	19,021
Land	41,498	48,759	57,602	49,713	50,204	99,917
Multimedia	8,985	10,700	16,713	13,977	13,123	27,100
Administrative Support	12,205	12,846	13,823	12,115	12,115	24,230
Total	90,667	105,421	128,568	117,885	114,209	232,094

Revenue by Type and Fund

Non Dedicated

General	9	579	318	318	318	636
Petroleum Tank Release Cleanup	120	54	58	48	48	96
State Government Special Revenue	40	36	37	37	37	74
Cambridge Deposit Fund	998	0	0	0	0	0
Environmental	14,686	15,436	16,106	21,625	23,300	44,925
Remediation	0	0	0	4,594	3,433	8,027
Metro Landfill Contingency	220	440	273	0	0	0
Solid Waste	4,032	2,742	1,560	0	0	0
Subtotal Non Dedicated	20,105	19,287	18,352	26,622	27,136	53,758

Dedicated

Special Revenue	4,831	10,879	13,247	11,766	11,766	23,532
Federal	18,355	20,254	27,299	25,152	23,444	48,596
Environmental	3,061	2,324	2,426	243	243	486
Remediation	0	0	0	751	546	1,297
Subtotal Dedicated	26,247	33,457	42,972	37,912	35,999	73,911
Total Revenue	46,352	52,744	61,324	64,534	63,135	127,669

Full-Time Equivalents (FTE)	748.0	694.0	767.6	746.0	745.5
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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	5,000	5,000	0	0
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	(\$5,967)	(\$5,967)	(\$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

POLLUTION CONTROL AGENCY

Change Item: ENVIRONMENTAL FUNDING CONSOLIDATION

Fiscal Impact (\$000s)	FY 2004	FY 2005	FY 2006	FY 2007
Petro Fund				
Expenditures	(\$7,513)	(\$7,513)	\$0	\$0
Revenues	0	0	0	0
Environmental Fund				
Expenditures	(25,735)	(25,576)	(25,735)	(25,735)
Revenues	(19,093)	(18,515)	(18,025)	(17,553)
Metro Landfill Contingency Trust Fund				
Expenditures	(5,400)	0	0	0
Revenues	(515)	(363)	(402)	(442)
Solid Waste Fund				
Expenditures	(21,865)	(26,137)	(26,196)	(21,296)
Revenues	(2,644)	(1,683)	(1,507)	(1,806)
Environmental Fund (Restructured)				
Expenditures	22,971	22,971	22,971	22,971
Revenues	19,070	20,745	20,442	20,157
Remediation Fund				
Expenditures	37,542	36,255	28,960	24,060
Revenues	5,345	3,979	3,655	3,807
Net Fiscal Impact	(\$2,163)	(\$4,163)	(\$4,163)	(\$4,163)

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

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	\$2,555	2,555	2,555	2,555
Revenues	2,555	2,555	2,555	2,555
Net Fiscal Impact	0	0	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

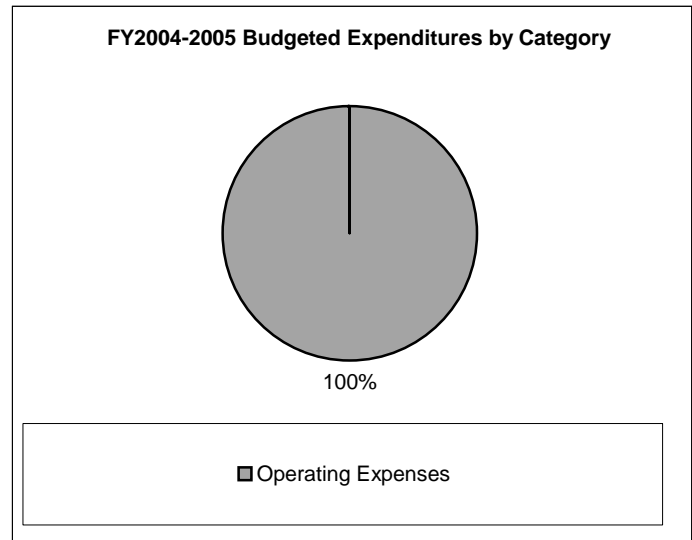
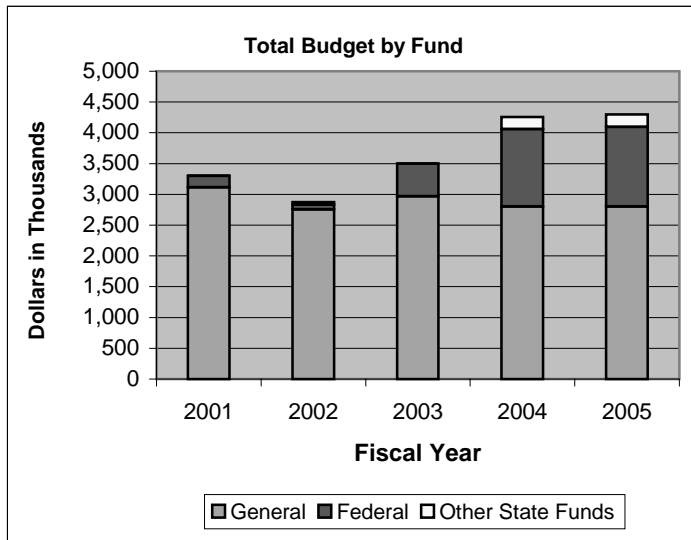
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ANIMAL HEALTH BOARD

Budget in Brief

FY 2004-05 Expenditures (\$000s)

	General Fund	Other Funds	Total
2003 Funding Level	5,606	2,550	8,156
Adjusted Base Funding	5,606	2,550	8,156
Change Items			
Budget Reduction	-800	0	-800
Chronic Wasting Disease	800	400	1,200
Governor's Recommendations	5,606	2,950	8,556
Biennial Change, 2002-03 to 2004-05	-115	2,292	2,177
Percent Change	-2%	348%	34%



<i>Dollars in Thousands</i>	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Expenditures by Fund						
Direct Appropriations						
General	3,114	2,753	2,968	2,803	2,803	5,606
Special Revenue	1	44	6	200	200	400
Statutory Appropriations						
Federal	189	78	530	1,256	1,294	2,550
Total	3,304	2,875	3,504	4,259	4,297	8,556

Expenditures by Category	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	4,259	4,297	8,556
Local Assistance	40	0	0	0	0	0
Total	3,304	2,875	3,504	4,259	4,297	8,556

Expenditures by Program	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	4,259	4,297	8,556
Total	3,304	2,875	3,504	4,259	4,297	8,556

Revenue by Type and Fund	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Non Dedicated						
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
Dedicated						
Special Revenue	1	50	0	200	200	400
Federal	176	78	530	1,256	1,294	2,550
Subtotal Dedicated	177	128	530	1,456	1,494	2,950
Total Revenue	180	131	535	1,461	1,499	2,960

Full-Time Equivalents (FTE)	31.9	31.1	32.0	33.8	33.8
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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

The Board of Animal Health will make the following reductions:

- ◆ Close Brucellosis Laboratory \$151,500 per year.
- ◆ Administration \$248,500 per year.

Relationship to Base Budget

The recommended reduction represents 14.3% of the base budget.

Statutory Change: M.S. 35

ANIMAL HEALTH BOARD

Change Item: CHRONIC WASTING DISEASE

Preliminary Proposal

Fiscal Impact (\$000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	\$400	\$400	\$400	\$400
Revenues	0	0	0	0
Special Revenue Fund				
Expenditures	200	200	200	200
Revenues	(200)	(200)	(200)	(200)
Net Fiscal Impact	\$400	\$400	\$400	\$400

Recommendation

The Governor recommends implementing a new program to reduce the threat of Chronic Wasting Disease. The Governor also recommends two funding sources for this program. The first is an inspection fee of \$200 per site plus \$4 for each captive cervid (deer and elk) that will be dedicated to the Board of Animal Health. The second is \$400,000 per year from the General Fund.

The Governor recommends a total budget for the Chronic Wasting Disease program of \$600,000 for FY 2004 and \$600,000 for FY 2005.

Background

Chronic Wasting Disease (CWD) is a fatal brain and nervous system disease found in elk and deer which has been identified in captive elk in Minnesota. A mandatory CWD surveillance program is necessary to eliminate this disease from captive cervidae and reduce the risk of it entering the wild deer population. Currently the program is voluntary and it is estimated that only 30% of the herds in the state are participating.

Elimination of this disease is critical to the viability of Minnesota's captive cervidae industry and to prevent the disease from spreading to Minnesota's free-ranging whitetail deer. If the disease spreads to free-ranging whitetail deer the economic consequences could be substantial.

Relationship to Base Budget

This is a 14% increase to the base budget.

Statutory Change: M.S. 17.451

ENVIRONMENTAL ASSISTANCE

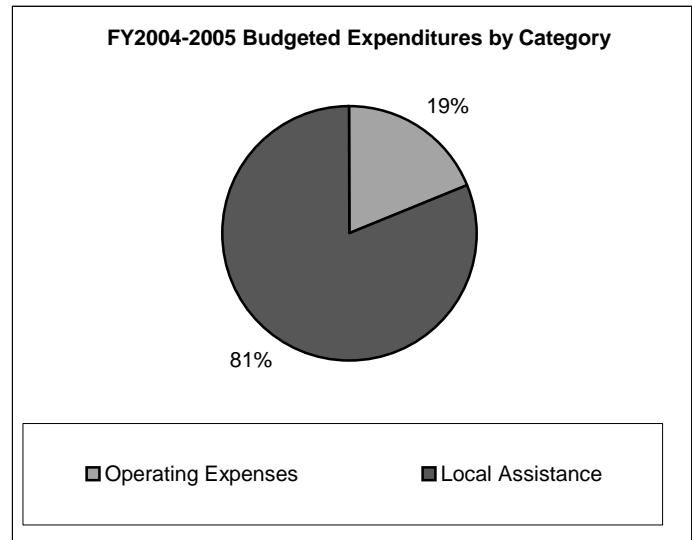
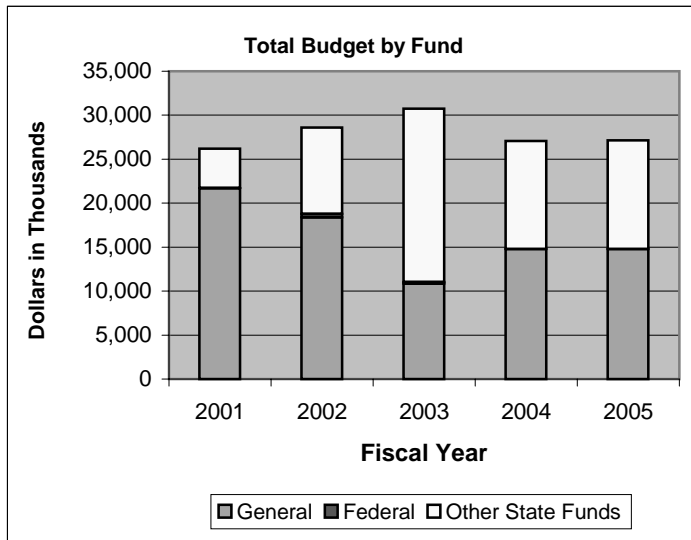
Budget in Brief

FY 2004-05 Expenditures (\$000s)

	General Fund	Other Funds	Total
2003 Funding Level	18,862	40,198	59,060
Legislatively Mandated Base	18,000	0	18,000
One-Time Appropriations	0	-18,000	-18,000
Transfers Between Agencies	0	2,082	2,082
Adjusted Base Funding	36,862	24,280	61,142
Change Items			
General Fund Grants & Loans Reductions	-324	56	-268
General Fund Operations Reductions	-1,924	294	-1,630
PCA Funding Consolidation	0	0	0
Score Reduction	-5,044	0	-5,044
Governor's Recommendations	29,570	24,630	54,200
Biennial Change, 2002-03 to 2004-05	333	-5,474	-5,141
Percent Change	1%	-18%	-9%

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
Expenditures by Fund						
Direct Appropriations						
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	10,054	10,054	20,108
Solid Waste	0	6,000	16,500	0	0	0
Statutory Appropriations						
Special Revenue	132	5	23	1	1	2
Federal	42	377	150	0	0	0
Environmental	2,670	2,397	1,752	2,184	2,232	4,416
Gift	31	138	54	52	52	104
Total	26,203	28,588	30,753	27,076	27,124	54,200
Expenditures by Category						
Operating Expenses	5,238	5,168	5,751	4,999	5,175	10,174
Local Assistance	20,965	23,420	24,802	21,918	21,742	43,660
Other Financial Transactions	0	0	200	159	207	366
Total	26,203	28,588	30,753	27,076	27,124	54,200
Expenditures by Program						
Office Of Environmental Assist	26,203	28,588	30,753	27,076	27,124	54,200
Total	26,203	28,588	30,753	27,076	27,124	54,200

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 services: \$147,000

Relationship to Base Budget

The recommended reduction represents 20% of the base budget.

Statutory Change: Not Applicable.

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WATER & SOIL RESOURCES BOARD

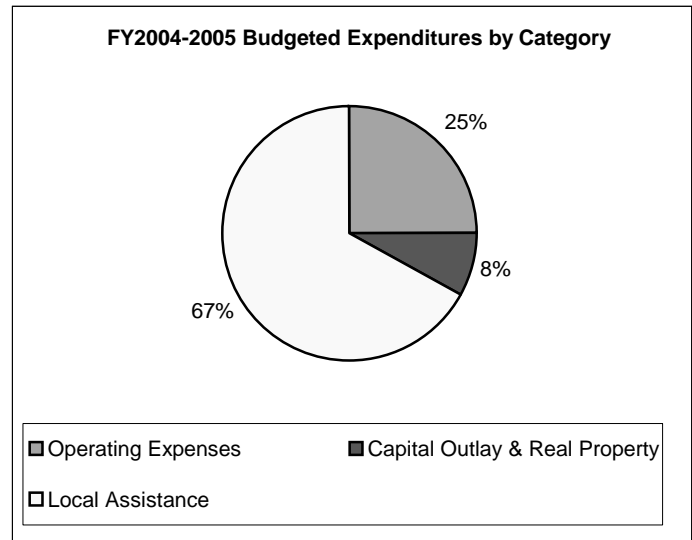
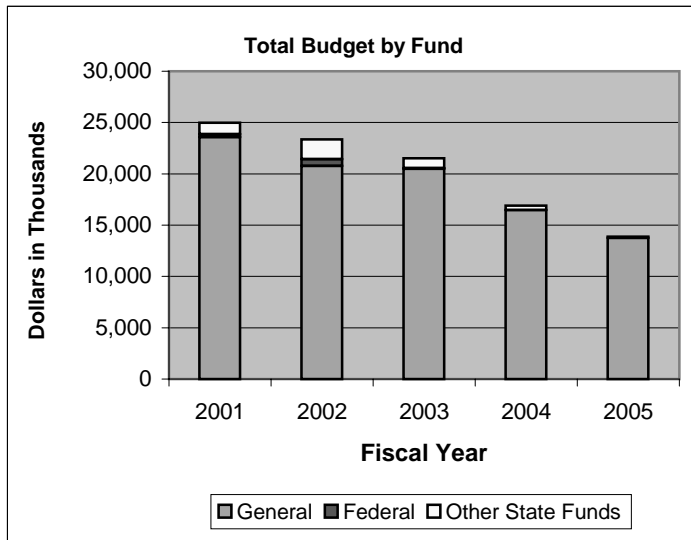
Budget in Brief

FY 2004-05 Expenditures (\$000s)

	General Fund	Other Funds	Total
2003 Funding Level	33,664	767	34,431
Biennial Appropriations	700	0	700
Legislatively Mandated Base	-280	0	-280
One-Time Appropriations	0	-500	-500
Adjusted Base Funding	34,084	267	34,351
Change Items			
Budget Reduction	-6,817	0	-6,817
LCMR Recommendations	0	292	292
Local Government Roads Wetland Replaceme	2,700	0	2,700
Wetland Banking	256	0	256
Governor's Recommendations	30,223	559	30,782
Biennial Change, 2002-03 to 2004-05	-11,010	-3,099	-14,109
Percent Change	-27%	-85%	-31%

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
Expenditures by Fund						
Direct Appropriations						
Environment & Natural Resource	463	261	280	118	118	236
General	23,577	20,757	20,476	16,462	13,761	30,223
Minnesota Resources	0	1,365	0	0	0	0
Statutory Appropriations						
Special Revenue	684	331	684	321	2	323
Federal	265	653	84	0	0	0
Total	24,989	23,367	21,524	16,901	13,881	30,782
Expenditures by Category						
Operating Expenses	5,184	4,954	5,052	4,532	4,393	8,925
Capital Outlay & Real Property	96	101	0	2,825	0	2,825
Local Assistance	19,709	18,312	16,472	11,971	11,915	23,886
Transfers	0	0	0	-2,427	-2,427	-4,854
Total	24,989	23,367	21,524	16,901	13,881	30,782
Expenditures by Program						
Water & Soil Resrcs Bd	24,989	23,367	21,524	16,901	13,881	30,782
Total	24,989	23,367	21,524	16,901	13,881	30,782

WATER & SOIL RESOURCES BOARD

Change Item: LOCAL GOVERNMENT ROADS WETLAND REPLACEMENT

Preliminary Proposal

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

Recommendation

The Governor recommends a one-time appropriation of \$2.7 million for the Local Government Roads Wetland Replacement program to finance the states obligation for wetland replacement.

Background

The Local Government Roads Wetland Replacement program is a statutory obligation requiring replacement of wetlands lost to public transportation projects as required under M.S. 103G.222, Subd.1(1). This program supports the "no-net-loss" requirements of state and federal regulations. It benefits local road authorities by relieving them of responsibility for wetland replacement; environmental interests by establishing higher quality replacement sites; and taxpayers by reducing costs and avoiding delays in road improvements.

Without state funding, local governments must pay for this work. That would result in reduced or delayed road projects, a reversal of an agreement with local stakeholders, and it would negate an agreement with the U.S. Army Corps of Engineers (COE) allowing this program to meet federal regulatory requirements. Without this agreement local road authorities would again have to seek individual federal permits and be responsible for wetland replacement.

Approximately 193 acres of wetlands need replacement each year, at an annual cost of \$2.7 million. This amount will finance the backlog of projects that resulted from the veto of the 2002 bonding bill appropriation for this program, and provide funding to last until the next bonding cycle. The cost of establishing the wetlands varies widely, from a low of \$2,000 an acre in rural Minnesota, to more than \$20,000 an acre for some projects in the metro area.

Relationship to Base Budget

This program is not funded in the agency's base. The requested amount represents 20% of the Governor's recommended FY 2004 base budget for the Board of Water and Soil Resources.

Key Measures

The state and federal "no-net-loss" requirement will be maintained.

Statutory Change: None.

ZOOLOGICAL BOARD

Budget in Brief

FY 2004-05 Expenditures (\$000s)

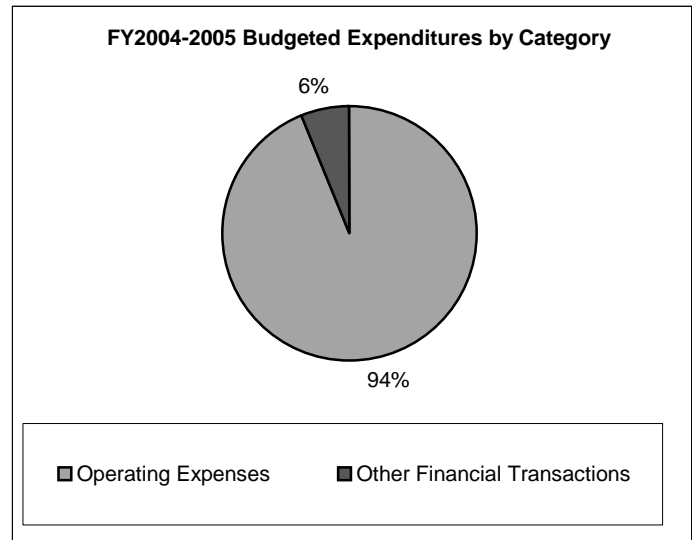
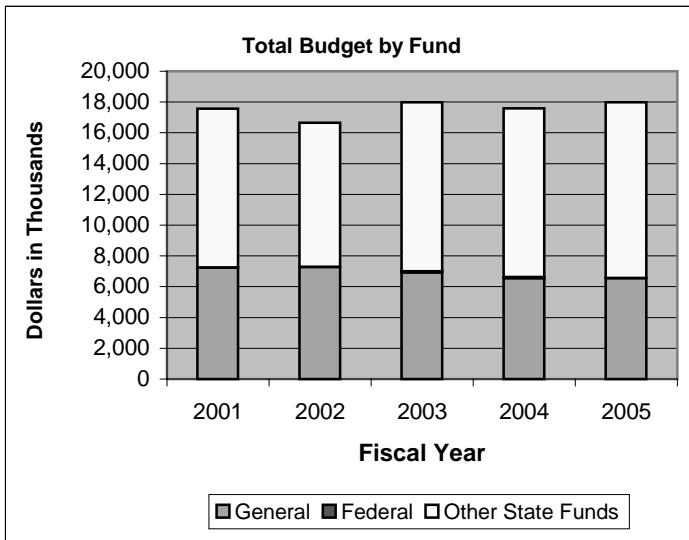
	General Fund	Other Funds	Total
2003 Funding Level	14,570	22,348	36,918
One-Time Appropriations	0	-304	-304
Adjusted Base Funding	14,570	22,044	36,614
Change Items			
Elementary School Fee	0	430	430
Lottery In Lieu Funds	0	248	248
Reduction Plan	-1,456	-249	-1,705
Governor's Recommendations	13,114	22,473	35,587
Biennial Change, 2002-03 to 2004-05	-1,089	2,053	964
Percent Change	-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
FY 2004-05 Current Law Revenues	0	21,250	21,250
Change Items			
Elementary School Fee	0	430	430
Miscellaneous Fee Increases	0	758	758
FY 2004-05 Total Revenues	0	22,438	22,438
Biennial Change 2002-03 to 2004-05	0	2,302	2,302
Percent Change	0	11%	11%



<i>Dollars in Thousands</i>	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Expenditures by Fund						
Direct Appropriations						
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	124	124	248
Statutory Appropriations						
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
Total	17,558	16,645	17,978	17,598	17,989	35,587

Expenditures by Category	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	16,401	16,831	33,232
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
Total	17,558	16,645	17,978	17,598	17,989	35,587

Expenditures by Program	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	17,598	17,989	35,587
Total	17,558	16,645	17,978	17,598	17,989	35,587

Revenue by Type and Fund	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Dedicated						
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
Total Revenue	9,967	9,111	11,025	11,319	11,119	22,438

Full-Time Equivalents (FTE)	204.3	199.1	205.1	200.2	198.8
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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	\$124	\$124	\$124	\$124
Revenues	0	0	0	0
Net Fiscal Impact	\$124	\$124	\$124	\$124

Recommendation

The Governor recommends \$124,000 in FY 2004 and \$124,000 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