

Minnesota Department of Natural Resources

500 Lafayette Road • St. Paul, MN • 55155



October 15, 2010

The Honorable Ellen Anderson
Env., Energy and N.R. Budget Division chair
75 Rev. Dr. Martin Luther King Jr. Blvd.
Capitol Building, Room 120
St. Paul, Minnesota 55155-1606

The Honorable Jean Wagenius
Environment and N.R. Finance chair
449 State Office Building
100 Rev. Dr. Martin Luther King Jr. Blvd.
St. Paul, Minnesota 55155

Commissioner Tom Hanson
Minnesota Management and Budget
658 Cedar Street
St. Paul, Minnesota 55155

Dear Senator Anderson, Representative Wagenius and Commissioner Hanson:

Pursuant to Minnesota Statutes 97A.4742 Sub. 3, the commissioner of the Department of Natural Resources (DNR) is required to report on the adequacy of lifetime license fees and provide specific recommendations for fee adjustments.

Legislation was passed in 2000 providing for the sale of lifetime licenses for certain hunting and fishing activities. The new lifetime licenses were available for sale to state residents beginning March 1, 2001, and to non-residents beginning March 1, 2002.

At the time of implementation, assumptions were made regarding the interest rate, rate of fee increases, and percent of licenses activated annually. The chart below shows the original assumptions along with the actual outcomes.

	Original Assumption	Actual Outcome
Annual Fee Increase	4%	3.7%
Average Investment Rate of Return	8%	2.89%
Annual License Activations	75%	81%

Attached are two tables that demonstrate the impact of original assumptions and actual outcomes on the lifetime license fund balance, Table 1 reflects the status of the fund balance given the original assumptions. Under these assumptions, the fund balance remains positive throughout the life of the model. Table 2 reflects the status of the fund balance based on actual outcomes. This table indicates a negative balance in license year 2030. The 2008 report indicated a negative balance in license year 2051.

Like the report in 2008, the key difference between the original assumptions and the actual outcomes is the average investment rate of return, which continues to decline. To balance the fund, given the current conditions, the Legislature would need to raise lifetime license fees significantly, in some cases double.

The DNR recommends that when the legislature reviews annual license fees, they also review lifetime license fees.

Sincerely,



Mark Holsten, Commissioner
Department of Natural Resources

Attachments (Table 1 and Table 2)

c: Laurie Martinson
Bob Meier
Denise Anderson

Table 1
Department of Natural Resources
Lifetime Fish and Wildlife Trust Fund
PROJECTION OF FUND BALANCE
Original Assumptions

Assumptions				
Activation rate	75.00%	Life expectancy: live to age 78	Based on Existing Lifetime License Sales through License Year 2009	
Annual license increase rate	4.00%	No new lifetime licenses sold		
Annual investment return	8.00%			

Yr	License Year	Resident					Non-Resident		TOTAL
		Fish	Deer-Firearm	Deer-Archery	Small Game	Sporting	NR Fish	Small Game	
0	2009	1,503,378	1,523,975	258,214	127,245	3,097,908	22,810	0	6,533,531
5	2014	1,803,714	1,867,849	317,984	147,728	3,863,134	26,109	0	8,026,519
10	2019	2,130,320	2,262,470	389,205	169,220	4,731,667	29,438	0	9,712,321
15	2024	2,451,190	2,717,251	474,325	193,518	5,576,665	32,472	0	11,445,421
20	2029	2,825,032	3,269,439	580,728	223,497	6,485,522	34,350	0	13,418,568
25	2034	3,367,845	3,997,453	725,630	263,425	7,579,418	36,817	0	15,970,589
30	2039	4,127,540	4,966,604	925,386	316,527	8,909,765	41,642	0	19,287,465
35	2044	5,112,601	6,247,973	1,197,562	386,670	10,467,480	47,080	0	23,459,366
40	2049	6,413,560	7,986,599	1,580,115	483,920	12,329,468	52,582	0	28,846,244
45	2054	8,177,272	10,405,004	2,128,156	627,767	14,619,668	59,800	0	36,017,667
50	2059	10,661,774	13,908,727	2,937,982	843,803	17,555,503	66,945	0	45,974,735
55	2064	14,272,634	19,162,209	4,152,924	1,176,728	21,579,578	77,973	0	60,422,046
60	2069	19,667,238	27,082,041	5,964,469	1,683,664	27,608,185	90,235	0	82,095,831
65	2074	27,810,839	38,937,492	8,660,651	2,441,020	36,952,650	105,093	0	114,907,746
70	2079	39,840,145	56,462,382	12,632,133	3,562,257	50,728,503	128,221	0	163,353,641
75	2084	57,873,864	82,483,216	18,487,897	5,221,892	72,221,407	161,989	0	236,450,264
78	2087	72,865,760	103,879,729	23,281,204	6,577,483	90,837,610	192,785	0	297,634,571

Lifetime License Trust Fund

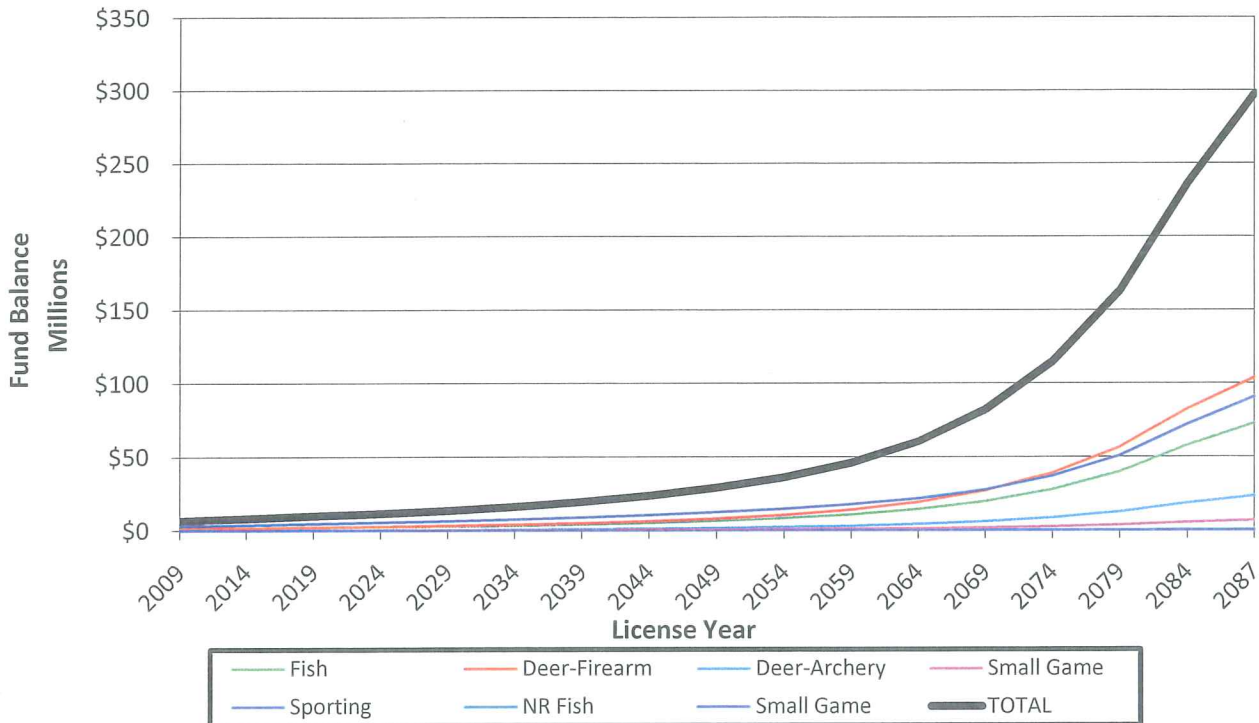
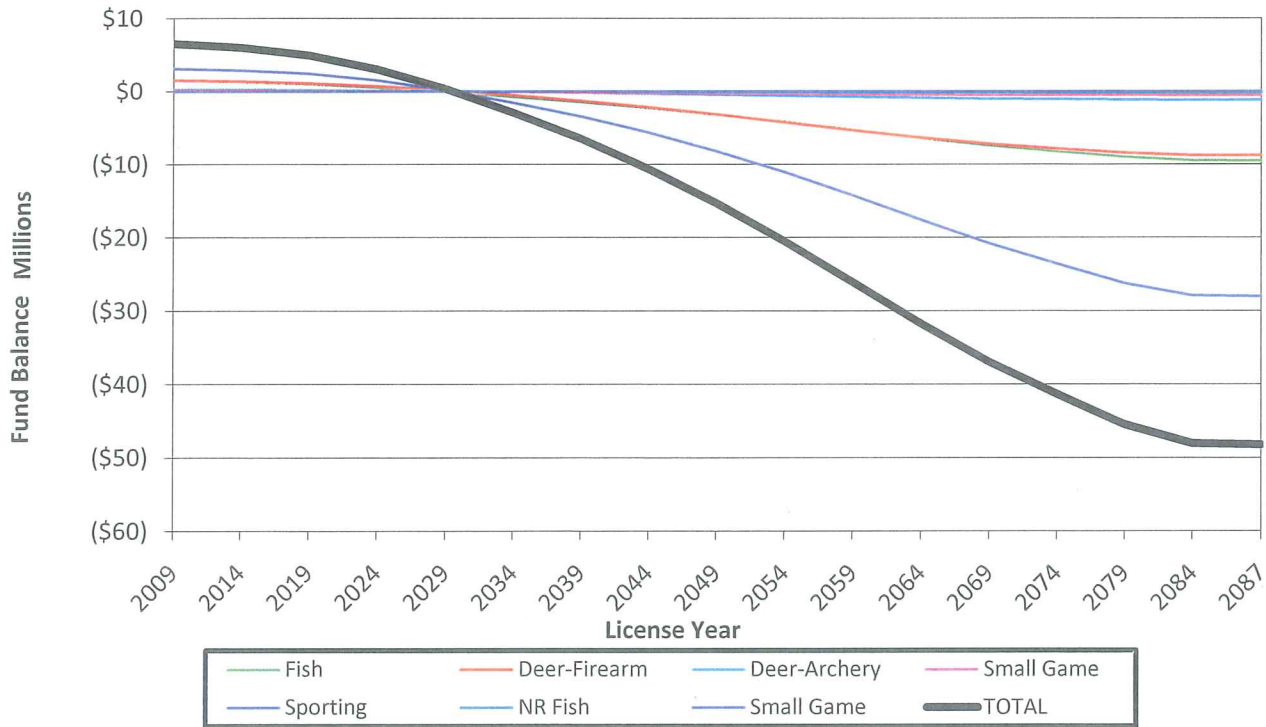


Table 2
Department of Natural Resources
Lifetime Fish and Wildlife Trust Fund
PROJECTION OF FUND BALANCE
Actual Activity

Assumptions			
Activation rate	81.00%	Life expectancy: live to age 78	Based on Existing Lifetime License Sales through License Year 2009
Annual license increase rate	3.70%	No new lifetime licenses sold	
Annual investment return	2.89%		

Yr	License Year	Resident					Non-Resident		TOTAL
		Fish	Deer-Firearm	Deer-Archery	Small Game	Sporting	NR Fish	Small Game	
0	2009	1,503,378	1,523,975	258,214	127,245	3,097,908	22,810	0	6,533,531
5	2014	1,338,980	1,395,368	238,001	108,578	2,901,248	19,122	0	6,001,297
10	2019	1,044,538	1,146,093	199,649	79,321	2,436,414	13,574	0	4,919,590
15	2024	562,023	747,460	138,041	39,465	1,505,364	5,410	0	2,997,764
20	2029	(73,646)	188,760	50,993	(11,031)	144,935	(6,257)	0	293,752
25	2034	(750,244)	(502,981)	(56,744)	(67,274)	(1,541,645)	(17,910)	0	(2,936,799)
30	2039	(1,451,581)	(1,278,172)	(177,124)	(127,399)	(3,446,222)	(28,591)	0	(6,509,089)
35	2044	(2,254,175)	(2,162,715)	(313,784)	(193,354)	(5,658,668)	(40,913)	0	(10,623,608)
40	2049	(3,166,385)	(3,153,531)	(462,514)	(262,905)	(8,192,081)	(54,416)	0	(15,291,831)
45	2054	(4,185,864)	(4,240,548)	(620,693)	(330,600)	(11,054,239)	(68,579)	0	(20,500,523)
50	2059	(5,274,736)	(5,348,055)	(772,103)	(393,409)	(14,216,717)	(85,355)	0	(26,090,375)
55	2064	(6,378,040)	(6,353,890)	(900,780)	(443,040)	(17,561,754)	(101,698)	0	(31,739,203)
60	2069	(7,391,692)	(7,187,105)	(1,007,681)	(477,925)	(20,752,421)	(120,999)	0	(36,937,822)
65	2074	(8,222,894)	(7,840,549)	(1,085,751)	(502,579)	(23,523,488)	(142,573)	0	(41,317,835)
70	2079	(8,996,374)	(8,405,757)	(1,156,207)	(520,800)	(26,221,478)	(161,952)	0	(45,462,568)
75	2084	(9,479,256)	(8,753,188)	(1,209,014)	(529,467)	(27,902,356)	(180,177)	0	(48,053,459)
78	2087	(9,508,616)	(8,772,348)	(1,215,285)	(529,879)	(28,008,696)	(188,463)	0	(48,223,287)

Lifetime License Trust Fund



DATE: 10/11/2010

LEGISLATIVE REPORT – Cost of Preparation

NAME OF LEGISLATIVE REPORT – Adequacy of Lifetime License Fees

Based on:

Minnesota Statute Reference: M.S. 97A.4742 Subd. 3

Prepared by: André Prah, Department of Natural Resources

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Description of Cost	Further explanation if necessary	Amount
Staff Time	Model update FY09 & FY 10 Included	\$5,700
Duplication Cost (includes paper)		\$25
Other:		
TOTAL TO PREPARE REPORT		
<i>(Note: Right click on amount cell and choose update to complete)</i>		\$5,725