

2002-03
Minnesota
Biennial Budget

*Presented by
Governor Jesse Ventura
to the 82nd Legislature*

STATE OF MINNESOTA 2002-03 BIENNIAL BUDGET

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POLLUTION CONTROL AGENCY - EXECUTIVE SUMMARY

AGENCY MISSION AND VISION:

Mission: "To help Minnesotans protect the environment"

The vision for the Pollution Control Agency (PCA) is very straight forward and based on its enabling legislation that established the agency. The vision for Minnesota's environment is comprised of four parts:

- fishable and swimmable lakes and rivers,
- clean and clear air,
- uncontaminated groundwater and land, and
- healthy ecosystems.

Environmental protection supports all elements of the Big Plan, particularly supporting the goals of Healthy, Vital Communities, Service Not Systems, and Minnesota: World Competitor. Some of the Big Plan areas of focus include light rail transit, multimodal transportation, smart growth, energy production, regulatory program reform, and coordination with sister agencies on issues such as agriculture, mining, and water resources. Additionally, development of alliances, program performance and evaluation, and responsiveness are key supporting elements of the Big Plan.

KEY SERVICE STRATEGIES:

The PCA was created in 1967 — three years before the U.S. Environmental Protection Agency (EPA) was created. Two years ago, the PCA underwent a major reorganization to improve its ability to respond to environmental issues.

To help the PCA prepare this budget request, meetings with stakeholders were held in Brainerd, Detroit Lakes, Duluth, Mankato, Rochester, Willmar, and four Twin Cities locations to gather information. Citizens, environmentalists, businesses, local officials, and others provided input on their environmental priorities and areas where the agency needs to apply resources. Agricultural runoff, wastewater treatment, pollution from vehicles, and urban sprawl ranked as top environmental priorities. Stakeholders ranked accessible information for decision-making, water quality programs (permitting, compliance, and stormwater programs), and measuring the condition of watershed basins through comprehensive monitoring as the top three categories that participants felt deserved the most urgent attention. Additional needs were also raised, including increased timeliness of permitting, better translation and distribution of information, and funding for citizen monitoring programs. The full results of these meetings can be found on the PCA web site at:

<http://www.pca.state.mn.us/hot/legislature.html>.

The PCA's strategic directions for the next five years are described in its Five Year Strategic Plan found on the PCA web site at:

<http://www.pca.state.mn.us/publications/5yearplan.html>.

PCA's four key goals:

Goal 1: Recognize and address threats to Minnesota's environment. This strategy was reaffirmed in the stakeholder meetings as the need to provide leadership on statewide issues.

Goal 2: Prevent, limit, and cleanup pollution. Stakeholders asked PCA to focus on improving core regulatory programs.

Goal 3: Improve government collaboration. Stakeholders reaffirmed that this strategy is necessary between PCA and sister agencies, and between PCA and local units of government.

Goal 4: Provide responsive services to citizens and stakeholders. Stakeholders asked the PCA to enhance communication efforts.

The directions in the Five Year Strategic Plan are implemented through service strategies. The service strategies for this next biennium include the following:

- Forming alliances with local governments, businesses, environmental partners, and the public to collectively focus on behavior change, because we all share responsibility for the environment.
- Evaluating the current condition of the state's environment in a local, state, regional, and global context; integrating data and trend analysis into PCA planning and decisions; and measuring outcomes.
- Ensuring that all stakeholders have access to the best scientific information to effectively participate in managing their own human health and environmental risks.
- Continuously improve processes to measure true environmental outcomes of our activities and use a full range of rewards and penalties to achieve desired outcomes.

OPERATING ENVIRONMENT:

In the 1980's the PCA was primarily funded through the General Fund. In the late 80's and 90's the PCA successfully used "command and control" approaches to fixing specific sources of problems using funding from the affected permittees or pollutant sources. However, many of these fees and taxes chronically raise revenue insufficient to meet the appropriation for the programs. Additionally, environmental priorities don't always come with neatly associated funding

POLLUTION CONTROL AGENCY - EXECUTIVE SUMMARY (Continued)

sources. For example, more than 50% of our air pollutants come from mobile sources, such as cars and trucks, and 90% of Minnesota's lakes, rivers, and streams are affected by nonpoint sources of pollution such as urban runoff, agriculture activities, and failing septic systems. Establishing fees or taxes that could successfully target the broad contributors to these pollution sources has proved problematic. As the economy expands, the PCA is under increasing pressure to quickly review new or expanded projects for impacts to the environment and authorize their construction. With the exception of air quality permits for which expedited review is statutorily authorized, our permit fee structure does not allow additional resources to be added to meet this demand.

The amount of federal funding the PCA has received for administration of federal programs has remained level, while the costs of staffing have increased. Since 1996, the increased staffing costs have resulted in a 25% "real" reduction in operating support funding. This has also happened to a lesser degree on the state level, mitigated slightly by occasional supplements for staff salaries. In addition, certain program areas are in decline. For example, as remediation work ends on Superfund and Leaking Underground Storage Tanks (LUST) sites of federal importance, the administrative funding will also decrease. In addition, the PCA received a significant number of competitive grants in the water quality area in FY 1999, which have since ended. Finally, on-going federal grants have not increased with inflation inhibiting the ability to leverage state funds. As a result, for the first time in two decades, the PCA's operating budget is shrinking.

Finally, the budget request reprograms administrative support appropriations into the direct appropriation for each of the media program activities. This enables the program areas to acknowledge that indirect expenses are necessary to manage environmental programs.

The PCA's environmental tax reform and reallocation requests provide a basis to meet these challenges and ensure our resources are directed at the highest environmental priorities.

ORGANIZATION/PROGRAM STRUCTURE:

The PCA's service delivery divisions were redesigned to match three distinctly different geographic areas of the state. This allows the agency to focus our resources on local issues. For example, in the North District, where most of our recreational lakes, including Lake Superior, are located and mining activities are prevalent, the agency's main focus is on failing septic systems and mining activities. In the South District, which is mostly agricultural cropland, the focus is on feedlots and agricultural runoff. In the Metro District, where one-half the population of the state is clustered, air quality issues are a focus with a growing emphasis on air pollution from motor vehicles.

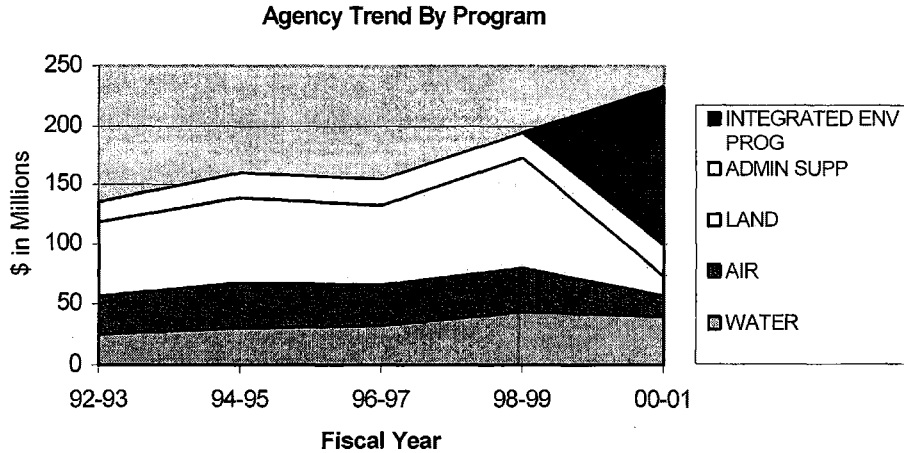
There are also two other divisions in the PCA—one devoted to policy and planning and the other to environmental outcomes. It is the responsibility of the policy and planning division to work with the EPA, legislature, and other internal and external partners to help develop and deliver tools and strategies that result in effective program implementation. It's the job of the outcomes division to monitor the environment, analyze environmental data, and provide the PCA with sound information for better informed decision-making. An example is the Minnesota Environment 2000 Report that highlights key conditions and trends, including those specific to the districts described above.

The budgeted FTE by organizational area is illustrated below.

Commissioner's Office	8.0 FTEs
Fiscal Services	25.0 FTEs
Information Services Office	50.0 FTEs
Organizational Development and Training	12.0 FTEs
Human Resources	11.0 FTEs
Public Information	12.0 FTEs
Policy and Planning	105.0 FTEs
Environmental Outcomes	106.0 FTEs
Metro Service Delivery District	203.4 FTEs
South Service Delivery District	119.0 FTEs
North Service Delivery District	142.0 FTEs
FY 2001	TOTAL FTEs
	793.4

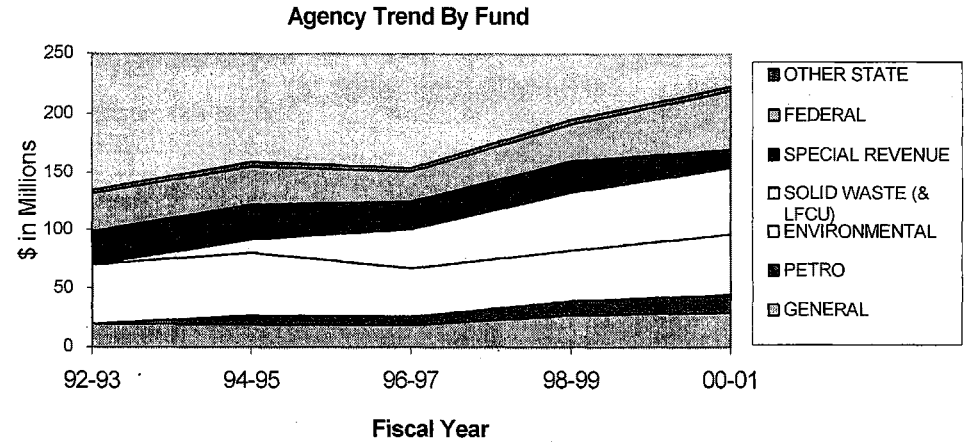
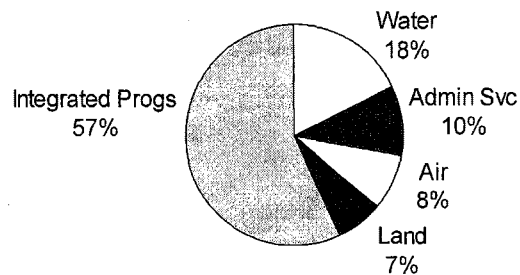
POLLUTION CONTROL AGENCY - EXECUTIVE SUMMARY (Continued)

TRENDS AND PERSPECTIVE:



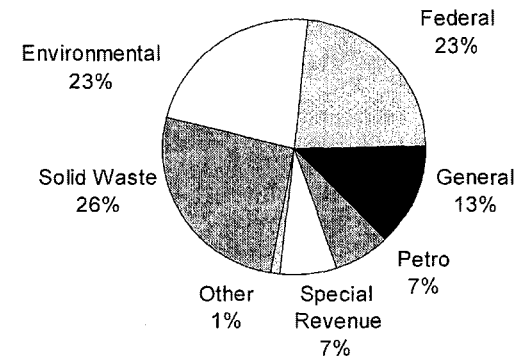
In FY 2000-01, the agency moved remediation activities into integrated environmental management, which now represent 76% of the expenditures in this area. Portions of air and water funding for monitoring and the federal Performance Partnership Grant have been shifted to this area as well. However, there is an expected decline in air funding in FY 2000-01 due to the elimination of the inspection maintenance program, and water funding also shows a slight decline due to reduction in permitting program bridge funding.

FY 2000-01 Expenditures by Program Total \$228 Million



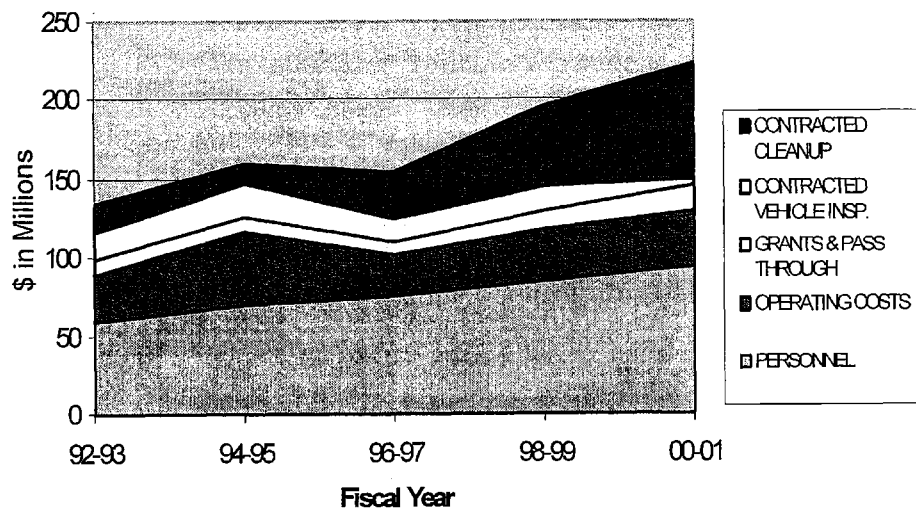
The most notable feature on the Agency Trend by Fund graph is the decrease in the Special Revenue fund due to the ending of the Inspection Maintenance program. Expenditures in the solid waste fund increase due to the Closed Landfill program and transfers to the Closed Landfill Investment Fund. The General Fund increase was for pass through dollars in the Clean Water Partnership program.

FY2000-01 Expenditures By Fund Total \$228 Million



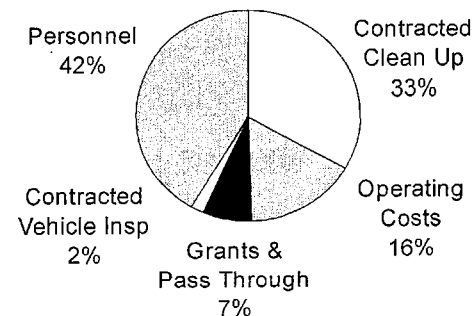
POLLUTION CONTROL AGENCY - EXECUTIVE SUMMARY (Continued)

Agency Trend By Category



FY 2000-01 Expenditures by Category

Total \$228 Million



The Agency Trend by Category graph reflects three main changes in the agency's budget. The first is the contracted cleanup costs that are expected to build through FY 2006 and then decline as sites are cleaned up. Second, the contracted vehicle inspection was eliminated in FY 2000. The last trend is the personnel costs. Although our actual FTEs have remained relatively constant, their cost of living, salary grid changes, and health care costs have increased faster than agency resources.

POLLUTION CONTROL AGENCY - EXECUTIVE SUMMARY (Continued)

GOVERNOR'S RECOMMENDATION:

The Governor recommends the agency's base budget with the adjustments listed below. These adjustments are outlined on the following budget brief pages and individual change item pages within this document.

PCA Environmental Tax Reform:

- Restructure the Environmental Fund and create a new Remediation Fund to improve the ability of the legislature and the affected agencies to direct money to the highest environmental priorities.
- Eliminate the hazardous waste and water quality permit fees to provide tax relief to communities and businesses.
- Rename the solid waste tax the "environmental tax" and provide greater flexibility in the use of those tax proceeds.
- Abolish the Solid Waste Fund and the Metropolitan Landfill Contingency Action Trust Fund and transfer balances to the new Remediation Fund and the restructured Environmental Fund.

Deficiency Appropriation. Appropriate \$500,000 from the Solid Waste Fund in FY 2001 to cover back pay owed due to Fair Labor Standards Act (FLSA) ruling.

Feedlot Proposal. As part of a multi-agency feedlot initiative:

- Appropriate \$1.45 million for the biennium from the General Fund for additional PCA permit staff.
- Transfer \$1.4 million for the biennium from Clean Water Partnership grants to the Board of Water and Soil Resources for cost share assistance to livestock producers for feedlot upgrades required under the revised feedlot rules.
- Transfer \$1.07 million for the biennium from Clean Water Partnership grants to the Board of Water and Soil Resources for county feedlot grants to delegated counties for permitting responsibilities.

Reallocations. Authorize the following reallocations to address environmental priorities.

Reallocation Request

Point Source and Stormwater	1,173,000
Basin Monitoring	1,000,000
Air Toxics/Mobile Source	400,000
Lake Superior LaMP	200,000
Frogs	180,000
Total	\$2,953,000

These reallocation requests are from the following program areas:

Individual Septic Tank Systems	(247,000)
Solid Waste	(400,000)
Hazardous Waste	(400,000)
Underground Storage Tanks	(126,000)
Superfund	(1,000,000)
Salvage Yards	(400,000)
Listed Metals	(380,000)
Total	(\$2,953,000)

LCMR. Appropriate \$313,000 from the Future Resources Fund and \$87,000 from the Great Lakes Protection Account for the Satellite Based Assessment of Lake Clarity and Quality project.

Agency: POLLUTION CONTROL AGENCY

Agency Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Program:									
WATER	14,233	16,639	23,270	22,171	23,859	22,351	23,639	7,589	19.0%
AIR	14,584	10,259	6,788	7,955	8,152	8,101	8,304	(591)	(3.5%)
LAND	10,377	7,588	9,074	11,131	10,281	11,399	10,543	4,162	25.0%
INTEGRATED ENVIRONMENTAL PROGS	37,032	43,383	87,420	64,992	65,082	63,256	63,346	(2,375)	(1.8%)
ADMINISTRATIVE SUPPORT	10,648	11,007	12,587	12,410	12,410	12,835	12,835	1,651	7.0%
Total Expenditures	86,874	88,876	139,139	118,659	119,784	117,942	118,667	10,436	4.6%

Financing by Fund:							
Direct Appropriations:							
ENVIRONMENT & NATURAL RESOURCE	429	745	648	0	0	0	0
GENERAL	14,092	13,485	16,090	17,184	17,909	17,481	18,206
MINNESOTA RESOURCES	0	50	50	0	313	0	0
PETROLEUM TANK RELEASE CLEANUP	3,571	3,382	3,594	3,511	0	3,616	0
STATE GOVERNMENT SPECIAL REVENUE	45	44	45	47	47	48	48
SPECIAL REVENUE	464	159	0	0	87	0	0
ENVIRONMENTAL	20,767	19,429	20,889	21,369	23,347	22,084	23,703
REMEDATION	0	0	0	0	9,592	0	9,961
METRO LANDFILL CONTINGENCY	125	0	0	0	0	0	0
SOLID WASTE	6,712	6,643	7,643	7,394	0	7,629	0
Open Appropriations:							
REMEDATION	0	0	0	0	6,711	0	6,711
SOLID WASTE	2,020	2,420	6,711	6,711	0	6,711	0
Statutory Appropriations:							
PUBLIC FACILITIES AUTHORITY	829	811	787	785	785	785	785
PETROLEUM TANK RELEASE CLEANUP	2,711	2,967	5,049	5,000	0	5,000	0
STATE GOVERNMENT SPECIAL REVENUE	1	1	1	1	1	1	1
SPECIAL REVENUE	12,086	9,410	6,401	11,333	11,333	11,454	11,454
FEDERAL	11,898	16,582	36,922	25,935	25,935	24,298	24,298
ENVIRONMENTAL	2,006	3,297	8,116	4,185	478	3,255	478
REMEDATION	0	0	0	0	23,246	0	23,022
METRO LANDFILL CONTINGENCY	5	0	0	0	0	0	0
SOLID WASTE	9,113	9,451	26,193	15,204	0	15,580	0
Total Financing	86,874	88,876	139,139	118,659	119,784	117,942	118,667

FTE by Employment Type:							
FULL TIME	754.3	764.6	750.1	698.4	712.9	673.7	688.2
PART-TIME, SEASONAL, LABOR SER	28.6	31.5	42.9	36.6	38.1	35.0	35.0
OVERTIME PAY	1.0	0.8	0.4	0.3	0.3	0.3	0.3
Total Full-Time Equivalent	783.9	796.9	793.4	735.3	751.3	709.0	723.5

POLLUTION CONTROL AGENCY - BUDGET BRIEF

Fund: GENERAL

	<u>FY 2002</u>	<u>FY 2003</u>	<u>Biennium</u>
BASE YEAR (FY 2001) (\$000s)			
Appropriations	\$16,774	\$16,774	\$33,548
<u>BASE ADJUSTMENT</u>			
One-Time Appropriations	(9)	(84)	(93)
Attorney General Costs	11	23	34
Space Rental/Lease	149	241	390
Salary & Benefits	259	527	786
<u>BASE LEVEL (for 2002 and 2003)</u>	\$17,184	\$17,481	\$34,665
<u>CHANGE ITEMS</u>			
Feedlot Cost Share & Permit Admin	725	725	1,450
GOVERNOR'S RECOMMENDATION	\$17,909	\$18,206	\$36,115

BRIEF EXPLANATION OF BUDGET DECISIONS:

Background:

General funds are appropriated as base resources to support the water program in the point source and non-point source activities which includes pass-through dollars for the clean water partnership grants, county feedlot grant program, and ISTS grants. The land program is appropriated general funds for hazardous waste general operations and for the household hazardous waste program that includes pass-through dollars to counties to subsidize their household hazardous waste programs. Base resources are also appropriated to administrative support, which includes the Commissioner's Office, Fiscal Services, Information Services, Organizational Development and Training, Human Resources, and Public Information.

General Changes:

The one-time adjustment is for the Mercury Reduction program appropriation that continues to be reduced each year.

The Attorney General base adjustment will be transferred to the Attorney General to pay for same level services at increased hourly rates.

The Space Rental/Lease base adjustment will help pay for added costs that will be incurred as our lease rates increase. For our main office in St. Paul, this will be the first per square foot rent increase in ten years.

The Salary and Benefits base adjustment reflects a portion of the added costs of increases anticipated as a result of the next round of collective bargaining.

Change Items:

With one exception, all of the change items presented by the PCA are reprioritizations and involve the reallocation of existing funds from one program use to another program use. They will be most completely described as change item requests in the area of the new use.

The Feedlot change item involves a transfer from Clean Water Partnership Program pass-through grants and reprioritization of that money for county delegated program grants, and funding for cost share for farmers to fix up feedlots to meet environmental standards in priority watersheds. In addition, an appropriation is requested for PCA feedlot permit staff.

GOVERNOR'S RECOMMENDATION

The Governor recommends the agency's base level funding with the following adjustments:

- a biennial increase of \$1.45 million for additional PCA feedlot permit staff;
- a biennial transfer of \$1.4 million from Clean Water Partnership grants to the Board of Water and Soil Resources for cost share assistance to livestock producers for feedlot upgrades required under the revised feedlot rules;
- a biennial transfer of \$1.07 million from Clean Water Partnership grants to the Board of Water and Soil Resources for county feedlot grants to delegated counties for permitting responsibilities.

POLLUTION CONTROL AGENCY - BUDGET BRIEF

Fund: PETROLEUM TANK RELEASE CLEANUP

	<u>FY 2002</u>	<u>FY 2003</u>	<u>Biennium</u>
BASE YEAR (FY 2001) (\$000s)			
Appropriations	\$3,393	\$3,393	\$6,786
<u>BASE ADJUSTMENT</u>			
Attorney General Costs	5	9	14
Agency Technical Reallocations	-0-	-0-	-0-
Space Rental/Lease	35	56	91
Salary & Benefits	78	158	236
<u>BASE LEVEL (for 2002 and 2003)</u>	\$3,511	\$3,616	\$7,127
<u>CHANGE ITEMS</u>			
MPCA Environmental Tax Reform	(\$3,511)	(\$3,616)	(\$7,127)
GOVERNOR'S RECOMMENDATION	\$-0-	\$-0-	\$-0-

Change Items:

The Environmental Tax Reform results in this appropriation becoming part of the Remediation Fund.

GOVERNOR'S RECOMMENDATION(S):

As part of MPCA's Environmental Tax Reform Initiative, the Governor recommends that \$3.511 million in FY 2002 and \$3.616 million in FY 2003 be appropriated from the Remediation Fund rather than the Petrofund, and that statutory appropriations previously transferred to PCA from the Petrofund be transferred to the Remediation Fund.

BRIEF EXPLANATION OF BUDGET DECISIONS:

Background:

A fee on gasoline sales collected at the wholesale level funds Petrofund. Base resources are appropriated for staff salary and expenses for administration of the program. The agency receives money for cleanup of leaking underground tank sites through application to the Petroboard (which consists of five members representing the Department of Commerce, PCA, the insurance industry, citizens, and the petroleum industry).

General Changes:

The Attorney General base adjustment will be used to pay the Attorney General for the same level of service at increased hourly rates.

The Agency Technical Reallocations adjustment has a net impact to the agency of \$-0-. It represents the movement of indirect appropriations back to the programs and their return to the Administrative Support program via an agency indirect charge. This adjustment is addressed more fully in the agency executive summary.

The Space Rental/Lease base adjustment will help pay for added costs that will be incurred as our lease rates increase. For our main office in St. Paul, this will be the first per square foot rent increase in ten years.

The Salary and Benefits base adjustment reflects a portion of the added costs of implementing increases anticipated as a result of the next round of collective bargaining.

POLLUTION CONTROL AGENCY - BUDGET BRIEF

Fund: STATE GOVERNMENT MISCELLANEOUS

	<u>FY 2002</u>	<u>FY 2003</u>	<u>Biennium</u>
BASE YEAR (FY 2001) (\$000s)			
Appropriations	\$45	\$45	\$90
<u>BASE ADJUSTMENT</u>			
Salary & Benefits	2	3	5
<u>BASE LEVEL (for 2002 and 2003)</u>	\$47	\$48	\$95
GOVERNOR'S RECOMMENDATION	\$47	\$48	\$95

BRIEF EXPLANATION OF BUDGET DECISIONS:

Background:

The Minnesota Department of Health (MDH) administers the program for certification of water treatment plant operators and the PCA is responsible for the certification of wastewater treatment operators. The PCA receives a base appropriation to cover the cost of the certification program, which is drawn out of the certification account.

General Changes:

The Salary & Benefits base adjustment reflects a portion of the added costs of implementing increases anticipated as a result of the next round of collective bargaining.

GOVERNOR'S RECOMMENDATION(S):

The Governor recommends the agency's base budget.

POLLUTION CONTROL AGENCY - BUDGET BRIEF

Fund: ENVIRONMENTAL

	<u>FY 2002</u>	<u>FY 2003</u>	<u>Biennium</u>
BASE YEAR (FY 2001) (\$000s)			
Appropriations	\$20,869	\$20,869	\$41,738
<u>BASE ADJUSTMENT</u>			
One-Time Appropriations	(300)	(300)	(600)
Attorney General Costs	19	39	58
Agency Technical Reallocations	-0-	-0-	-0-
Space Rental/Lease	267	432	699
Salary & Benefits	514	1,044	1,558
<u>BASE LEVEL (for 2002 and 2003)</u>	\$21,369	\$22,084	\$43,453
<u>CHANGE ITEMS</u>			
Point Source & Stormwater	584	589	1,173
ISTS/SW/HW/UST Realloc to Pt Source	(584)	(589)	(1,173)
Basin Monitoring Local Information	665	335	1,000
Air Toxics/Mobile Source Reduction	197	203	400
Salvage Yard Realloc to Air Toxics	(197)	(203)	(400)
Lake Superior LaMP	100	100	200
Listed Metals Realloc to Lake Sup LaMP	(100)	(100)	(200)
Malformed Frog Sample Collection	90	90	180
Listed Metals Realloc to Malformed Frog	(90)	(90)	(180)
MPCA Environmental Tax Reform	1,313	1,284	2,597
GOVERNOR'S RECOMMENDATION	\$23,347	\$23,703	\$47,050

BRIEF EXPLANATION OF BUDGET DECISIONS:

Background:

The Environmental Fund consists of 12 separate accounts. Base resources are appropriated to the following programs: Superfund, Abatement, Waste Tire, Used Oil, Salvage Yards, Pollution Prevention, Environmental Enforcement, Water Quality, Air Quality, Listed Metals, Hazardous Waste, Low Level Radiation, and Individual Sewage Treatment Systems

General Changes:

The one-time adjustment is for the Malformed Frog program where the appropriation has ended.

The Attorney General base adjustment will be used to pay Attorney General for same level services at increased hourly rates.

The Agency Technical Reallocations adjustment has a net impact to the agency of \$-0-. It represents the movement of indirect appropriations back to the

programs and their return to the Administrative Support program via an agency indirect charge. This topic is addressed more fully in the agency executive summary.

The Space Rental/Lease base adjustment will help pay for added costs that will be incurred as our lease rates increase. For our main office in St. Paul, this will be the first per square foot rent increase in 10 years.

The Salary and Benefits base adjustment reflects a portion of the added costs of increases anticipated as a result of the next round of collective bargaining.

Change Items:

With one exception, all of the change items presented by the PCA are reprioritizations and involve the reallocation of existing funds from one program use to another program use. They will be most completely described as change items in the area of the new use.

The Environmental Tax Reform restructures the Environmental Fund to focus on broad sources of funding to be appropriated based on environmental priorities, rather than priorities directed by the funding available in individual accounts. Two fees—the hazardous waste fee and the water quality fee—are eliminated. The Environmental Tax Reform does not change the level of direct base appropriations for the affected agencies, which include PCA, OEA, Agriculture, DTED, Revenue, Public Safety, Attorney General, Health and DNR.

The Point Source and Stormwater change item is part of a major reallocation involving two funds. The Environmental Fund portions involve reprioritizations away from the areas of ISTS, hazardous waste, and UST. The Solid Waste Fund portion is included as part of the tax reform proposal.

The Basin Monitoring Information change item also moves resources away from the Superfund construction program and redirects them to increasing monitoring of water quality of the Upper Mississippi River Basin and making the resulting information more readily accessible. This portion now shows in the Remediation Fund as part of the tax reform proposal.

The Air Toxics/Mobile Source Reduction change item is designed to increase public awareness of air quality issues, emphasize the public's role in reducing emissions and implement strategies to reduce air pollutants from area sources. Funding for this item would be from the elimination of salvage yard technical assistance and education.

The Lake Superior LaMP change item is to implement Minnesota's share of the Lakewide Management Plan with surrounding states and Canada. Funds would be redirected away from the Listed Metals program.

POLLUTION CONTROL AGENCY - BUDGET BRIEF

Fund: ENVIRONMENTAL (Continued)

The Malformed Frog Sample Collection change item is to continue collecting samples using money from the Listed Metals program.

GOVERNOR'S RECOMMENDATION(S):

The Governor recommends the agency's base level budget with the following changes:

- Restructure the Environmental Fund and eliminate hazardous waste and water quality fees as a part of MPCA's Environmental Tax Reform initiative.
- Reallocate appropriations to address the following priorities:
 - *Point Source and Stormwater.* \$584,000 in FY 2002 and \$589,000 in FY 2003 reallocated from ISTS, hazardous waste, solid waste, and UST;
 - *Basin Monitoring.* \$635,000 in FY 2002 and \$335,000 in FY 2003 reallocated from the Superfund construction program.
 - *Lake Superior LaMP.* -\$100,000 in FY 2002 and \$100,000 in FY 2003 reallocated from the Listed Metals program.
 - *Air Toxics/Mobile Source Reduction.* \$197,000 in FY 2002 and \$203,000 in FY 2003 reallocated from salvage yard technical assistance and education.
 - *Malformed Frog Sample Collection.* \$90,000 in FY 2002 and \$90,000 in FY 2003 reallocated from the Listed Metals program.

POLLUTION CONTROL AGENCY - BUDGET BRIEF

Fund: SOLID WASTE

	<u>FY 2002</u>	<u>FY 2003</u>	<u>Biennium</u>
BASE YEAR (FY 2001) (\$000s)			
Appropriations	\$7,129	\$7,129	\$14,258
BASE ADJUSTMENT			
Attorney General Costs	7	14	21
Agency Technical Reallocations	-0-	-0-	-0-
Space Rental/Lease	92	148	240
Salary & Benefits	166	338	504
BASE LEVEL (for 2002 and 2003)	\$7,394	\$7,629	\$15,023
CHANGE ITEMS			
Point Source & Stormwater	-0-	-0-	-0-
Fair Labor Standards Act	-0-	-0-	-0-
PCA Environmental Tax Reform	(7,394)	(7,629)	(15,023)
GOVERNOR'S RECOMMENDATION	\$-0-	\$-0-	\$-0-

BRIEF EXPLANATION OF BUDGET DECISIONS:

Background:

Funding is from the Solid Waste Management (SWM) Tax that is levied on the waste services purchased by Minnesota households, businesses, and government agencies. Because the tax applies to garbage disposal and not to materials that will be recycled, it rewards those businesses and individuals who cut back on waste. PCA receives appropriations for solid waste administrative programs including statewide assessment of ambient ground water quality, assessment of impacts from facilities that may impact groundwater, and the inspection and oversight of permitted solid waste facilities.

General Changes:

The Attorney General base adjustment will be used to pay Attorney General for same level services at increased hourly rates.

The Agency Technical Reallocations adjustment has a net impact to the agency of \$-0-. It represents the movement of indirect appropriations back to the programs and their return to the Administrative Support program via an agency indirect charge. This topic is addressed more fully in the agency executive summary.

The Space Rental/Lease base adjustment will help pay for added costs that will be incurred as our lease rates increase. For our main office in St. Paul, this will be the first per square foot rent increase in 10 years.

The Salary and Benefits base adjustment reflects the added costs of increases anticipated as a result of the next round of collective bargaining. It will not cover all of the increased costs. In many areas of the agency, this last item, coupled with resources that are either holding steady or declining, will mean a reduction in staffing levels.

Change Items:

With one exception, all of the change items presented by the PCA are reprioritizations and involve the reallocation of existing funds from one program use to another program use. They will be most completely described as change item requests in the area of the new use.

The Environmental Tax Reform eliminates this fund and directs the deposit of funds into the Environmental Fund and the new Remediation Fund.

The Environmental Tax Reform does not change the level of direct base appropriations for the PCA.

The Point Source and Stormwater change item is part of a major switch involving two funds. The solid waste fund portion involves switching staff who would otherwise be doing compliance determination and enforcement activities at solid waste facilities from the solid waste regulars and solid waste remediation activities to water discharge permitting, compliance, and enforcement. Based on the tax reform proposal, this is shown in the Environmental Fund.

The Fair Labor Standards Act change item is for a deficiency appropriation to cover anticipated costs of paying staff overtime as a result of a U.S. Department of Labor audit and settlement with the state of Minnesota. The \$500,000 impact of this change item is in FY 2001.

GOVERNOR'S RECOMMENDATION(S):

The Governor recommends the following:

- Appropriate \$500,000 from the Solid Waste Fund in FY 2001 to cover back pay owed due to an audit and settlement regarding the Fair Labor Standards Act.
- Eliminate the Solid Waste Fund beginning in FY 2002 and redirecting the balances to the Remediation Fund and the Environmental Fund as part of PCA's Environmental Tax Reform Initiative. Ongoing receipts would be deposited in the Environmental Fund. (See PCA's Environmental Tax Reform Change Item for more details.)

POLLUTION CONTROL AGENCY - BUDGET BRIEF

Fund: REMEDIATION

the Remediation Fund—the new funding source of the Superfund clean-up program—rather than the Environmental Fund.

	<u>FY 2002</u>	<u>FY 2003</u>	<u>Biennium</u>
BASE YEAR (FY 2001) (\$000s)			
Appropriations	\$-0-	\$-0-	\$-0-
<u>BASE ADJUSTMENT</u>			
	-0-	-0-	-0-
<u>BASE LEVEL (for 2002 and 2003)</u>	\$-0-	\$-0-	\$-0-
<u>CHANGE ITEMS</u>			
MPCA Environmental Tax Reform	9,592	9,961	19,553
GOVERNOR'S RECOMMENDATION	\$9,592	\$9,961	\$19,553

BRIEF EXPLANATION OF BUDGET DECISIONS:

Background:

As part of environmental tax reform, all funding for remediation (cleanup) activities would be placed in a new Remediation Fund to provide for staff oversight and perpetual operation and maintenance of remediation programs, including Closed Landfill, Superfund, Site Assessment, Voluntary Investigation and Cleanup, Dry Cleaners, Leaking Underground Storage Tank (LUST), and Metropolitan Landfill Contingency Action.

Change Items:

The Basin Monitoring Information change item also moves resources away from the Superfund construction program and redirects them to increasing monitoring of water quality of the Upper Mississippi River Basin and making the resulting information more readily accessible. This portion is included in the Remediation Fund as part of the tax reform proposal.

GOVERNOR'S RECOMMENDATION(S):

As a part of PCA's Environmental Tax Reform Initiative, the Governor recommends creating a new Remediation Fund, transferring a portion of the Solid Waste Fund balance to this fund and funding the state's remediation activities, including Superfund and closed landfills, from this fund.

The tax reform proposal also impacts PCA's Basin Monitoring reallocation change item. As a result of the tax reform proposal, funding to increase the monitoring efforts in the Upper Mississippi River Basin would be reallocated from

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POLLUTION CONTROL AGENCY - REVENUE SUMMARY

REVENUE SOURCES:

The Pollution Control Agency (PCA) collects both dedicated and non-dedicated revenue. Non-dedicated revenue is generated primarily through fees paid by the regulated community for air, water, and hazardous waste permits. In the 2000-01 biennium, fees deposited to the environment funds comprise 78% of all non-dedicated revenue. In addition, a solid waste tax is paid by households and businesses, and is deposited in the Solid Waste Fund. Other non-dedicated receipts are generated from penalties, restitutions, and interest earned on specific accounts. Non-dedicated revenue is projected to remain fairly steady.

In the 2000-01 biennium, federal funds comprise 84% of all dedicated revenue. Another 9% comes from penalties, fines, and restitutions, the majority of which are associated with the Superfund program. Most of the remaining revenues are from seminar and workshop fees, interest earned on specific funds, and income agreements for specific work.

FEE STRUCTURE:

The PCA collects water, air, and hazardous waste generator fees from municipalities and industries regulated by the agency. In order to protect and improve Minnesota's water, air, and land, the PCA issues permits to parties who are emitting pollutants harmful to the environment. The fees paid for the permits are supposed to fully fund programs that set standards, determine pollutant loadings, assist fee payers with compliance, and provide enforcement. However, fees have not kept pace with program costs, and in many cases the agency is unable to collect the amount of money appropriated.

It is important to note that not all revenue to fund PCA programs is collected by the agency. The Department of Revenue collects the solid waste tax that is paid by residents and businesses to waste haulers. Revenue also collects a hazardous waste generator tax based on the amount of waste generated. The Department of Commerce collects fees paid at the wholesale level to support the Petroleum Cleanup Fund. The Department of Public Safety collects fees to support the Motor Vehicle Transfer account.

Water fees deposited to the Environmental Fund include those paid for discharges from municipal and industrial facilities based on flow, storm-water fees, feedlot permit fees, and licenses for individual sewage treatment system professionals. These are all non-dedicated fees. Wastewater operators also pay a certification fee, which is deposited to the State Government Special Revenue Fund. Other than the license and certification fees, water fees are set by rule.

Air fees are primarily paid by industry. The Clean Air Act Amendments are prescriptive in the amount of funds to be collected based on emissions, the cost of the permitting compliance program, and inflation. These are non-dedicated fees.

Hazardous waste generators pay a fee set by rule which supports permitting, monitoring, inspection, and enforcement expenses of the PCA relative to hazardous waste management. These are non-dedicated fees. The hazardous waste tax—collected by the Department of Revenue—was intended to provide full support for the Superfund program. The tax has been successfully restructured once to raise additional revenue, but only raises enough to support one-third of the needed program.

The PCA receives an appropriation for environmental enforcement from penalties and fines that are collected. Funds up to the amount appropriated are deposited to the Environmental Fund. Additional funds collected are deposited to the Cambridge Deposit Fund which ends 6-30-01. Beginning in FY 2002, the additional funds will be deposited to the General Fund.

RECENT CHANGES:

The PCA has been unable to collect enough fees to support the appropriation provided by the legislature for the water quality and hazardous waste fee programs. In FY 2000, the water fees showed a deficit of \$316,000 and the end of FY 2001 projects a \$590,000 deficit. The legislature, in 1997 and 1999, did not support the PCA's request to increase permit fees. The hazardous waste fees are also showing a deficit. The fees are collected based on the amount of waste generated. Revenues have dropped as businesses employ successful pollution-prevention techniques, causing overall fees to rise in order to generate adequate revenue.

CHANGE ITEMS:

In the Environmental Tax Reform Initiative, the PCA is requesting elimination of separate accounts within the Environmental Fund, along with elimination of the hazardous waste fees and water fees (see budget initiative). Currently the funding sources are driving environmental priorities and limiting the amount of activity on that pollution problem to the funding collected. There are many areas where the legislature has indicated a greater level of activity is needed, but revenues do not support the appropriation.

Agency: POLLUTION CONTROL AGENCY

Summary of Agency Revenues (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Forecast	Governor Recomm.	Forecast	Governor Recomm.	Dollars	Percent
Non-Dedicated Revenue:									
Departmental Earnings:									
GENERAL	0	0	0	8	8	8	8	16	
PETROLEUM TANK RELEASE CLEANUP	13	11	8	8	8	8	8	(3)	(15.8%)
STATE GOVERNMENT SPECIAL REVENUE	39	36	30	37	37	37	37	8	12.1%
CAMBRIDGE DEPOSIT FUND	9	10	8	0	0	0	0	(18)	(100.0%)
ENVIRONMENTAL	13,326	14,480	14,301	14,631	9,592	15,283	10,059	(9,130)	(31.7%)
REMEDIATION	0	0	0	0	62	0	262	324	
Other Revenues:									
GENERAL	23	16	10	260	260	260	260	494	1,900.0%
PETROLEUM TANK RELEASE CLEANUP	152	537	40	40	40	40	40	(497)	(86.1%)
CAMBRIDGE DEPOSIT FUND	38	490	250	0	0	0	0	(740)	(100.0%)
ENVIRONMENTAL	655	619	627	642	3,530	655	3,480	5,764	462.6%
REMEDIATION	0	0	0	0	3,148	0	3,040	6,188	
METRO LANDFILL CONTINGENCY	77	201	166	220	0	273	0	(367)	(100.0%)
CLOSED LANDFILL INVESTMENT	0	375	809	1,320	1,320	1,933	1,933	2,069	174.7%
SOLID WASTE	2,546	3,194	3,777	2,898	0	2,835	0	(6,971)	(100.0%)
Taxes:									
GENERAL	0	0	1	1	1	1	1	1	100.0%
Total Non-Dedicated Receipts	16,878	19,969	20,027	20,065	18,006	21,333	19,128	(2,862)	(7.2%)

Dedicated Receipts:									
Departmental Earnings:									
SPECIAL REVENUE	452	357	477	478	478	338	338	(18)	(2.2%)
ENVIRONMENTAL	62	59	47	52	0	52	0	(106)	(100.0%)
Grants:									
SPECIAL REVENUE	3,377	2,925	3,200	3,131	3,131	2,900	2,900	(94)	(1.5%)
FEDERAL	12,056	16,344	36,459	25,860	25,860	24,278	24,278	(2,665)	(5.0%)
Other Revenues:									
GENERAL	52	0	0	0	0	0	0	0	
SPECIAL REVENUE	1,186	1,289	1,702	7,608	7,608	8,210	8,210	12,827	428.9%
ENVIRONMENTAL	4,713	3,609	3,466	3,048	30	2,889	32	(7,013)	(99.1%)
REMEDIATION	0	0	0	0	100	0	100	200	
Other Sources:									
ENVIRONMENTAL	126	141	171	192	192	218	218	98	31.4%
Total Dedicated Receipts	22,024	24,724	45,522	40,369	37,399	38,885	36,076	3,229	4.6%

Agency Total Revenues	38,902	44,693	65,549	60,434	55,405	60,218	55,204	367	0.3%
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POLLUTION CONTROL AGENCY - FEDERAL FUNDS SUMMARY

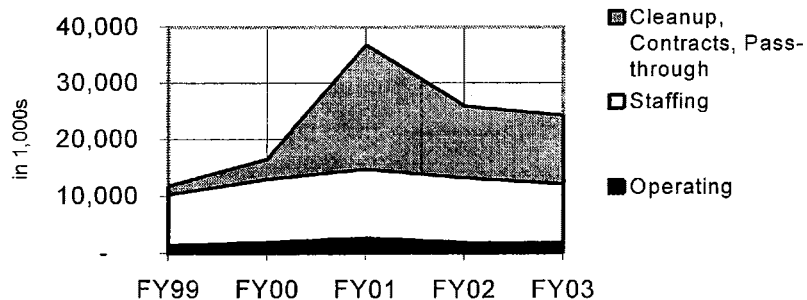
In the 2000-01 biennium, the Pollution Control Agency (PCA) received approximately 23% of its resources from the federal government. This funding comes to the PCA in the form of several large, media specific grants, as well as smaller, specific purpose grants. These grants are made by the United States Environmental Protection Agency (EPA). The funds are important because they enable the PCA to carry out activities specified in the current Environmental Performance Partnership Agreement (EnPPA) between the PCA and EPA and other EPA initiatives.

The PCA again received a Performance Partnership Grant (PPG), this time with a budget period that aligned with state FY 2000-01. The PPG combines eight specific grants into one award, increasing the PCA's flexibility to use federal funds across PCA programs while maintaining its commitments on deliverables. There are, however, 47 other grants—including cleanup and Water's nonpoint source implementation programs—that are not included in the PPG. The EnPPA serves as the program plan for the PPG. Having one award and one work plan streamlines some of the administrative requirements of federal grants.

The PCA received a one-time grant of \$300,000 for the One Stop Project. This grant provides a means for the PCA to make further progress toward meeting our integrated data management needs, including geographic presentation.

Although EPA grants to the PCA increased from 1999 to 2001, reduced funding for administrative expenses is projected for the period FY 2002-03 as compared to FY 2000-01. Most of the increase in federal grant funds from 1999 to 2001 is attributed to receiving funds for cleanup projects moving into the remedial phase, pass-through grants, and contracted services. A decrease however is projected for FY 2002-03 for clean-up projects moving into the remedial phase and pass-through grants. Revenues for staffing and operating costs are also expected to decline overall.

FEDERAL FUND DISTRIBUTION BY CATEGORY



FEDERAL FUND DIRECT EXPENDITURES BY CATEGORY

Table 1	FY 2000-01	FY 2002-03	Change From 2000-01 to 02-03
Operating Costs & Staffing	27,872	25,590	(2,282)
Cleanup, Contracts and Pass-through Grants	25,632	24,643	(989)
Totals	53,504	50,233	(3271)

Land Program activities expect funding changes during the biennium. The Superfund Block Funding Grant (Superfund administrative support, site assessments, brownfields, and voluntary investigation and cleanup (VIC) program) declined by approximately \$400,000 for FY 2001. It is believed that the grant will increase by about \$200,000 in FY 2002 and hold at that level for FY 2003. Total federal Superfund funding will also eventually begin to decline as the number of federal Superfund sites in Minnesota decreases.

Air Program activities expect relatively stable grant funding in the coming biennium for the Section 105/Air Pollution Control program. The PCA received funding for the ambient monitoring of fine particulate matter (PM2.5) which is part of the Section 103/Air Research and Development Program grant. This funding has enabled the PCA to deploy a monitoring network and gather data to determine compliance with the National Ambient Air Quality Standard for PM2.5. Funding levels may decrease slightly once the monitoring networks have been established, largely because equipment purchases will have been completed. Funding should remain relatively stable as the program matures.

Water Program activities have experienced some increased funding. The Water 106/Water Pollution Control funding portion of the PPG is anticipated to increase by \$1.1 million in FY 2002, but it is too early to know if the funds will be earmarked for specific activities. After increasing sharply in 1999 and experiencing relative stability in 2000, the Water 319/Nonpoint Source Implementation program is anticipated to increase by \$1.5 million in FY 2002. It is anticipated that this funding will stabilize in future years.

The PCA received several competitive grants in the air and water programs. One of the larger ones is an \$850,000 grant to study methylmercury in watersheds. Another Air Section 103 grant will provide funding to research the reaction of mercury in various wastes or solids applied to agricultural lands. The PCA has also received a number of grants through the Great Lakes National Program Office (GLNPO) of EPA Region 5 that protect the Great Lakes.

POLLUTION CONTROL AGENCY - FEDERAL FUNDS SUMMARY (Continued)

Federal Program (\$ in Thousands)	Related SFY 2000 Spending	Primary Purpose	SFY 2000 Revenues	SFY 2001 Revenues	Estimated SFY 2002 Revenues	Estimated SFY 2003 Revenues
Reimbursement of Technical Services	-0-	State Operations	353	532	532	532
Air Pollution Control Program Support	-0-	State Operations	37	-0-	-0-	-0-
Lake Restoration Cooperative Agreement	-0-	Grants – Political Sub.	-0-	-0-	-0-	-0-
Water Quality Management Planning	-0-	State Operations	192	268	310	310
Non-point Source Implementation Grants	133	Grants – Political Sub.	1,940	6,897	4,132	4,132
Non-point Source Implementation Admin	1,782	State Operations	2,615	2,965	3,012	3,002
Wetlands Protection: Development Grants	33	State Operations	150	124	-0-	-0-
National Pollutant Discharge Elimination	9	State Operations	138	100	-0-	-0-
Great Lakes Programs	4	State Operations	163	369	197	197
Environmental Protection: Consolidated Research	2	State Operations	195	529	238	-0-
Air Pollution Research	15	State Operations	247	184	68	58
Wastewater Pollution Control – Research	-0-	State Operations	10	-0-	-0-	-0-
Performance Partnership Grants	4,364	State Operations	5,237	5,822	6,162	5,100
Surveys, Studies, Investigations, and Special Purpose Grants	103	State Operations	704	1,321	605	493
Training and Fellowship Grants for EPA	13	State Operations	37	33	33	33
One Stop Reporting	-0-	State Operations	7	300	80	-0-
Toxic Substances Compliance Monitoring – Cooperative Agreements	4	State Operations	1	48	55	16
Pollution Prevention Grants Program	7	State Operations	27	-0-	-0-	-0-
State and Tribal Environmental Justice	-0-	State Operations	-0-	58	31	-0-
Superfund State Site-Specific Cooperative Agreements	27	State Operations	2,711	15,328	9,095	9,095

POLLUTION CONTROL AGENCY - FEDERAL FUNDS SUMMARY (Continued)

Federal Program (\$ in Thousands)	Related SFY 2000 Spending	Primary Purpose	SFY 2000 Revenues	SFY 2001 Revenues	Estimated SFY 2002 Revenues	Estimated SFY 2003 Revenues
State and Tribal Underground Storage Tank Program	-0-	State Operations	5	12	-0-	-0-
Leaking Underground Storage Tank Trust Fund Program	127	State Operations	1,556	1,329	1,310	1,310
Brownsfield Pilot Cooperative Agreements	-0-	Grants – Political Subdivision	16	150	-0-	-0-
Capitalization Grants for Drinking Water Revolving Fund	-0-	State Operations	-0-	90	-0-	-0-
Special Project Grants	-0-	State Operations	3	-0-	-0-	-0-
Total (Federal Direct)			16,344	36,459	25,860	24,278
Total (Federal Indirect – Special Revenue (P02))			2,953	3,310	3,390	3,190
Agency Total	6,623		19,297	39,769	29,250	27,468

BUDGET CHANGE ITEM (57235)**Agency: POLLUTION CONTROL AGENCY****Item Title: PCA ENVIRONMENTAL TAX REFORM**

	<u>2002-03 Biennium</u>		<u>2004-05 Biennium</u>	
	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Expenditures: (\$000s)	-0-	-0-	-0-	-0-

Revenues: (\$000s)

Environmental Fund	(\$5,029)	(\$5,014)	(\$5,014)	(\$5,014)
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Statutory Change? Yes ☒ No ☐

If yes, statute(s) affected: 16A; 115B; 116; 116J; 270B; 297H, 325E, 469, 473

☐ New Activity ☐ Supplemental Funding ☒ Reallocation
GOVERNOR'S RECOMMENDATION:

The Governor recommends environmental tax reform that includes:

- Restructuring the Environmental Fund and creating a new Remediation Fund to improve the ability of the legislature and the affected agencies to direct money to the highest environmental priorities.
- Reducing revenues into the Environmental Fund by \$5.029 million in FY 2002 and \$5.014 million in FY 2003 to provide tax relief to communities and businesses by eliminating the hazardous waste and water quality permit fees.
- Renaming the solid waste tax the "environmental tax;"
- Abolishing the Solid Waste Fund and redirecting \$18.3 million of the balance into the Remediation Fund and the remaining balance into the Environmental Fund;
- Abolishing the Metropolitan Landfill Contingency Action Trust and transferring the balance to the Remediation Fund.

RATIONALE:

The state of Minnesota currently has perpetual responsibility for over a hundred closed landfill sites through the closed landfill program and the Metropolitan Contingency Action Trust Fund. Separate statutory funds have been created to build balances that support these long-term needs. For example, outstanding

state liability for the closed landfill program exceeds \$350 million. In addition, accounts within the Environmental Fund and direct appropriations are used by the legislature to support Superfund, Leaking Underground Storage Tank, and Voluntary Investigation and Cleanup programs. These programs have a construction life cycle that is winding down within the next five to seven years, but have longer-term operation and maintenance needs. By establishing a Remediation Fund, the legislature and interested parties are able to review remediation activities and associated funding in one place which will enhance communication and oversight. This recommendation does not change base budget appropriations, either direct or statutory, to the state agencies involved in remediation or restoration of contaminated lands (PCA, DNR, Agriculture, DTED and Revenue).

The Environmental Fund is currently structured into 12 accounts, primarily based on permit fees. The majority of these fees and taxes do not reflect the true cost of obtaining a permit or license, or are not set at a level that provides incentives to reduce the amount of pollutants associated with that activity. Thus, they are only weakly associated with the "polluter-pays" principle. The recommendation would restructure statutes to eliminate these separate fee accounts within the Environmental Fund and manage revenues at the fund level which focuses on broadly-based funding sources including the current solid waste tax. Solid waste generation and management results in air, water and land pollution through transportation, emissions of gases and other pollutants, surface and groundwater impacts (including discharges from wastewater treatment of leachate) and soil contamination. A more appropriate name is the environmental tax based on these broad environmental impacts. This recommendation would allow the legislature the flexibility to focus on the level of appropriation needed to support environmental priorities, rather than only having the amount of money in the various accounts drive where the environmental work is done.

Additionally, while fees collected have been decreasing, the costs of state government's operations to collect those fees and administer the permitting and compliance programs have been rising. Permit fees, which are primarily paid by businesses and municipalities, have not increased to keep pace with inflation largely due to economic concerns, which have led the legislature to deny fee increases. Also, the pollution from our individual behaviors continues to increase in scope and importance. These types of problems are difficult to fund with narrow polluter-based fees and taxes, and businesses are unwilling to foot the bill for sources of pollutants other than their own. By focusing the Environmental Fund receipts on broadly based funding sources, the burden of environmental funding will be fairly distributed across individuals, households and businesses that contribute to environmental pollution.

To offset the loss of revenue by eliminating the water quality and hazardous waste fees, the fund would have available all the revenue generated from the various fees and taxes, including half of the solid waste tax (renamed the environmental

BUDGET CHANGE ITEM (57235) (Continued)

Agency: POLLUTION CONTROL AGENCY

Item Title: PCA ENVIRONMENTAL TAX REFORM

tax). This change would not require an increase in any of the tax or fee rates, since there is sufficient revenue generated in total. This proposal does not increase state spending beyond the current base level to the affected agencies (PCA, OEA, MDA, DTED, Attorney General, Revenue, Health, Public Safety and DNR).

FINANCING:

Revenues that are deposited in the Environmental Fund would consist of Air Quality Fees, Motor Vehicle Title Transfer Fee, the Hazardous Waste Generator Tax, pollution prevention fees, Individual Sewage Treatment Systems (ISTS) fees, metropolitan landfill abatement fees, small business loan receipts, environmental enforcement penalties, solid waste use tax, and half of the Solid Waste Tax.

Revenues to the Remediation Fund consist of financial assurance and insurance recovery from closed landfills, cost recovery from Superfund and Voluntary Investigation and Cleanup (VIC) oversight, dry cleaners fees, low-level radioactive waste generator fees, Metropolitan Landfill Contingency Action Trust Fund fees, transfers to the PCA from the Petrofund, and transfers from the Environmental Fund annually, as needed, for projected site remediation activities.

OUTCOMES:

- By eliminating the separate accounts, the environmental agencies can propose, and the legislature allocate resources based on the level needed to address the most important pollution problems, rather than the funding source driving the priorities.
- It simplifies fee and tax collection for businesses, municipalities, and state government as tax reform, and provides for tax relief of \$5 million to the business and municipality groups.
- There are no changes proposed in legislative oversight or size of state agency expenditures. Administrative and cleanup expenditures will be appropriated at the same levels proposed in the base budget request. Direct and statutory appropriations will continue as historically appropriated.

BUDGET CHANGE ITEM (47795)

Agency: POLLUTION CONTROL AGENCY

Item Title: DEFICIENCY APPROPRIATION FOR FEDERAL FLSA

FY 2001

Expenditures:

Solid Waste Fund (\$000s)

-State Operations \$500

-Grants

Revenues: (\$000s)

General Fund

Statutory Change? Yes _____ No X

If yes, statute(s) affected:

_____ New Activity X Supplemental Funding _____ Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends that \$500,000 be appropriated from the Solid Waste Fund to the Pollution Control Agency (PCA) to cover back pay owed in FY 2001 due to a ruling regarding exemptions from the Fair Labor Standards Act (FLSA). This recommendation supplements funding provided to the Department of Employee Relations for distribution to other affected state agencies to address this statewide issue.

RATIONALE:

Under a recent agreement negotiated by the Department of Employee Relations (DOER) with the U.S. Department of Labor, DOER was required to conduct a self-audit of Minnesota Association of Professional Employees (MAPE) classifications to determine which classes are exempt from the FLSA and which are non-exempt. Approximately 60% of the employees of the PCA are MAPE. Of those positions, there are 85% that are not exempt because their job duties (e.g., permitting, inspections, and compliance) are too broad to qualify for the professional exemption status. Estimates indicate that two-year back pay will result in a cost of \$500,000 due in FY 2001. The estimate is based on an analysis of time sheets that include real time tracking submitted and claims submitted by non-exempt employees.

The PCA has already managed a \$7 million reduction in federal and state resources in FY 2001, by eliminating and holding vacancies. Stakeholders

have indicated that our core programs are suffering as a result, and the impact of FLSA is to further reduce our funding and capacity to meet customer needs.

To meet the back pay resource need, the PCA has considered furloughing employees, layoffs, and reducing environmental monitoring or other related contractual expenses in FY 2001. The PCA has determined that it will seriously undermine our environmental programs if we undertake any of these actions in order to generate the additional \$500,000 in the six months remaining in FY 2001.

Since the ruling from the Department of Labor became available, wherever possible, the PCA has restricted MAPE employees to a 40-hour workweek, which will ensure that overtime payments do not continue to escalate. In addition, the PCA is considering restructuring jobs to better reflect the science degrees needed in order to limit future FLSA claims. The PCA is also contacting other state and federal environmental agencies in order to determine how they address FLSA issues.

FINANCING:

The Solid Waste Fund would be used to cover this deficiency appropriation request.

OUTCOMES:

- Deficiency appropriation will allow the PCA to avoid further staffing reductions in FY 2002-03.

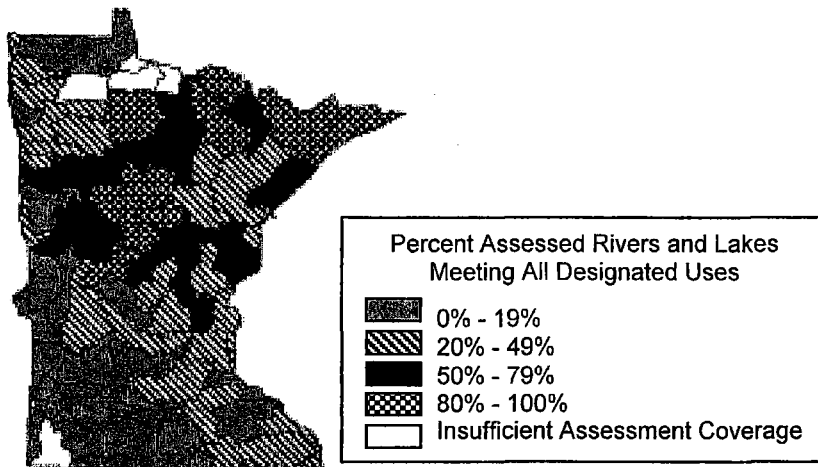
PROGRAM SUMMARY

Program: WATER
Agency: POLLUTION CONTROL AGENCY

PROGRAM PROFILE:

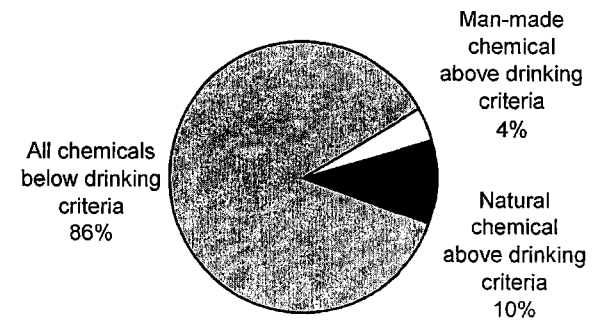
Program activities associated with Minnesota's water resources protect and improve Minnesota's rivers, lakes, wetlands, and ground water so they support healthy aquatic communities and public uses such as fishing, swimming, and drinking. While the majority of the state's waters meet the water quality standards designed to protect them, a significant portion do not. The Pollution Control Agency's (PCA's) mission to restore these impaired resources—while preventing degradation of those not yet impaired—is accomplished by regulating municipal and industrial point discharges, controlling nonpoint sources of pollution or polluted runoff, and assessing water quality to provide information and data upon which to make social, financial, technical, and environmental management decisions.

Assessed Rivers and Lakes Meeting All Designated Uses



Significant improvements have been made in lakes and rivers in the past 25 years, but not all waters currently meet designated requirements.

Percent Ground Water Not Meeting Drinking Water Criteria



Minnesota's ground water is of very high quality, but some areas require improvements and ongoing protection is necessary.

STRATEGIES AND PERFORMANCE:

The Protecting the Water Program uses a basin management strategy to protect and enhance our state's waters. Basin management is an approach to water-quality protection and restoration that focuses on the water resources, rather than on categories of pollutants, specific facility types or programs. This approach:

- assesses the quality of water within a geographical area;
- establishes shared goals with stakeholders for water quality within the area;
- identifies the barriers to attaining water quality goals;
- works with partners to prioritize areas for corrective or preventative activities;
- reaches a balance of regulation, enforcement, incentives, and assistance;
- develops and shares new ideas and tools for addressing activities that pollute state waters;
- develops alliances with federal, state and local agencies, business, non-profit organizations, and citizens to leverage collective activities;
- implements management practices and evaluates progress toward achieving goals; and
- maintains the water quality gains of the point source program.

PROGRAM SUMMARY (Continued)

Program: WATER
Agency: POLLUTION CONTROL AGENCY

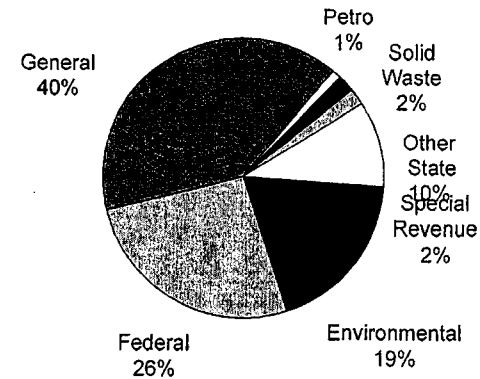
Basin management provides an effective means for integrating point and nonpoint source pollution control programs, focusing on protecting and/or restoring the fishable and swimmable uses of our waters. By involving citizens, local government, business, industry, and other agencies and organizations in determining where and how program resources should be directed, basin management will help improve communication and coordination among the agency and its stakeholders.

In the past, efforts were focused on regulating industrial and municipal point sources, with a special focus on municipal wastewater treatment facilities. At the time, this focus was appropriate because point sources were the largest controllable source of the pollutants of concern. The PCA continues to work extensively with these point sources. In addition, the PCA is addressing nonpoint sources of pollutants, such as urban and agricultural storm water, individual sewage systems, feedlots, and forestry, as examples. More emphasis and funding have been directed to these sources of pollutants reaching our waters. Although individual sources within these land uses are often small, their cumulative impacts are often significant. The emphasis placed on nonpoint during the past years does not replace the work that must continue to be directed at point sources.

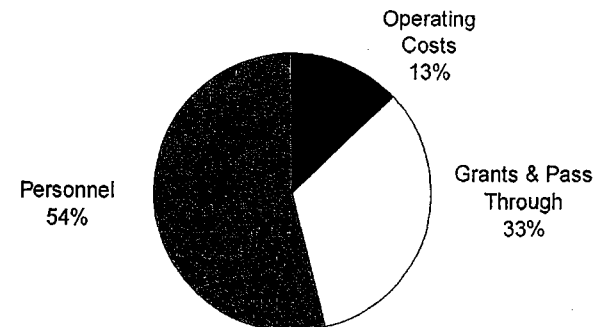
The PCA, in alliance with others, continues to establish and build effective monitoring activities that support watershed management to address point and nonpoint sources of pollution. Approximately 33% of the program budget is dedicated to financial assistance programs, such as clean water partnerships to build and sustain effective alliances.

FINANCING INFORMATION:

FY 2000-01 Program Funding Source



FY 2000-01 Program Expenditures by Category



PROGRAM SUMMARY (Continued)

Program: WATER
Agency: POLLUTION CONTROL AGENCY

BUDGET ISSUES:

Permit fee revenues do not meet the associated environmental fund appropriation. The Minnesota Legislature, in 1997 and 1999, did not support the PCA's request to increase permit fees. In FY 2000, the deficit was \$316,000 and is projected to be \$590,000 by the end of FY 2001. In the Tax Reform Initiative the PCA is requesting elimination of separate accounts within the environmental fund, along with elimination of the hazardous waste fees, and the water quality permit fees. With the resulting flexibility, as the need for hazardous and solid waste resources decreases to a maintenance level, the PCA will be able to reassign resources where the need and environmental benefit is greater, specifically water quality point source and stormwater permitting, and reduction of air emissions.

The PCA is required by M.S. 446a to perform administrative functions for the Wastewater Infrastructure Fund (WIF) program. The PCA provides substantial oversight, including technical and environmental review, prioritizing projects, and permitting. The WIF program bonding occurs through the capital budget. When administrative funding is not provided, the PCA must use staff from other programs to cover these responsibilities, and then seek funding to rectify the past. These requests occurred in FY 1998-99, and again in FY 2000. The capital budget request for FY 2000-05 indicated that 2% of the WIF bonding request is needed for PCA administrative expenses. This issue was discussed by the Minnesota Legislature, but not resolved. PCA was appropriated money for FY 2000, but the administrative needs as a result of the bonding provided to the Public Facilities Authority continue for much further.

GOVERNOR'S RECOMMENDATION:

The Governor recommends the agency's base budget with the following adjustments:

- Reallocate \$584,000 in FY 2002 and \$589,000 in FY 2003 for increased permitting, compliance determination, and enforcement activities for point source and storm-water dischargers to surface water.
- Reallocate \$100,000 in FY 2002 and \$100,000 in FY 2003 to implement the Lake Superior Lakewide Management Plan (LaMP).

- As part of a multi-agency feedlot initiative:
 - Appropriate \$1.45 million for the biennium from the General Fund for additional PCA permit staff.
 - Transfer \$1.4 million for the biennium from Clean Water Partnership grants to the Board of Water and Soil Resources for cost share assistance to livestock producers for feedlot upgrades required under the revised feedlot rules.
 - Transfer \$1.07 million for the biennium from Clean Water Partnership grants to the Board of Water and Soil Resources for county feedlot grants to delegated counties.
- Appropriate \$400,000 (\$313,000 from the Future Resources Fund and \$87,000 is from the Great Lakes Protection Account) in FY 2002 for the Satellite Based Assessment of Lake Clarity and Quality project to develop technology for routine use of Landsat satellites to assess large and small lakes' water quality. See the LCMR section of the Environment Budget volume for more information on the Governor's recommendations for LCMR projects.

Program: WATER
Agency: POLLUTION CONTROL AGENCY

Program Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Activity:									
REGULATORY COMPLIANCE	3,561	3,589	4,210	4,745	5,208	4,854	5,317	2,726	35.0%
COMMUNITY & ASSISTANCE	10,672	13,050	19,060	17,426	18,651	17,497	18,322	4,863	15.1%
Total Expenditures	14,233	16,639	23,270	22,171	23,859	22,351	23,639	7,589	19.0%

Change Items:	Fund								
(B) POINT SOURCE & STORMWATER	ENV				584		589		
(B) ISTS/SW/HW/UST REALLOC TO PNT SRCE&STRM	ENV				(121)		(126)		
(B) LAKE SUPERIOR LAMP	ENV				100		100		
(B) FEEDLOT COST SHARE AND PERMIT ADMIN	GEN				725		725		
(B) GOVERNOR'S LCMR RECOMMENDATION	MNR				313				
(B) GOVERNOR'S LCMR RECOMMENDATION	SR				87				
Total Change Items					1,688		1,288		

Financing by Fund:									
Direct Appropriations:									
ENVIRONMENT & NATURAL RESOURCE	118	412	648	0	0	0	0		
GENERAL	7,159	7,552	9,604	11,144	11,869	11,365	12,090		
MINNESOTA RESOURCES	0	0	0	0	313	0	0		
PETROLEUM TANK RELEASE CLEANUP	0	206	44	0	0	0	0		
STATE GOVERNMENT SPECIAL REVENUE	45	44	45	47	47	48	48		
SPECIAL REVENUE	0	0	0	0	87	0	0		
ENVIRONMENTAL	2,370	2,371	2,554	3,268	3,831	3,380	3,943		
SOLID WASTE	0	0	104	0	0	0	0		
Statutory Appropriations:									
PUBLIC FACILITIES AUTHORITY	829	811	787	785	785	785	785		
SPECIAL REVENUE	371	334	519	444	444	300	300		
FEDERAL	3,341	4,909	8,965	6,483	6,483	6,473	6,473		
Total Financing	14,233	16,639	23,270	22,171	23,859	22,351	23,639		

FTE by Employment Type:									
FULL TIME	169.6	173.3	181.0	173.3	189.3	171.7	187.7		
PART-TIME, SEASONAL, LABOR SER	3.5	4.9	5.3	2.5	4.0	2.5	2.5		
OVERTIME PAY	0.1	0.0	0.0	0.0	0.0	0.0	0.0		
Total Full-Time Equivalent	173.2	178.2	186.3	175.8	193.3	174.2	190.2		

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BUDGET ACTIVITY SUMMARY

Budget Activity: REGULATORY COMPLIANCE
Program: WATER
Agency: POLLUTION CONTROL AGENCY

ACTIVITY PROFILE:

The Regulatory Compliance activity seeks to protect the waters of the state by requiring point and certain nonpoint sources to meet specific requirements, often delineated in a permit. Failure to comply with the conditions as set forth in the permit result in assistance or enforcement actions designed to return the source to full compliance. Compliance with permit requirements protects receiving waters so that the desired end use is attained or maintained. Fair and equitable application and enforcement of standards and operational requirements assists in achieving the goal of fishable and swimmable waters and maintains a level playing field for all sources as they compete in the marketplace. The Pollution Control Agency (PCA) administers delegated federal programs and state specific programs established in legislation.

STRATEGIES AND PERFORMANCE:

The Regulatory Compliance activity uses a variety of tools to assure protection of state waters. Using ambient monitoring and assessment to define the quality of the waters of the state, new or existing sources are given standards and operating conditions specific to their business or activity that are designed to protect the receiving water. These standards and operating conditions are clearly defined in permits. Assistance and training are provided to help enable all permittees to act in an environmentally-responsible manner. The goal is to work cooperatively with regulated parties to avoid environmental degradation, with the added advantage that preventing problems from occurring in the first place is much easier and cheaper than correcting problems later both for the PCA and the permittee. However, this assistance approach is balanced with firm enforcement actions for those who disregard their environmental responsibility. The goal for major facilities is to maintain a compliance rate above 90%.

NPDES and State Disposal System Discharge Compliance Report

	Q1 FY 2000	Q2 FY 2000	Q3 FY 2000	Q4 FY 2000
Total number of permitted facilities	1,141	1,141	1,141	1,141
Industrial discharge violations	12	10	25	16
Domestic discharge violations	53	47	30	43
Compliance rate	94.3%	95.0%	95.2%	94.8%

As Regulatory Compliance activities are applied to nonpoint source activities, new objectives have been set. For example, feedlots are not allowed any discharge from manure storage lagoons and best management practices that are

both effective and practical are identified in lieu of discharge limits for land application of manure. With the implementation of new feedlot rules, a significant effort will be placed on creating a comprehensive statewide inventory of all feedlots and getting most of the approximately 800 feedlots over 1,000 animal units under a general National Pollutant Discharge Elimination System (NPDES) permit.

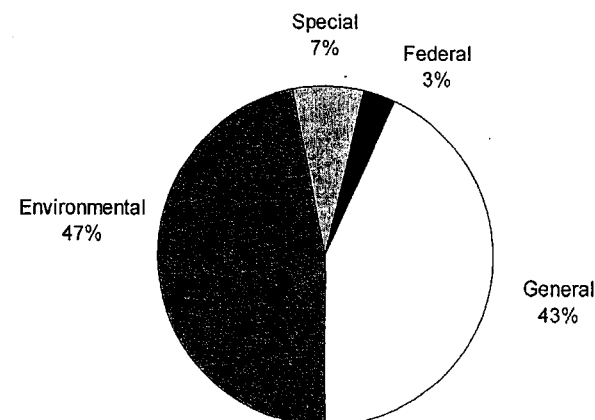
Projected Permit Issuance Strategy

	FY 2000	FY 2001	FY 2002	FY 2003
Feedlot Facilities Requiring NPDES Permit	750	775	800	825
Feedlots with a current permit	25	30	200	800
Remaining Feedlots to be Permitted	725	740	600	25

Storm-water permits for cities and industries require the implementation of best management practices to reduce the pollutants going into nearby water bodies during storm events. Nonpoint source water pollution problems are largely related to land-use practices — local units of government have the greatest level of knowledge and control regarding land-use practices. Stormwater permits for construction activities rely on alliances with local units of government to assist in identifying and regulating the activities that may cause degradation of the waters of the state. Program delivery is enhanced through strong alliances with local units of government with emphasis on Smart Growth principles. Education, training, and assistance are key tools in building these alliances.

FINANCING INFORMATION:

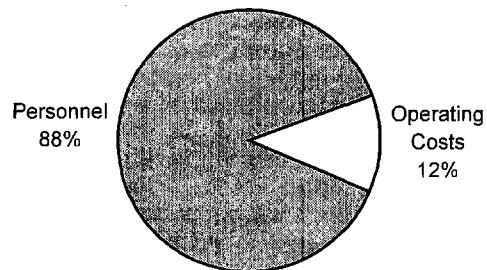
FY 2000-01 Program Funding Source



BUDGET ACTIVITY SUMMARY (Continued)

Budget Activity: REGULATORY COMPLIANCE
Program: WATER
Agency: POLLUTION CONTROL AGENCY

FY 2000-01 Program Expenditures by Category



BUDGET ISSUES:

Construction activities associated with industrial and agricultural growth place heavy demands on PCA resources and the agency is being stretched in meeting the demands for assistance and permitting activities caused by the development arising from a robust economy. Development in our communities requires expanded or new wastewater treatment plants. The desire for economic development to move rapidly forward calls for close review of all activities to assure that health and welfare are not being compromised. This issue is addressed as part of the PCA Point Source and Stormwater Change Item reallocation request.

Legislation passed in the year 2000 requires the PCA to process feedlot permits within 60 days. If the PCA is unable to complete appropriate reviews within 60 days due to lack of resources and the permits are automatically approved, deficiencies may be missed and Minnesota's environment will not be protected. The alternative is to keep field staff in the office more so they can assure that the 60-day turnaround is met. This will impede effective implementation of the new rules. This issue is being addressed in the Community & Assistance budget activity in the Feedlot Cost Share and Permit Administration budget change item.

Activity: REGULATORY COMPLIANCE
Program: WATER
Agency: POLLUTION CONTROL AGENCY

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Category:									
State Operations									
COMPENSATION	3,020	3,125	3,545	3,424	3,855	3,603	4,056	1,241	18.6%
OTHER OPERATING EXPENSES	541	464	665	1,321	1,353	1,251	1,261	1,485	131.5%
Total Expenditures	3,561	3,589	4,210	4,745	5,208	4,854	5,317	2,726	35.0%

Change Items:	Fund				
(B) POINT SOURCE & STORMWATER	ENV			584	589
(B) ISTS/SW/HW/UST REALLOC TO PNT SRCE&STRM	ENV			(121)	(126)
Total Change Items				463	463

Financing by Fund:							
Direct Appropriations:							
GENERAL	1,097	1,609	1,773	1,760	1,760	1,784	1,784
ENVIRONMENTAL	2,303	1,683	1,969	2,501	2,964	2,577	3,040
Statutory Appropriations:							
SPECIAL REVENUE	80	297	245	250	250	248	248
FEDERAL	81	0	223	234	234	245	245
Total Financing	3,561	3,589	4,210	4,745	5,208	4,854	5,317

FTE by Employment Type:							
FULL TIME	54.9	54.5	57.1	55.8	62.8	56.0	63.0
PART-TIME, SEASONAL, LABOR SER	2.4	1.6	0.9	0.3	0.3	0.3	0.3
Total Full-Time Equivalent	57.3	56.1	58.0	56.1	63.1	56.3	63.3

BUDGET CHANGE ITEM (46393)

Budget Activity: REGULATORY COMPLIANCE
Program: WATER
Agency: POLLUTION CONTROL AGENCY
Item Title: POINT SOURCE & STORMWATER

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000s)				
State Operations:				
Environmental Fund				
-State Operations	\$584	\$589	\$589	\$589
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-
Statutory Change? Yes _____ No <u> X </u>				
If yes, statute(s) affected:				
_____ New Activity _____ Supplemental Funding <u> X </u> Reallocation				

GOVERNOR'S RECOMMENDATION:

The Governor recommends that \$584,000 be reallocated from the Environmental Fund in FY 2002 and \$589,000 in FY 2003 for increased permitting, compliance determination, and enforcement activities for point source and storm-water dischargers to surface waters.

RATIONALE:

National Pollutant Discharge Elimination System (NPDES) permits must be issued for every point source discharge to waters of the state. At the same time that the number of facilities requiring permits increases, the regulations applicable to these facilities have become more sophisticated, and the public has become more knowledgeable and interested in protecting the state's waters. Therefore, the issuance of the required permits has become more complex. This reallocation of resources will allow the Pollution Control Agency (PCA) to be accountable in protecting the public health and the environment while meeting the demand by industries and communities for point source discharges permits.

In addition, under new federal rules, more than 125 Minnesota communities must now develop and implement municipal storm-water programs and all construction sites that disturb more than one acre of land must apply Best Management Practices to control erosion. These requirements necessitate the development of rules and some level of permitting, compliance, and enforcement activities for these sources of pollution. To facilitate healthy, vital communities, the PCA must issue permits needed for ongoing development while providing protection of our lakes and rivers. This change item also directly supports the PCA's Five-Year Strategic Plan goals to "prevent, limit, and clean up pollution" and to "provide responsive services to citizens and stakeholders."

The PCA seeks to accomplish this by reallocating funds from the following four areas: Individual Sewage Treatment Systems (ISTS), Solid Waste, Hazardous Waste, and Underground Storage Tanks (UST). These are programs that have matured to a point where they can continue with less resources, and/or they are run in collaboration with other units of government who assist with their implementation. Enhancing collaboration efforts with other groups is a goal in the PCA's Strategic Plan.

FINANCING:

This is a 11% increase for the Point Source and Stormwater Program areas. The \$584,000 would be reallocated from other program areas as follows.

- \$121,000 in FY 2002 and \$126,000 in FY 2003 reduction in assistance activities directed at ISTS (located in the water/regulatory compliance budget activity.) This reduction of 2.0 FTEs will occur in assistance activities provided to homeowners and businesses that have individual sewage treatment systems. This state reduction in assistance is possible because many counties have developed good programs for overseeing the installation of these systems.
- \$200,000 each year by reduction in permitting, compliance determination, and enforcement activities at solid waste facilities (located in the land/regulatory compliance budget activity.) This reduction of 3.0 FTEs represents about a 10% cut in these activities. These facilities have been under permits for some time, the universe of facilities is stable, the regulations are well understood, and compliance is good.
- \$200,000 by each year reduction of efforts directed at hazardous waste facilities (located in the land/regulatory compliance budget activity.) This reduction of 3.0 FTEs represents an 8% reduction in work on hazardous waste facilities. The risk from improper handling of hazardous wastes has decreased significantly as a result of complete regulations, facilities being operated under permits, and partnerships with local units of government who help in identifying and addressing improper handling of hazardous wastes.

BUDGET CHANGE ITEM (46393) (Continued)

Budget Activity: REGULATORY COMPLIANCE

Program: WATER

Agency: POLLUTION CONTROL AGENCY

Item Title: POINT SOURCE & STORMWATER

- \$63,000 each year by reduction in the level of effort directed at compliance activities associated with UST. This reduction of 1.0 FTE represents a 10% reduction in work effort in the UST program. The risks associated with underground storage tanks have dropped dramatically as tanks have been removed and replaced using improved construction, operation, and maintenance procedures. Ongoing work will be directed on proper operation and maintenance to assure that any leaks are quickly identified and remediated.

OUTCOMES:

The reallocation of resources will enable the PCA to better meet the demand and fulfill the permitting, compliance determination, and enforcement activities associated with point sources and storm water. It will allow the PCA to be more timely in getting point source permits issued while providing an open process that assures that the public health and the environment are being fully protected. The additional resources will also allow the PCA to implement a storm-water program that is in compliance with federal requirements and provides on-going protection and improvements in the waters of the state to achieve the goal of fishable and swimmable lakes and rivers.

The environmental outcome, over the long-term, will be measured by continued protection of those waters that meet the goal of fishable and swimmable lakes and rivers and reduction in the number of lakes and rivers that do not currently achieve that goal. Other measurable outcomes are maintaining or reducing the time required to obtain a permit and implementation of a storm-water program in compliance with federal requirements and timelines.

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BUDGET ACTIVITY SUMMARY

Budget Activity: COMMUNITY & ASSISTANCE
Program: WATER
Agency: POLLUTION CONTROL AGENCY

ACTIVITY PROFILE:

The Community and Assistance activity, like the Regulatory Compliance activity, focuses on the development of a statewide approach to water-quality protection and restoration. A comprehensive approach to water resources is used rather than relying on categories of pollutants, specific facility types, or programs. It also utilizes partnerships with citizens, business, industry, local government, and other state and federal agencies to develop and implement activities or programs that are not regulatory in nature. It provides educational, financial, and technical assistance to local units of government for watershed protection and improvement projects. Surface waters contaminated by nutrient and sediment runoff and coliform from feedlots, urban runoff, and septic systems benefit from restoration and prevention projects.

STRATEGIES AND PERFORMANCE:

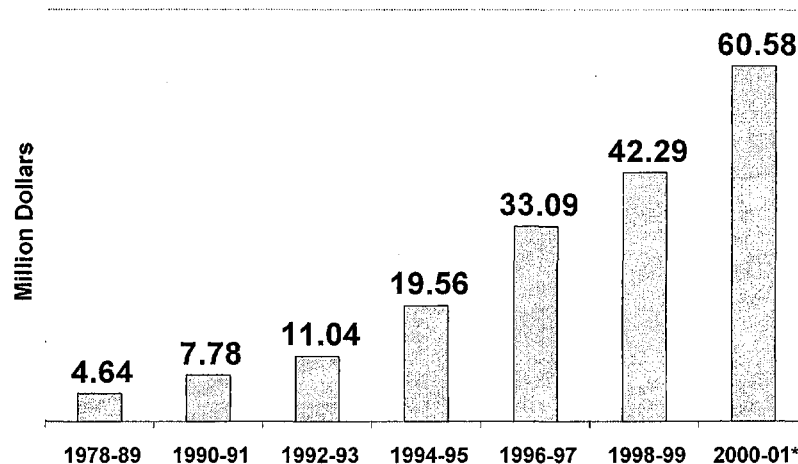
Based on monitoring information and assessment provided under the Integrated Environmental Programs, Environmental Outcomes Budget Activity, the Community and Assistance activity provides support to local watershed authorities to further assess specific waters and establishes goals for water quality to be achieved through basin and watershed management plans. These basin management plans are developed in conjunction with other state, federal and local agencies, nonprofit organizations, and citizens groups who are interested in planning for and targeting programs to protect state water resources. The plans address both point and nonpoint sources and prioritize work efforts to achieve established goals.

In addition to developing the plans, the Community and Assistance activity implements all program activities other than Regulatory Compliance. These include:

- providing technical assistance for the construction of municipal wastewater treatment facilities;
- providing technical and financial assistance for Individual Septic Treatment Systems;
- providing technical and financial assistance through the state Clean Water Partnership Program and 319 for watershed protection and restoration;
- providing training for farmers and county officials regarding feedlots; and
- assisting in Smart Growth efforts that will have direct impacts on our state water resources.

The following chart and table show the amount of financial assistance and number of projects implemented to address nonpoint source pollution through partnerships with local units of government. Examples of projects:

**Cumulative Water Pollution (Nonpoint) Assistance Activities
Funded by State and Federal Dollars (million dollars)**



*Estimate based on previous award cycles.

Nonpoint Financial Assistance Activities (1978 – 2001*)

Activity	Number of Projects
319 Implementation Projects	204
Clean Water Partnerships	174
Individual Sewage Treatment Systems	38
Total	416

*Project numbers for 2000 and 2001 based on historic award cycle.

Providing financial assistance using Clean Water Action Section 319, Clean Water Partnership grants, and the State Revolving Fund loans to local units of government for lakes restoration and contamination prevention has resulted in large improvements to Minnesota waters.

While it may take up to 10 years for the benefits to be fully realized, important water quality results can be seen in restoration projects across the state. Big

BUDGET ACTIVITY SUMMARY (Continued)

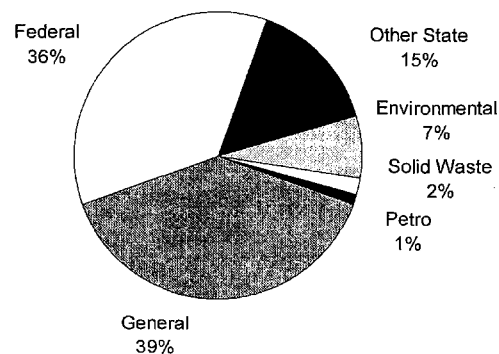
Budget Activity: COMMUNITY & ASSISTANCE
Program: WATER
Agency: POLLUTION CONTROL AGENCY

Birch Lake near St. Cloud is in its last phase of a Clean Water Partnership project. Reductions in phosphorus of 49% have been achieved through an intensive public education effort, two feedlot improvement projects, installation of 55 septic systems, lake shore landscaping, and erosion protection. The watershed district will conduct ongoing monitoring. Another example is the Tanners Lake watershed project. Tanners Lake is an urban lake in Oakdale, five miles east of downtown St. Paul. It has storm-water runoff and extensive phosphorus loading problems. Three storm water retention and treatment basins have been constructed with alum injection to remove phosphorus from the basins. Prevention measures include street sweeping and public education. This project received the 1999 first place award in a municipal category for storm water control by EPA. Phosphorus loading reductions of 45% are anticipated from these activities, and monitoring is underway to determine actual reductions.

FINANCING INFORMATION:

This activity relies on strong alliances with counties and other local units of government to deliver the program. From combined federal funds through the Clean Water Act and state funds for watershed assistance, about 41% of the funding for the activity is directed toward supporting the partnerships that deliver these services.

FY 2000-01 Program Funding Source



In FY 2000-01, 46% of program expenditures were for personnel, 41% for grants and pass-through funding, and 13% for operating costs.

BUDGET ISSUES:

As part of a multi-agency feedlot initiative, \$1.235 million each year will be transferred from CWP grants to BWSR for feedlot cost share to livestock producers and, for delegated counties feedlot programs.

The CWP program has been in effect since 1987 to address pollution associated with runoff from agricultural and urban areas. The program provides local governments with resources to protect and improve lakes, streams, and rivers. The program is based on local units of government identifying the most relevant sources of pollution to reduce at the least cost. The program received an increase in funding for FY 2000-01, and current base level funding for CWP grants annually is \$2.348 million.

The recommendation reduces funding for diagnosing problems in watersheds, and for implementation of:

- best management practices related to sedimentation ponds, wetland restoration, management of fertilizer and other agricultural sources of runoff, and conservation tillage;
- urban runoff issues; and
- information that, to a limited extent, helps establish Total Maximum Daily Load (TMDL) standards for the impaired lake, stream, or river.

Money will also be available to local units of government for loans, through the State Revolving Fund, which are primarily for infrastructure development.

Activity: COMMUNITY & ASSISTANCE
Program: WATER
Agency: POLLUTION CONTROL AGENCY

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Category:									
State Operations									
COMPENSATION	6,486	7,063	7,687	7,712	8,354	7,922	8,534	2,138	14.5%
OTHER OPERATING EXPENSES	1,817	1,363	2,801	1,357	1,590	1,212	1,425	(1,149)	(27.6%)
TRANSFERS	0	0	0	2,176	3,411	2,182	3,417	6,828	
Subtotal State Operations	8,303	8,426	10,488	11,245	13,355	11,316	13,376	7,817	41.3%
LOCAL ASSISTANCE	2,369	4,624	8,572	6,181	5,296	6,181	4,946	(2,954)	(22.4%)
Total Expenditures	10,672	13,050	19,060	17,426	18,651	17,497	18,322	4,863	15.1%

Change Items:	Fund				
(B) LAKE SUPERIOR LAMP	ENV			100	100
(B) FEEDLOT COST SHARE AND PERMIT ADMIN	GEN			725	725
(B) GOVERNOR'S LCMR RECOMMENDATION	MNR			313	
(B) GOVERNOR'S LCMR RECOMMENDATION	SR			87	
Total Change Items				1,225	825

Financing by Fund:							
Direct Appropriations:							
ENVIRONMENT & NATURAL RESOURCE	118	412	648	0	0	0	0
GENERAL	6,062	5,943	7,831	9,384	10,109	9,581	10,306
MINNESOTA RESOURCES	0	0	0	0	313	0	0
PETROLEUM TANK RELEASE CLEANUP	0	206	44	0	0	0	0
STATE GOVERNMENT SPECIAL REVENUE	45	44	45	47	47	48	48
SPECIAL REVENUE	0	0	0	0	87	0	0
ENVIRONMENTAL	67	688	585	767	867	803	903
SOLID WASTE	0	0	104	0	0	0	0
Statutory Appropriations:							
PUBLIC FACILITIES AUTHORITY	829	811	787	785	785	785	785
SPECIAL REVENUE	291	37	274	194	194	52	52
FEDERAL	3,260	4,909	8,742	6,249	6,249	6,228	6,228
Total Financing	10,672	13,050	19,060	17,426	18,651	17,497	18,322

FTE by Employment Type:							
FULL TIME	114.7	118.8	123.9	117.5	126.5	115.7	124.7
PART-TIME, SEASONAL, LABOR SER	1.1	3.3	4.4	2.2	3.7	2.2	2.2
OVERTIME PAY	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Total Full-Time Equivalent	115.9	122.1	128.3	119.7	130.2	117.9	126.9

- GRANTS DETAIL

Program Name Federal or State or Both (citation)	Purpose	Recipient Type (s) Eligibility Criteria	Budgeted FY 2001	Most Recent Federal Award (cite year)
Clean Water Partnership Program (State) M.S. 103F.701-103F.761	Provide financial assistance in the form of grants and loans and technical assistance to local units of government to protect and restore water resources through holistic watershed assessment, planning and implementation.	Local units of government	\$2.5 million in grants \$3 million in loans	N/A
Clean Water Act Section 319 Nonpoint Source Program (NPS) Clean Water Act Section 319	Provide funds to projects that implement the state's NPS management plan to control sources of NPS pollution.	Local units of government, academic institutions, state agencies, associations, watershed organizations, etc.	\$7.6 million in grants*	2000
ISTS Grant Program M.S. 116.18	Provide low income communities in need of improved wastewater treatment with grants to partially fund replacement of failing septic systems or connection to centralized wastewater treatment.	Communities with low median household incomes.	\$200,000 in grants (\$400,000/ biennium)	N/A
Minnesota River Nonpoint Source M.S. Laws 99, ch. 231, sec. 2, subd. 2	Provide funds to improve assessment and planning activities by locals to maximize effectiveness of implementation dollars.	Local Units of Government	\$250,000 in grants	N/A

*Includes carry forward dollars from prior federal awards.

BUDGET CHANGE ITEM (46413)

Budget Activity: COMMUNITY & ASSISTANCE
Program: WATER
Agency: POLLUTION CONTROL AGENCY

Item Title: LAKE SUPERIOR LAKEWIDE MANAGEMENT PLAN

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000s)				
Environmental Fund				
-State Operations	\$100	\$100	\$-0-	\$-0-
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ☒ No ☐

If yes, statute(s) affected:

☐ New Activity ☐ Supplemental Funding ☒ Reallocation

GOVERNOR'S RECOMMENDATION: The Governor recommends that \$100,000 be reallocated from the Environmental Fund in FY 2002 and \$100,000 in FY 2003 for implementation of the Lake Superior Lakewide Management Plan (LaMP).

RATIONALE: Under the Lake Superior Binational Program, the Pollution Control Agency (PCA) recently committed to 40 actions to reduce nine toxic chemicals [mercury, polychlorinated biphenyl (PCBs), dioxin, chlordane, DDT, dieldrin, hexachlorobenzene, octachlorostyrene, and toxaphene]. Partners also making commitments and implementing them include Canada, U.S. Environmental Protection Agency, Michigan, Wisconsin, and the tribes. Many of the PCA commitments can be accomplished using existing staff and resources. However, others will require additional resources before they can be implemented. The additional funding will provide the resources necessary to accomplish these commitments.

The Lake Superior Binational Program was signed by partnering governments in 1991. Since 1991, the partners have worked to define chemicals of concern, reduction schedules, and reduction activities necessary to achieve these schedules. Guiding principles in this plan include moving beyond regulatory compliance, staged reductions, pollution prevention, action consistent with a sustainable economy, voluntary reductions of toxic chemicals, and developing incentives to reduce toxic chemicals

The significant up front planning process has been completed and the partnership is now at the implementation stage for reduction activities.

Implementing the actual reduction activities is the most important step. The partnership has worked very hard for a long time to get to this stage. As a result of each partner now meeting its commitments, the environment of Lake Superior will be significantly improved and protected.

If the funding is not reallocated, the PCA will not be able to conduct the activities necessary to meet the chemical reduction commitments made to our partnering agencies. This will significantly affect the pace for dealing with these chemicals of concern in Lake Superior. This may also significantly affect our relationships with partners who have met their commitments and assume that the PCA's minimal response is an indication of lack of concern for dealing with these important and long-lasting environmental issues in Lake Superior. This is a priority for the PCA because of the high economic and environmental value that Lake Superior provides to the state, the region, and the world.

FINANCING: The \$100,000 would be reallocated from the Listed Metals Program (located in the land/community assistance budget activity). This would supplement existing federal funding (\$75,000 in FY 2001), which is intended for planning by providing for agreed upon implementation activities. The Listed Metals Advisory Council will complete its work by December 2000 ending listed metals expenditures. The forecasted expenditures are reprioritized to address more pressing environmental issues including the Lake Superior Management Plan.

OUTCOMES: Current estimates indicate that the Lake Superior basin is on target to meet the year 2000 reduction goal for mercury and PCBs. Additional funding would provide for an appropriate level of incremental progress toward achieving the next chemical reduction milestone in the year 2005 for PCBs and dioxin.

With this funding, the PCA will be able to provide technical and financial assistance in the basin to support small businesses in a variety of projects to reduce mercury, pesticide, and dioxin. Possible projects include clean sweeps, bounties on mercury products, bounties or other mechanisms to reduce burn barrel use, and mercury swaps for alternative products. Innovation will be encouraged in developing and implementing programs. Another project would be to increase efforts to seek and eliminate mercury and PCBs in area schools employing modern detection technology, swap programs, and private sector participation. This would employ a stepwise process starting with education and leading to reduced use and proper disposal.

This will significantly help the binational effort to achieve the interim reduction schedules for the nine critical chemicals and bring closer the goal of zero pollution discharge to Lake Superior. Progress towards this goal will be measured through indicators, such as the actual release from sources in the basin, consumer behavior, quantities of PCBs, mercury and pesticides disposed, and trends in the use of burn barrels.

BUDGET CHANGE ITEM (56048)

Budget Activity: COMMUNITY & ASSISTANCE
Program: WATER
Agency: POLLUTION CONTROL AGENCY
Item Title: FEEDLOT COST SHARE AND PERMIT
 ADMINISTRATION

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000s)				
General Fund				
-State Operations	\$725	\$725	\$725	\$725
Revenues: (\$000s)				
General Fund				
Environmental Fund	\$(207)	\$(192)	\$(192)	\$(192)
Statutory Change? Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>				
If yes, statute(s) affected: 116.07				
<input type="checkbox"/> New Activity <input type="checkbox"/> Supplemental Funding <input checked="" type="checkbox"/> Reallocation				

GOVERNOR'S RECOMMENDATION:

As part of a multi-agency feedlot initiative, the Governor recommends the following:

- Appropriate \$725,000 in FY 2002 and \$725,000 in FY 2003 from the General Fund for PCA feedlot permit staff.
- Transfer \$700,000 in FY 2002 and \$700,000 in FY 2003 to the Board of Water and Soil Resources (BWSR) from the Clean Water Partnership (CWP) for cost share to livestock producers to improve feedlots to meet environmental standards.
- Transfer \$535,000 in FY 2002 and \$535,000 in FY 2003 to BWSR from CWP for county delegated feedlot permit program grants.

In addition, the Governor recognizes that permit fees paid by farmers will be reduced by an estimated \$207,000 in FY 2002 and \$192,000 in FY 2003 as part of Environmental Tax Reform proposed in this budget.

This budget change request is part of a multi-agency feedlot initiative that includes the PCA, BWSR, and the Minnesota Department of Agriculture (MDA). It will address the needs of livestock producers for making environmental

improvements in their feedlots and provide more effective customer service to feedlot owners from regulatory agencies. Specifically, this package provides funding for cost share and low-interest loans to livestock operators for environmental upgrades, technical engineering assistance to producers, and planning and assessment assistance to producers. In addition, increased funding is provided to counties and the PCA for permitting activities. Details are included in each agency's respective budgets.

RATIONALE:

PCA rules for feedlots were revised effective 10-23-2000. The revised rule includes a new permitting structure, including elimination of some permitting requirements for smaller farms; more clear technical standards for feedlots; and an expansion of the role of delegated counties in permitting. This budget initiative will allow effective implementation of the revised rule.

A rigid permitting system for all facilities has been replaced with a self-registration requirement for most small farmers, and permitting requirements for mid-size farmers have been greatly reduced. Requirements for large facilities have been clarified, and increasing regulatory emphasis has been shifted to this higher impact group. This shift requires increased field presence by PCA staff and regulatory partners to make it work effectively. For this reason, the PCA is requesting funds for nine additional regulatory assistance staff at PCA and for an increase in funding for county-level regulatory programs. PCA staff will also assist county staff in understanding and implementing the technical requirements of the new rule, and maintaining local accountability for the money that is passed through. PCA is responsible for permitting all facilities with more than 1,000 animal units statewide, and for permitting all size operations in non-delegated counties. PCA anticipates greater workload in this area as facilities make changes required by the revised rule. This increased volume will also impact county programs.

Legislation passed in 2000 requires the PCA to process feedlot permits within 60 days. If the agency is unable to complete appropriate reviews within 60 days due to lack of resources, the permits will be automatically approved, and the potential is greater that significant environmental impact may occur. The alternative to increased staffing is to keep field staff in the office more so they can assure that the 60-day turnaround can be met. This will impede effective implementation of the new rules. Rather than seeking the entire number of staff needed to meet the 60-day turnaround 100% of the time, the Governor is recommending a total of nine staff to adequately meet the program deadline most of the time. In addition to increased staffing, the PCA recommends a modification of the 60-day time frame so it is clear that the provisions of M.S. 15.992 apply to feedlot permitting, rather than M.S. 15.99 (refer to PCA report, "Report to Legislature on the Minnesota Pollution Control Agency's Ability to Meet 60-Day Issuance Deadline for Feedlot

BUDGET CHANGE ITEM (56048) (Continued)

Budget Activity: COMMUNITY & ASSISTANCE
Program: WATER
Agency: POLLUTION CONTROL AGENCY

Item Title: FEEDLOT COST SHARE AND PERMIT
ADMINISTRATION

Permits"), and that the deadline for imposition of this provision move back from 10-1-01, to 10-1-03.

The PCA has historically provided some funds for feedlot improvement through the Clean Water Partnership (CWP). The CWP program has previously allocated between 2.5 – 3.5% of the grant funds for Best Management Practices at feedlots. This budget proposal significantly increases the funding that would go to farmers for feedlot improvements through a reallocation of \$700,000 per year in CWP funds to BWSR for cost share. The money for farmer cost share would be available only for feedlots between 300-500 animal units identified as needing to upgrade to meet state rules.

The PCA cannot require upgrade of feedlots of less than 500 animal units unless cost share is available to the farmer for at least 75% of the cost. Reallocation of money to fund the cost-share program is necessary so farmers can make the needed changes to reduce environmental risks by eliminating runoff from feedlots and upgrading leaky manure lagoons to protect groundwater. The focus will be on feedlots between 300-500 animal units in watersheds where feedlots pose the greatest environmental risks. The number of facilities needing to make improvements is an estimate based on the number of feedlots in this size range and a projected rate of compliance. Additional assistance staff will be needed at the county level to assist farmers in making these changes. The level of costs as proposed reflects a historic average and includes an average of 50% cost share, 25% loans, and 25% producer contribution. Therefore, the statutory language in M.S. 116.07, section 7, subd. 1 and 2 regarding farmer cost share needs to be amended to clarify that upgrades may be required if cost share funding is available for "up to" 75% of the cost.

FINANCING:

	Dollars in Thousands	
	FY 2002	FY 2003
Feedlot staffing to implement program in light of legislative mandate of 60 days for permitting (9 FTE)	\$725	\$725
Funds to be transferred to BWSR for county grants for feedlot programs	535	535
Funds to be transferred to BWSR for cost share for feedlots in priority watershed areas	700	700
Total	\$1,960	\$1,960

In addition, the PCA Environmental Tax Reform proposal will eliminate water quality permitting fees for farmers, making available an additional \$207,000 in FY 2002 and \$192,000 in FY 2003 which farmers may choose to apply to environmental improvements rather than paying permits fees.

OUTCOMES:

Environmental impacts from animal agriculture (pollutant contribution of fecal coliform and nutrients) will be reduced by effective administration of the new feedlot program. Improvements will be measured and documented through monitoring associated with TMDLs. Increased staffing of county and PCA programs will allow: an increased regulatory focus on higher impact feedlots, an increased role of delegated counties in feedlot regulation, and an increased PCA and delegated county field presence. Permit turnaround times will improve, and permit conditions will be more appropriate to facilities because permit writers and inspectors are able to visit many more sites. This will be a benefit to farmers. State funding will enable smaller farmers with between 300-500 animal units to make needed changes to their farms. This likely would not be economically feasible without state cost share funds. Assistance will be available to farmers through regional PCA staff and local officials, including county feedlot officers and Soil and Water Conservation District staff. The PCA recognizes that the waters of the state may remain impaired from other agricultural and urban sources of pollutants that otherwise would have received CWP funding to mitigate.

PROGRAM SUMMARY

Program: AIR
Agency: POLLUTION CONTROL AGENCY

PROGRAM PROFILE:

The federal Clean Air Act (CAA) is the national environmental framework for protecting public health and the environment from air pollution. The CAA and U.S. Environmental Protection Agency (EPA) regulations set the standards for air quality. States implement them through various programs using regional or site specific strategies. In 1990, the CAA was amended to dramatically expand the air program in Minnesota and nationwide through the assessment of air emission fees, new permit and compliance requirements, and hazardous air pollutant control activities. In 1997, the EPA developed new, more restrictive standards for ozone and particulate matter. In 1998, the EPA finalized a new program to reduce regional haze and also began considering issues related to global climate change. The ozone and particulate matter standards are being legally contested. Global climate change continues to develop as an issue of environmental concern. The EPA and other states are moving ahead in planning for the regional haze reduction program.

The primary goals of the Protecting the Air Program are:

- to assess the risk to human health and the environment from air pollution;
- to minimize or abate the impacts of air pollution through policy development and planning;
- to help Minnesotans protect the environment from degradation due to air pollution from nonpoint (mobile and non-industrial) sources;
- to limit pollution from industrial point sources in an efficient and effective manner;
- to conduct a comprehensive and timely program for compliance determination and enforcement; and,
- to help industry and small businesses reduce emissions and comply with air quality regulations by providing assistance services.

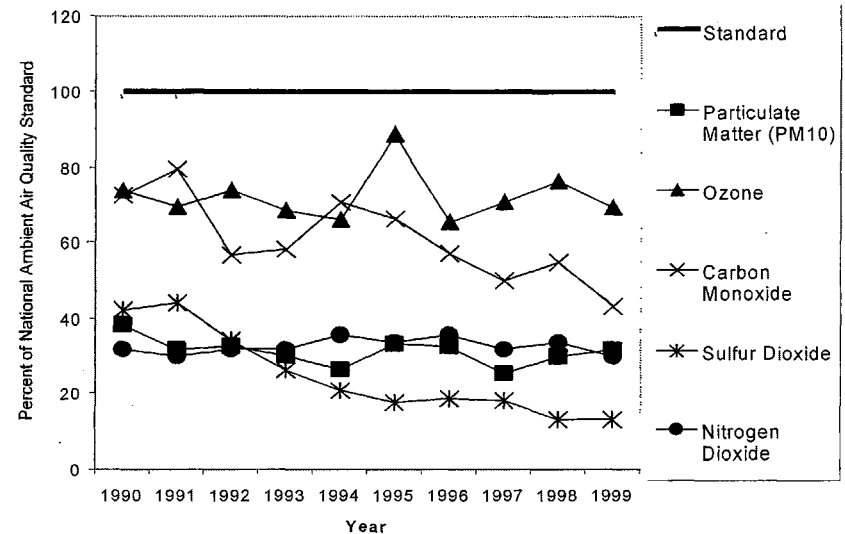
STRATEGIES AND PERFORMANCE:

To accomplish these goals, the following major strategies are used:

- specific efforts to reduce pollution from industrial sources and nonpoint sources through regulation, assistance, and education;
- activities to revise, reinvent or develop new strategies and policies; and
- efforts to assess environmental progress and study new problems.

These strategies have resulted in a major reduction in the levels of most air pollutants. As reported in the Pollution Control Agency's (PCA's) Minnesota Environment 2000 Report, levels of many air pollutants have declined or remained stable over the past decade.

Trends in criteria air pollutants in the Twin Cities Metropolitan Area

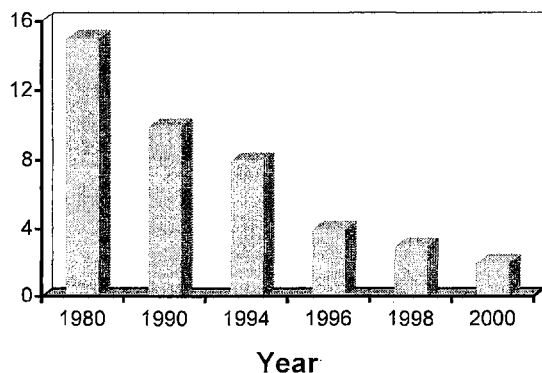


Reductions in air pollutant emissions have dramatically increased the number of areas that meet air quality standards. Currently, virtually all areas of Minnesota meet federal air quality standards, with the exception of two small areas that have not yet been formally recognized by the EPA as meeting standards. The PCA will continue to work with the EPA to fulfill the administrative requirements to achieve formal recognition.

PROGRAM SUMMARY (Continued)

Program: AIR
Agency: POLLUTION CONTROL AGENCY

Number of non-attainment areas in Minnesota



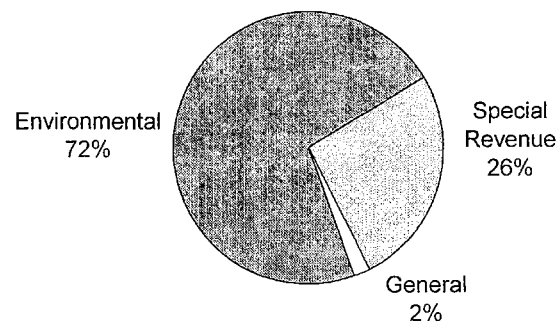
Although air quality has continued to improve, the PCA is shifting its emphasis to address new information regarding the environment and new concerns expressed by citizens and experts. Four issues continue to guide ongoing changes in the PCA policy regarding air pollution over the biennium.

- The EPA has recently promulgated new standards for ozone and particulate matter based on new information regarding health impacts. In addition, the EPA is expected to finalize visibility protection standards to protect national parks and wilderness areas. Violating federal air quality standards would be an indication that public health and the environment are not being adequately protected. Violating the standards would also have economic consequences, which would ultimately harm Minnesota's ability to compete in a global economy. Although the ozone and particulate matter standards are being legally contested, the PCA must continue to assess whether Minnesota will meet these standards and implement pollution prevention strategies for mobile and industrial sources of air pollution to prevent any future violations of the standards.

- Global warming has been accepted as a reality by experts. The PCA must continue to assess impacts on Minnesota and participate along with other stakeholders in taking the first steps toward stabilizing atmospheric levels of gases that cause global warming.
- It has become clear that levels of several toxic air pollutants remain above health benchmarks in portions of Minnesota. Studies being conducted by the PCA and EPA demonstrate that eight toxic air pollutants exceed state health benchmarks in many areas of the state. Mobile sources, such as cars, trucks, and off-road vehicles, are the biggest contributor of this type of pollutant. The PCA must continue to assess the extent of the exposure, propose and implement reduction strategies where appropriate, and facilitate efforts that will reduce pollution where the PCA has little or no direct authority.
- Mercury, other heavy metals, and persistent organic chemicals can cause health problems near large industrial facilities and through long-range transport. The PCA must expand efforts to address known problems and develop better data regarding sources and impacts of these pollutants. The PCA will continue to implement the reduction strategies recommended by the mercury contamination reduction initiative advisory council.

FINANCING INFORMATION:

FY 2000-01 Program Funding Sources



In FY 2000-01, 58% of the program expenditures were for personnel, 23% for vehicle inspection (now discontinued), and 19% for operations.

PROGRAM SUMMARY (Continued)

Program: AIR
Agency: POLLUTION CONTROL AGENCY

BUDGET ISSUES:

The CAA requires states to collect annual air emission fees from facilities that emit air pollution.

Fees must meet a specified minimum amount as defined in the CAA and must cover the costs of operating the permitting and compliance program for industrial point sources.

In addition to fees, the air program receives a grant from the federal government to cover the costs of operating the remaining components of the air program. This grant requires a 40% state match. The match must be funds appropriated to the PCA above and beyond the minimum air emission fee collection required for operation of the federal permitting and compliance program. Base budget funds include the required state match.

In the Tax Reform Initiative, the PCA is requesting elimination of separate accounts within the environmental fund, along with elimination of the hazardous waste fees and the water quality fees. With the resulting flexibility, as the need for hazardous and solid waste resources decreases to a maintenance level, the legislature and the PCA will be able to reassign resources where the need and potential environmental benefit is greater, specifically water quality point source and storm-water permitting, and reduction of air emissions.

GOVERNOR'S RECOMMENDATION:

The Governor recommends the agency base level funding and change items as follows:

- A reallocation of 3.0 FTEs from existing programs within the PCA to raise awareness among stakeholders and citizens on air quality issues and to emphasize their role in reducing emissions. These staff will also implement strategies to reduce air pollution from area sources (such as gas stations), and mobile sources.

Program: AIR
Agency: POLLUTION CONTROL AGENCY

Program Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Activity:									
REGULATORY COMPLIANCE	4,548	4,062	4,869	5,521	5,521	5,580	5,580	2,170	24.3%
COMMUNITY & ASSISTANCE	10,036	6,197	1,919	2,434	2,631	2,521	2,724	(2,761)	(34.0%)
Total Expenditures	14,584	10,259	6,788	7,955	8,152	8,101	8,304	(591)	(3.5%)

Change Items:	Fund				
(B) AIR TOXICS/MOBILE SOURCE REDUCTION	ENV			197	203
Total Change Items				197	203

Financing by Fund:							
Direct Appropriations:							
GENERAL	0	84	240	135	135	62	62
SPECIAL REVENUE	464	159	0	0	0	0	0
ENVIRONMENTAL	6,245	5,712	6,126	7,456	7,653	7,689	7,892
Statutory Appropriations:							
SPECIAL REVENUE	7,615	4,086	154	130	130	130	130
FEDERAL	58	23	48	14	14	0	0
ENVIRONMENTAL	202	195	220	220	220	220	220
Total Financing	14,584	10,259	6,788	7,955	8,152	8,101	8,304

FTE by Employment Type:							
FULL TIME	77.9	83.6	72.3	66.9	69.9	65.4	68.4
PART-TIME, SEASONAL, LABOR SER	2.3	4.8	5.8	6.7	6.7	6.7	6.7
OVERTIME PAY	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Total Full-Time Equivalent	80.4	88.6	78.3	73.8	76.8	72.3	75.3

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BUDGET ACTIVITY SUMMARY

Budget Activity: REGULATORY COMPLIANCE
Program: AIR
Agency: POLLUTION CONTROL AGENCY

ACTIVITY PROFILE:

This activity manages the regulatory program for industrial point sources—the largest activity in this program. Industrial point sources account for approximately 40% of air pollutant emissions. Regulation of point sources is resource intensive since controls and compliance assistance are often customized for each source.

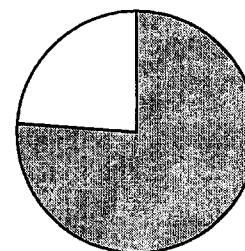
Air pollution problems caused by or contributed by point sources include acid rain, global warming, diminished visibility, ozone (smog), fine particles, mercury, and localized high levels of other toxic air pollutants.

Over the next decade there are two general goals for this program. The first goal is to maintain compliance with new health standards for ozone and fine particles and existing standards for other pollutants. The second goal is to implement reduction strategies for global warming gases, mercury, and other pollutants that will not have standards.

STRATEGIES AND PERFORMANCE:

The Regulatory Compliance activity protects air quality through a comprehensive permitting program. Air quality permits contain state and federal regulatory requirements that are monitored for compliance. The Pollution Control Agency (PCA) will continue the implementation of this permitting program to ensure compliance with state and federal regulations. As of the end of the fourth quarter, FY 2000, the agency estimates that about 2,600 sources need operating permits. Of those, 360 need a federal air quality permit, and 144 have been issued. These 144 permits account for about 73% of pollutant emissions. This reflects a strategic decision to focus permitting resources on facilities that have the greatest potential impact on the environment.

Industrial air pollution regulated by federal air quality permits



- % of emissions regulated by federal air quality permits in MN
- % of emissions not regulated by federal air quality permits in MN

The PCA has established a goal of issuing 96 federal air quality permits in the next biennium. This translates to an annual rate of 48 permits issued, which will be a 50% improvement over FY 2000. In addition, the PCA has issued 2,080 state air quality permits to other sources of pollution. In many cases, particularly for smaller businesses, facilities can obtain state air quality permits as an alternative to being regulated under the more complex federal permitting system.

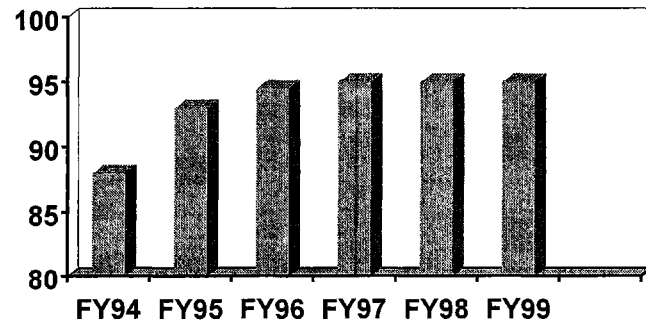
The PCA will also continue to focus on the permitting of new construction and expansion of industrial facilities, as well as inspect facilities, enforce regulations, and, when appropriate, impose fines and penalties. The PCA will also continue to analyze noncompliance information to identify and target categories of sources that are more frequently out of compliance. For facilities with federal air quality permits, the calendar year 1999 compliance rate, as measured by continuous monitors, was 95%, which was the targeted goal.

Finally, the PCA will continue to develop regulatory innovation projects like Project XL and provide outreach and assistance to businesses that are subject to regulation.

BUDGET ACTIVITY SUMMARY (Continued)

Budget Activity: REGULATORY COMPLIANCE
Program: AIR
Agency: POLLUTION CONTROL AGENCY

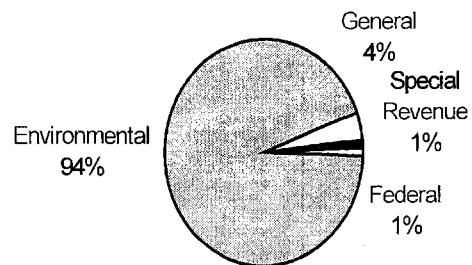
■ Compliance rates (%) as measured by continuous monitors



FINANCING INFORMATION:

In FY 2000-01, 86% of the program expenditures were for personnel and 14% for operating costs.

FY 2000-01 Program Funding Source



Activity: REGULATORY COMPLIANCE
Program: AIR
Agency: POLLUTION CONTROL AGENCY

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>Expenditures by Category:</u>									
State Operations									
COMPENSATION	2,605	3,834	3,562	3,380	3,380	3,449	3,449	(567)	(7.7%)
OTHER OPERATING EXPENSES	1,943	228	1,307	2,141	2,141	2,131	2,131	2,737	178.3%
Total Expenditures	4,548	4,062	4,869	5,521	5,521	5,580	5,580	2,170	24.3%
<u>Financing by Fund:</u>									
Direct Appropriations:									
GENERAL	0	84	240	135	135	62	62		
ENVIRONMENTAL	4,450	3,890	4,507	5,317	5,317	5,463	5,463		
Statutory Appropriations:									
SPECIAL REVENUE	40	65	74	55	55	55	55		
FEDERAL	58	23	48	14	14	0	0		
Total Financing	4,548	4,062	4,869	5,521	5,521	5,580	5,580		
<u>FTE by Employment Type:</u>									
FULL TIME	47.7	60.9	51.0	45.3	45.3	43.7	43.7		
PART-TIME, SEASONAL, LABOR SER	1.4	3.1	4.4	5.3	5.3	5.3	5.3		
OVERTIME PAY	0.2	0.2	0.2	0.2	0.2	0.2	0.2		
Total Full-Time Equivalent	49.3	64.2	55.6	50.8	50.8	49.2	49.2		

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BUDGET ACTIVITY SUMMARY

Budget Activity: COMMUNITY & ASSISTANCE
Program: AIR
Agency: POLLUTION CONTROL AGENCY

ACTIVITY PROFILE:

This activity manages the programs responsible for providing direction in policy and regulation by developing new rules and programs designed to help reduce or minimize air pollution from all sources. It is necessary to develop rules, programs and plans for reducing air pollution so that air quality standards will continue to be met and all requirements of the Clean Air Act (CAA) are implemented. Providing direction involves identifying and proposing legislative changes necessary to fully implement the CAA, which is the overarching federal legislation focused on protecting and improving air quality. The CAA has many specific regulations that states must implement. Careful planning and direction are needed to meet these requirements in ways that are best for Minnesota. Furthermore, there are air pollution issues in Minnesota, such as air toxics and mercury that do not yet have an adequate federal response. These issues benefit from state involvement in the development of national policy.

This activity also manages the programs responsible for reducing air pollution from mobile sources, such as cars, trucks, and off-road vehicles. Mobile sources of air pollution individually may emit relatively small amounts of pollutants. However, as a group, these sources emit large amounts of air pollution. Approximately 40% of air pollutants in Minnesota are emitted from mobile sources. In Minnesota, mobile sources are major contributors to the emissions of carbon monoxide, toxic air pollutants, ground level ozone (smog), and global climate change pollutants. To help prevent violations of the new, more stringent ambient air standard for smog, as well as to address elevated levels of air toxics found in many parts of the state, the Pollution Control Agency (PCA) is engaged in activities designed to complement activities at the federal level.

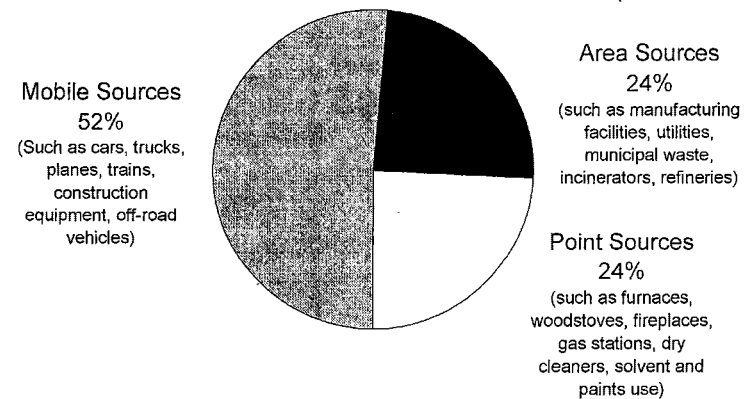
STRATEGIES AND PERFORMANCE:

The PCA will implement the planning and reduction strategies in this activity by

- continuing to manage the State Implementation Plan for air quality by submitting final requests to U.S. Environmental Protection Agency (EPA) that will ensure that all areas of the state fully comply with air quality standards and regulations;
- continuing to update and improve air quality rules;
- pursuing mobile source pollution prevention strategies that aim to reduce air toxics, smog, and global warming pollution;

- assisting local units of government with monitoring and resolution of noise issues;
- developing a plan for reducing regional haze and fine particulate matter;
- implementing a comprehensive mercury reduction strategy that follows the recommendations of a diverse stakeholder group and endorsed by the Minnesota Legislature in 1999;
- participating with the Department of Commerce in the environmental evaluation of the Administration's electricity reliability proposal, as part of the Big Plan; and
- developing a global climate change policy that will help advise EPA on the proper approach to climate change, including the need to develop a credit program to help foster early reductions, the need for good inventories for greenhouse gases, and the potential need for rules.

**Estimated Excess Cancer Risk from
Toxic Air Pollutants in Minnesota ***



*Additional risk of cancer that may result from air pollution.

BUDGET ACTIVITY SUMMARY (Continued)

Budget Activity: COMMUNITY & ASSISTANCE
Program: AIR
Agency: POLLUTION CONTROL AGENCY

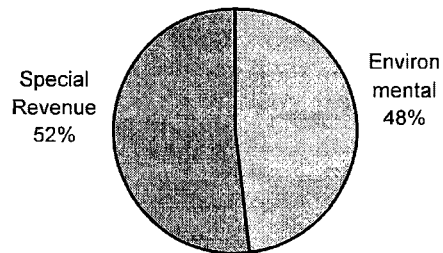
BUDGET ISSUES:

In December 1999, the Vehicle Inspection Program ceased operation resulting in a significant decrease in revenue to the Air Program. The program had \$323,000 appropriated for direct operating expenses in FY 2000 and \$3,939,989 in statutory contractor payment.

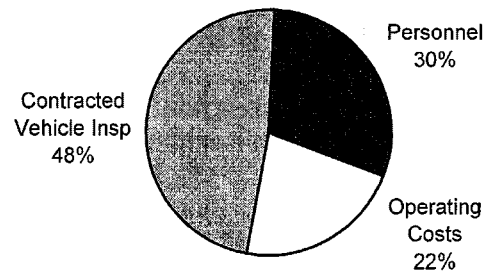
PCA recommendations to reduce air toxics and other pollutants from area and mobile sources have moved forward on a limited basis. The communication of air pollution issues is taking place on a piece-meal basis, confusing issues and keeping citizens and others from doing their part in reducing emissions from nonpoint sources of air pollution.

FINANCING INFORMATION:

FY 2000-01 Program Funding Source



FY 2000-01 Program Expenditures by Category



Activity: COMMUNITY & ASSISTANCE
Program: AIR
Agency: POLLUTION CONTROL AGENCY

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Category:									
State Operations									
COMPENSATION	1,711	1,220	1,218	1,306	1,477	1,370	1,552	591	24.2%
OTHER OPERATING EXPENSES	8,123	4,782	482	909	935	932	953	(3,376)	(64.1%)
OTHER FINANCIAL TRANSACTIONS	202	195	219	219	219	219	219	24	5.8%
Total Expenditures	10,036	6,197	1,919	2,434	2,631	2,521	2,724	(2,761)	(34.0%)

Change Items:	Fund				
(B) AIR TOXICS/MOBILE SOURCE REDUCTION	ENV			197	203
Total Change Items				197	203

Financing by Fund:							
Direct Appropriations:							
SPECIAL REVENUE	464	159	0	0	0	0	0
ENVIRONMENTAL	1,795	1,822	1,619	2,139	2,336	2,226	2,429
Statutory Appropriations:							
SPECIAL REVENUE	7,575	4,021	80	75	75	75	75
ENVIRONMENTAL	202	195	220	220	220	220	220
Total Financing	10,036	6,197	1,919	2,434	2,631	2,521	2,724

FTE by Employment Type:							
FULL TIME	30.2	22.7	21.3	21.6	24.6	21.7	24.7
PART-TIME, SEASONAL, LABOR SER	0.9	1.7	1.4	1.4	1.4	1.4	1.4
Total Full-Time Equivalent	31.1	24.4	22.7	23.0	26.0	23.1	26.1

BUDGET CHANGE ITEM (46409)

Budget Activity: COMMUNITY & ASSISTANCE
Program: AIR
Agency: POLLUTION CONTROL AGENCY

Item Title: AIR TOXICS/MOBILE SOURCE REDUCTION

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000s)				
Environmental Fund	\$197	\$203	\$203	\$203

Revenues: (\$000s)

Statutory Change? Yes _____ No X

If yes, statute(s) affected:

_____ New Activity _____ Supplemental Funding X Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends that \$197,000 in FY 2001 and \$203,000 in FY 2002 be reallocated from the Environmental Fund within the Pollution Control Agency (PCA) to raise awareness among stakeholders and citizens on new air quality issues and to encourage opportunities for self-sufficiency in reducing air pollution. This would be accomplished by developing a better scientific understanding of emerging air quality issues, and using that knowledge to develop incentives for less polluting behavior.

RATIONALE:

This reallocation will allow the PCA to reduce potential cancer risk, asthma, and other health effects associated with breathing outdoor pollutants from nonpoint sources as well as reduce the impacts on wildlife and other ecological systems. Traditional smokestack industries are estimated to be responsible for less than 10% of total air toxics emissions while mobile and area sources, often referred to as nonpoint sources, make up the balance. This reallocation also focuses on educating Minnesotans about the new air pollution issues facing us.

As one of the objectives of the PCA Five-Year Strategic Plan, the agency will reduce exposure to toxic air pollutants by further assessing the extent of the exposure to air toxics, proposing reduction strategies where appropriate, and starting a process to build partnerships to address problems. This is part of a multi-year effort to develop state policy on important environmental problems, one of which is reducing the threat to Minnesota citizens and wildlife from toxic

pollutants. The agency's Five-Year Strategic Plan requires the identification and implementation of partial solutions that are obvious and easy to implement. The requested reallocation will enable the PCA to attain these goals.

One FTE is needed to design and implement the strategies to reduce air emissions from the higher priority area sources, such as gas stations, wood burning stoves, and certain other industrial sectors that are not being addressed at the federal level. Currently, no FTEs are allocated to this effort, even though more than a third of toxic air emissions come from these smaller sources.

One FTE is needed to continue to develop an even better understanding of future air toxics and ozone trends in Minnesota, and potential environmental and economic impacts resulting from those trends.

One FTE is needed for communication of air issues. Currently, air pollution issues, such as greenhouse gases, ozone (smog), and air toxics, are communicated separately on a limited and reactive basis by the PCA. As a result, it is difficult to educate citizens about the environmental problems caused by mobile sources (cars, trucks, and off-road vehicles), which are the largest source of smog-forming and cancer-causing air pollution in Minnesota. Until recently, the PCA only addressed carbon monoxide pollution from these sources, but the PCA has shown that in many parts of the state, concentrations of toxic substances and levels of smog are of concern. At the current level of staffing, it is difficult for the PCA to engage effectively in a proactive air communications campaign. The PCA has developed this reallocation request based on the requirements of the Governor's Big Plan and a larger PCA reorientation toward emerging environmental issues. This reallocation request also responds to stakeholder requests that PCA enhance its communication and demonstrate leadership on this environmental issue.

FINANCING:

Reallocation would be from the salvage yard on-site technical assistance program (in the Land/Community Assistance Budget Activity). The Motor Vehicle Title Transfer Fee currently funds this program. The primary purpose of the Salvage Yard Program has been achieved. The funding is shifted to address more pressing environmental problems caused by motor vehicles and other dispersed sources of air pollution. This reallocation represents an 11% increase in activity directed at reducing air toxics and other pollutants from area and mobile sources.

BUDGET CHANGE ITEM (46409) (Continued)

Budget Activity: COMMUNITY & ASSISTANCE

Program: AIR

Agency: POLLUTION CONTROL AGENCY

Item Title: AIR TOXICS/MOBILE SOURCE REDUCTION

OUTCOMES:

The PCA will measure its success by

- estimating tons of air toxics and other air pollutants emitted from source categories targeted for reductions;
- estimating tons of air toxics and other air pollutants emitted from all source categories on an annual basis;
- measuring the levels of toxic air pollutants in the ambient air;
- measuring the levels of toxic air pollutants at selected facilities;
- using emissions estimates to model the number of Minnesotans exposed to concentrations of air toxics above health benchmarks; and
- conducting a survey to determine whether the public's awareness of air issues is changed from earlier baseline surveys.

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PROGRAM SUMMARY

Program: LAND
Agency: POLLUTION CONTROL AGENCY

FINANCING INFORMATION:

PROGRAM PROFILE:

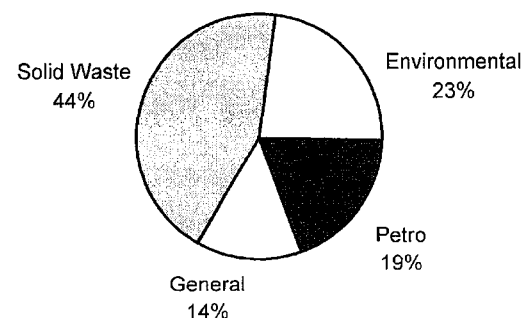
The Protecting the Land program exists to protect public health and the environment from existing and future contamination of the land. Protection of public health and the environment is accomplished through the management of the risks associated with potential contamination of soil, ground water, or surface water by the generation and management of solid and hazardous waste and the storage of petroleum products.

STRATEGIES AND PERFORMANCE:

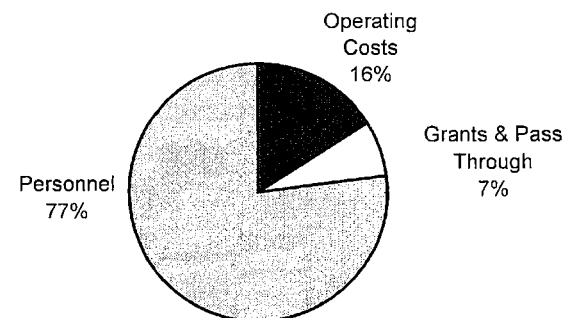
The Protecting the Land program promotes proper management of petroleum products, solid waste, and hazardous waste to prevent or limit adverse environmental effects. One of its critical goals is protecting ground water, which is one of Minnesota's most precious and vulnerable resources and the state's primary supply of drinking water. This program has an extremely successful history and has done much to accomplish its mission. The program provides training, education, and technical assistance on best management practices. When releases do occur, contamination of soils, ground water, and surface water are addressed to protect human health and limit the degradation of the environment. These activities are accomplished by

- collecting and assessing data to determine environmental risk and potential impacts;
- reaching a balance of regulation, enforcement, incentives, and assistance to achieve in a cost effective manner the level of environmental protection expected by the public;
- educating and involving the regulated community and local government in rules, procedures, and technologies;
- targeting inspections to deal with priority pollutants (mercury, air toxics) and tailoring enforcement actions to the magnitude of the violation and the violator's level of cooperation (from "red tags" and Administrative Penalty Orders through criminal enforcement);
- developing alliances with federal, state, and local agencies and business organizations to coordinate activities and minimize duplication; and
- integrating pollution prevention principles into all activities.

FY 2000-01 Program Funding Source



FY 2000-01 Program Expenditures by Category



PROGRAM SUMMARY (Continued)

Program: LAND
Agency: POLLUTION CONTROL AGENCY

BUDGET ISSUES:

A decade ago, money to pay for the state's solid waste activities came out of the General Fund. The forerunner of the current Solid Waste Tax was created in 1992 as a generator-based means of funding the Pollution Control Agency's (PCA's) administrative costs for ground water and solid waste programs in lieu of establishing permit fees on operators of facilities. The Solid Waste Assessment fee was increased in 1994 to fund a portion of the Closed Landfill Program. This funding source did not bring in the income projected until 1995, when growth in solid waste generation began increasing. In 1997, the Solid Waste Generator Assessment was reformed, along with the SCORE tax, into the current Solid Waste Tax. The Solid Waste Tax is levied on waste services purchased by Minnesota households, businesses, and government agencies. Because the law applies to garbage disposal and not to materials recycled, it rewards those businesses and individuals who cut back on waste. The legislation creating the Solid Waste tax had a one-time "excess revenue adjustment" which did not trigger in 1999. Because waste generation continues to increase, this tax is bringing in additional revenue to the Solid Waste and General Fund.

The Protecting the Land Program has been very successful over the last two decades in educating the regulated community on its environmental responsibilities and assuring their compliance with applicable laws. The regulated community understands what is expected of it. With the program moving into its maintenance phase, the PCA is focusing on the base level of resources necessary to sustain progress.

The hazardous waste program has been unable to collect enough fees to support the appropriation provided by the legislature. The hazardous waste fees are collected based on the amount of waste generated. Revenues have dropped as businesses employ successful pollution-prevention techniques, causing overall fees to rise in order to generate adequate revenue.

In the Tax Reform Initiative, the PCA is requesting elimination of separate accounts within the environmental fund, along with elimination of the hazardous waste fees and the water quality fees. With the resulting flexibility, as the need for hazardous and solid waste resources decreases to a maintenance level, the legislature and the PCA will be able to reassign resources where the need and potential environmental benefit is greater, specifically water quality point source and stormwater permitting, and reduction of air emissions.

GOVERNOR'S RECOMMENDATION:

The Governor recommends the agency's base budget with the following adjustments:

- Adopt PCA's tax reform proposal that restructures the Environmental Fund and creates a new Remediation Fund to improve the ability of the legislature and the affected agencies to direct money to the highest environmental priorities;
- Reallocate \$850,000 in FY 2002 and \$856,000 in FY 2003 to fund higher priority activities in other program areas.

Program: LAND
Agency: POLLUTION CONTROL AGENCY

Program Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Activity:									
REGULATORY COMPLIANCE	7,583	3,593	4,481	6,179	5,716	6,429	5,966	3,608	44.7%
COMMUNITY & ASSISTANCE	2,794	3,995	4,593	4,952	4,565	4,970	4,577	554	6.5%
Total Expenditures	10,377	7,588	9,074	11,131	10,281	11,399	10,543	4,162	25.0%

Change Items:	Fund				
(A) PCA ENVIRONMENTAL TAX REFORM	ENV			4,518	4,645
(A) PCA ENVIRONMENTAL TAX REFORM	PET			(2,218)	(2,270)
(A) PCA ENVIRONMENTAL TAX REFORM	REM			2,317	2,383
(A) PCA ENVIRONMENTAL TAX REFORM	SW			(4,617)	(4,758)
(A) LISTED METALS REALLOC TO MALFORMED FROG	ENV			(90)	(90)
(B) ISTS/SW/HW/UST REALLOC TO PNT SRCE&STRM	ENV			(463)	(463)
(B) LISTED METALS REALLOC TO LAKE SUP LAMP	ENV			(100)	(100)
(B) SALVAGE YARD REALLOC TO AIR TOXICS	ENV			(197)	(203)
Total Change Items				(850)	(856)

Financing by Fund:							
Direct Appropriations:							
GENERAL	1,233	1,071	1,119	1,258	1,258	1,265	1,265
PETROLEUM TANK RELEASE CLEANUP	1,505	1,346	1,736	2,218	0	2,270	0
ENVIRONMENTAL	2,504	1,780	1,984	2,816	6,484	2,884	6,673
REMEDIATION	0	0	0	0	2,317	0	2,383
SOLID WASTE	4,926	3,132	3,989	4,617	0	4,758	0
Statutory Appropriations:							
SPECIAL REVENUE	176	229	234	222	222	222	222
FEDERAL	30	30	12	0	0	0	0
ENVIRONMENTAL	3	0	0	0	0	0	0
Total Financing	10,377	7,588	9,074	11,131	10,281	11,399	10,543

FTE by Employment Type:							
FULL TIME	131.5	101.5	88.4	87.7	77.7	86.5	76.5
PART-TIME, SEASONAL, LABOR SER	5.4	4.8	9.8	9.8	9.8	9.8	9.8
Total Full-Time Equivalent	136.9	106.3	98.2	97.5	87.5	96.3	86.3

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BUDGET ACTIVITY SUMMARY

Budget Activity: REGULATORY COMPLIANCE
Program: LAND
Agency: POLLUTION CONTROL AGENCY

ACTIVITY PROFILE:

The focus of the Regulatory Compliance activity is to prevent unacceptable risk to human health and the environment from the generation and management of solid and hazardous waste and petroleum storage. Proper waste management prevents and limits long-term environmental effects and degradation of ground water, the state's primary supply of drinking water.

STRATEGIES AND PERFORMANCE:

This activity provides services to Minnesota businesses and governments that store petroleum products or generate hazardous waste, waste oil, or solid waste, which includes municipal solid waste, construction waste, demolition debris, industrial waste, infectious waste, and waste tires.

Solid Waste:

Residents and businesses generated 5.4 million tons of mixed municipal solid waste in 1999.

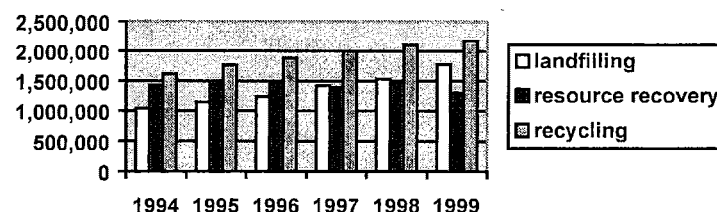
**Per capita generation of Municipal Solid Waste
(tons per person)
1994 - 1999**

	1994	1995	1996	1997	1998	1999	% change (1994-1999)
Gr Minn	0.82	0.85	0.86	0.88	0.93	0.96	18%
Met	1.08	1.13	1.18	1.21	1.26	1.3	20%
Minn.	0.96	0.98	1.02	1.06	1.11	1.14	19%

Source: 1994-99 County SCORE data. Figures are rounded.

County SCORE reports indicate that mixed municipal solid waste generation has increased yearly since 1992, due to the booming economy, population growth, and increased use of packaging. Recycling remains the largest solid waste management method, with recycling tonnages growing each year. However, due to the rapid growth of the waste stream overall, recycling rates have remained constant at slightly more than 40%. Also, during this period resource recovery systems have lost capacity, while landfilling has increased. The challenge for the future will be to partner with the Office of Environmental Assistance to work with industry, government, and the public to assess and address the increased generation of waste.

Municipal Solid Waste Disposal 1994 - 1999



Hazardous Waste:

Minnesota has 28 hazardous waste treatment, storage, and disposal facilities. In greater Minnesota there are also 87 large quantity (>2200 lbs/mo) generators of hazardous waste generating 242,656,703 lbs/yr; 544 small quantity (<2200 and > 220 lbs/mo) generators generating 17,012,752 lbs/yr; and 3,771 very small quantity (<220 lbs/mo) generators generating 3,800,000 lbs/yr. Regulations vary by size of generator. The largest generators are few in number but generate the greatest volume of waste and represent the greatest risk to the environment. The smallest generators are numerous, but represent lesser risk.

Larger companies, which pose the greater risk, are inspected routinely, usually every two years if possible. Smaller companies are inspected in response to complaints. When resource limitations require choices, the first priority for inspections is companies generating persistent, bio-accumulative toxics, which pose the greatest environmental risk. The primary effort for small companies goes into partnering with local government and trade organizations to provide education and assuring convenient, cost-effective disposal options. (See Community and Assistance Section.)

Tanks:

Minnesota has 83 above-ground storage tank sites that store one million gallons or more of petroleum products which is 50 to 60% of the existing volume of petroleum stored in the state. There are 400 to 500 above-ground storage tanks that store between 100,000 and one million gallons of petroleum products (30 - 40% of existing volume). There are 5,000 above-ground tank sites that store between 1,000 and 100,000 gallons of petroleum products (< 10% of existing volume).

Due to an aggressive Above-ground Storage Tank outreach effort by the Pollution Control Agency (PCA), the largest and highest risk category will soon be completely permitted. Based on this successful effort, resources can now be

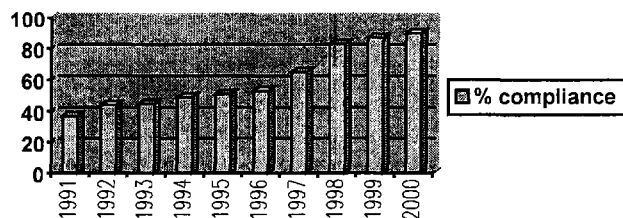
BUDGET ACTIVITY SUMMARY (Continued)

Budget Activity: REGULATORY COMPLIANCE
Program: LAND
Agency: POLLUTION CONTROL AGENCY

directed to the smaller, mid-level risk categories and the higher environmental priorities described in the Budget Issues section.

The goal of the underground storage tank program is to assure proper operation and maintenance so leaks are detected and corrected. Prevention is far more cost effective and requires fewer resources than cleanup.

Compliance rates for underground petroleum storage tanks

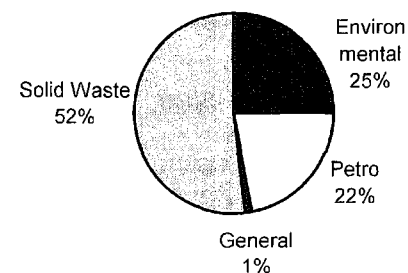


To ensure the proper management of waste, the PCA conducts environmental audits, monitors permit compliance, inspects, and takes enforcement actions to prevent or address contamination. In addition, the PCA assists waste management facilities in performing the following to ensure regulatory compliance and reduce risk to a reasonable level:

- monitoring water quality at and around facilities and taking corrective actions where contamination is detected above acceptable levels;
- increasing the level of compliance with release detection requirements for petroleum storage tanks;
- reducing leachate contamination from solid waste disposal facilities to surface and ground water with the installation of covers and liners;
- implementing technical upgrades, such as active gas systems and ground water treatment systems, to bring solid waste facilities into compliance with engineering requirements and ground water performance standards; and
- installing active gas treatment systems at the closed portions of operating solid waste facilities and at closed landfill facilities under state control to reduce gas migration to adjacent land, water, and air.

FINANCING INFORMATION:

FY 2000-01 Program Funding Source



- FY 2000-01, program expenditures by category include 87% for personnel and 13% for operating costs.

BUDGET ISSUES:

Solid waste facilities, hazardous waste storage, treatment and disposal facilities, and facilities that generate large quantities of hazardous waste have been permitted or licensed for some time. The total number of facilities in these categories changes little. Environmental regulations governing these types of facilities are well understood. Public awareness encourages regulated parties to remain in compliance. For these reasons, a portion of these resources can be redirected to higher priority issues. Partnerships with local government will help to minimize the impacts of the proposed reductions, especially for smaller facilities.

The PCA is proposing to reassign \$463,000 annually from solid waste, hazardous waste, and underground storage tank activities to water quality point source and storm-water permitting. This represents 10% of approximately \$4.5 million in base funding and 7% of approximately 75.0 FTEs.

The benefits of the reassignment to water quality activities will be quicker permit issuance and development of a storm-water program that complies with new federal regulations. The ultimate goal is to protect receiving waters that currently meet their designated uses, and improve those that do not meet the goal of fishable and swimmable lakes and rivers.

Activity: REGULATORY COMPLIANCE
Program: LAND
Agency: POLLUTION CONTROL AGENCY

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Category:									
State Operations									
COMPENSATION	6,270	3,391	3,599	3,710	3,280	3,887	3,433	(277)	(4.0%)
OTHER OPERATING EXPENSES	1,313	202	882	2,269	2,236	2,342	2,333	3,485	321.5%
TRANSFERS	0	0	0	200	200	200	200	400	
Total Expenditures	7,583	3,593	4,481	6,179	5,716	6,429	5,966	3,608	44.7%

Change Items:	Fund				
(A) PCA ENVIRONMENTAL TAX REFORM	ENV			3,070	3,188
(A) PCA ENVIRONMENTAL TAX REFORM	PET			(1,566)	(1,615)
(A) PCA ENVIRONMENTAL TAX REFORM	REM			1,665	1,728
(A) PCA ENVIRONMENTAL TAX REFORM	SW			(3,169)	(3,301)
(B) ISTS/SW/HW/UST REALLOC TO PNT SRCE&STRM	ENV			(463)	(463)
Total Change Items				(463)	(463)

Financing by Fund:					
Direct Appropriations:					
GENERAL	38	39	21	25	25
PETROLEUM TANK RELEASE CLEANUP	1,094	794	1,022	1,566	0
ENVIRONMENTAL	1,495	947	1,044	1,419	4,026
REMEDIATION	0	0	0	0	1,665
SOLID WASTE	4,926	1,808	2,382	3,169	0
Statutory Appropriations:					
FEDERAL	30	5	12	0	0
Total Financing	7,583	3,593	4,481	6,179	5,716

FTE by Employment Type:					
FULL TIME	111.0	57.0	52.7	51.9	44.9
PART-TIME, SEASONAL, LABOR SER	3.5	1.8	3.8	3.8	3.8
Total Full-Time Equivalent	114.5	58.8	56.5	55.7	48.7

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BUDGET ACTIVITY SUMMARY

Budget Activity: COMMUNITY & ASSISTANCE
Program: LAND
Agency: POLLUTION CONTROL AGENCY

ACTIVITY PROFILE:

The focus of the Community and Assistance activity is to prevent adverse impacts on human health and the environment caused by the generation and management of solid and hazardous waste. This activity provides services to businesses that generate and manage waste.

STRATEGIES AND PERFORMANCE:

The majority of wastes in Minnesota are now either properly managed in appropriate facilities or recycled, and the program's focus is to appropriately maintain those results.

Data Collection and Policy Analysis:

- collecting, analyzing, and interpreting data to assess environmental impacts, targeting education efforts, assessing the level of success of agency program efforts, and developing reports and recommendations for future action, rules, and laws;
- assessing and guiding state and federal policymaking for managing hazardous and solid waste, for protecting ground water by focusing on persistent and bio-accumulative wastes, and attempting to find creative methods of dealing with less environmentally critical wastes;

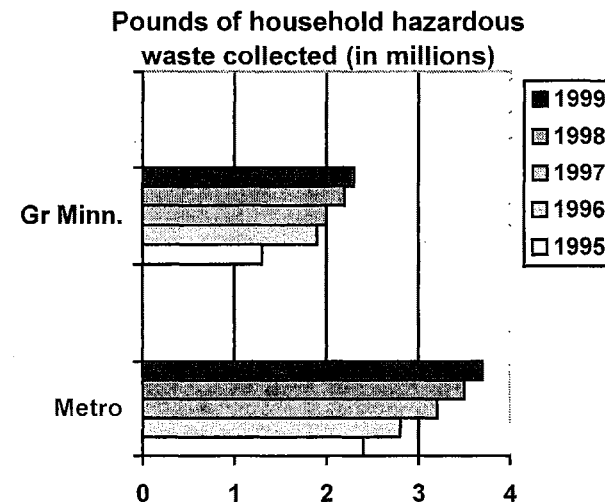
Education and Assistance:

- providing pollution-prevention assistance to a wide variety of businesses, with emphasis on the automotive sector and generators of mercury, polychlorinated biphenyls, and other persistent and bio-accumulative toxics;
- enhancing the state data system to allow for electronic data submittals from and transfers to the regulated community;
- assisting small businesses in interpreting and understanding rules, applying for appropriate permits, and guiding them in complying with environmental rules;
- assisting in training for installers and removers of petroleum storage tanks;
- reducing administrative burdens on small businesses by streamlining processes and reducing reporting requirements;

Partnership:

- developing approaches for reduction and management of hazardous and solid waste and promoting proper petroleum storage tank management, such as partnering with federal, state, and local agencies and business organizations to coordinate assistance, minimize duplication, and provide better service;
 - For example, the PCA partners with the metropolitan counties on educating and inspecting hazardous waste generators and is piloting a project to allow Hennepin County to conduct petroleum storage tank inspections for themselves.
- soliciting input from the regulated community and promoting partnerships to test and implement innovative methods of waste management and regulation;
- partnering with Minnesota counties to provide technical and financial assistance for the operation of household hazardous waste collection facilities and to support public education programs on the methods of reducing household hazardous waste (see chart below for amounts collected); and

Household Hazardous Waste Collection Trends



- reducing the impact of harmful constituents in products through forming alliances with
 - manufacturers to encourage them to voluntarily redesign their products;

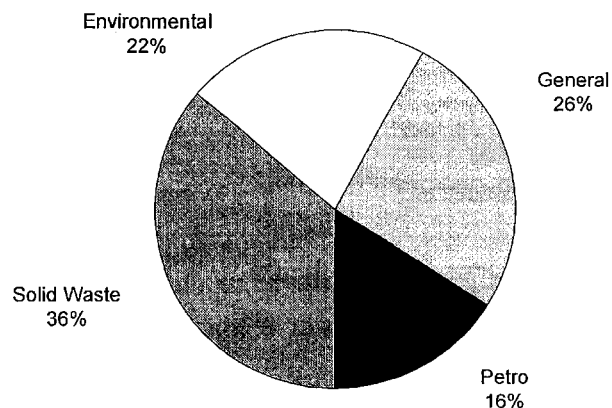
BUDGET ACTIVITY SUMMARY (Continued)

Budget Activity: COMMUNITY & ASSISTANCE
Program: LAND
Agency: POLLUTION CONTROL AGENCY

- government and industry to set up low-cost, convenient waste collection systems;
- Environmental Protection Agency, environmental organizations, educational institutions, and the media to educate consumers; and
- a citizens' Listed Metals Advisory Council to review and potentially recommend banning of products containing toxic listed metals and those which have metal-free alternative products.

FINANCING INFORMATION:

FY 2000-01 Program Funding Source



In FY 2000-01, 59% of program expenditures were for personnel, 16% for operating costs, and 25% for grants and pass-through funding. The "Grants and Pass-Through" funds consist of \$1.279 million for the biennium primarily to counties for household hazardous waste education and collection.

BUDGET ISSUES:

The \$200,000 per year and approximately 2.5 FTEs (100% of the resources) currently dedicated to the Salvage Yard initiative will be reassigned to air toxics and mobile sources pollution reduction activities.

The primary purpose of the Salvage Yard Initiative, the creation and dissemination of education and outreach materials on best management practices at salvage yards, has been completed. Remaining compliance needs in this area can be handled under the PCA's base hazardous and solid waste programs and by the strong industry association. The benefits of the reassignment will be increased awareness by the public regarding nonpoint sources of air pollution (gas stations, wood burning stoves, cars, and trucks) and their personal roles in reducing them. The ultimate goal is the reduction of potential cancer risk, asthma, and other health effects of breathing pollutants from nonpoint sources, as well as the reduction of impact on wildlife and other ecological systems.

In addition, \$380,000 of the \$398,000 (95%) in Listed Metals funding is being reallocated to malformed frog activities and to the Lake Superior Lakewide Management Plan. M.S. Section 115A.9651 required companies to submit a yearly report reviewing their products for certain listed metals until the products were evaluated by the Listed Metals Advisory Council as to the need for a ban on the product in Minnesota. Because companies were allowed to submit an entire product line based on metals concentrations or other characteristics, the products enrolled in the program were only 15% of projections. Therefore, the reviews will be completed by January 2001 and the funds can be reallocated to other priorities.

Reallocating \$180,000 for the biennium to malformed frog activities will allow the PCA to continue frog census work at identified hotspots and to provide samples from Minnesota sites to researchers who are interested in studying Minnesota's malformed frogs. Reallocating \$200,000 for the biennium to the Lake Superior Lakewide Management Plan will allow the PCA to fulfill its commitments to neighboring partners under the Lake Superior Binational Program to reduce nine toxic chemicals.

Activity: COMMUNITY & ASSISTANCE
Program: LAND
Agency: POLLUTION CONTROL AGENCY

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Category:									
State Operations									
COMPENSATION	1,276	2,559	2,504	2,422	2,251	2,481	2,299	(513)	(10.1%)
OTHER OPERATING EXPENSES	845	811	1,435	1,745	1,529	1,701	1,490	773	34.4%
TRANSFERS	0	0	0	131	131	134	134	265	
Subtotal State Operations	2,121	3,370	3,939	4,298	3,911	4,316	3,923	525	7.2%
LOCAL ASSISTANCE	673	625	654	654	654	654	654	29	2.3%
Total Expenditures	2,794	3,995	4,593	4,952	4,565	4,970	4,577	554	6.5%

Change Items:	Fund				
(A) PCA ENVIRONMENTAL TAX REFORM	ENV			1,448	1,457
(A) PCA ENVIRONMENTAL TAX REFORM	PET			(652)	(655)
(A) PCA ENVIRONMENTAL TAX REFORM	REM			652	655
(A) PCA ENVIRONMENTAL TAX REFORM	SW			(1,448)	(1,457)
(A) LISTED METALS REALLOC TO MALFORMED FROG	ENV			(90)	(90)
(B) LISTED METALS REALLOC TO LAKE SUP LAMP	ENV			(100)	(100)
(B) SALVAGE YARD REALLOC TO AIR TOXICS	ENV			(197)	(203)
Total Change Items				(387)	(393)

Financing by Fund:							
Direct Appropriations:							
GENERAL	1,195	1,032	1,098	1,233	1,233	1,237	1,237
PETROLEUM TANK RELEASE CLEANUP	411	552	714	652	0	655	0
ENVIRONMENTAL	1,009	833	940	1,397	2,458	1,399	2,463
REMEDIATION	0	0	0	0	652	0	655
SOLID WASTE	0	1,324	1,607	1,448	0	1,457	0
Statutory Appropriations:							
SPECIAL REVENUE	176	229	234	222	222	222	222
FEDERAL	0	25	0	0	0	0	0
ENVIRONMENTAL	3	0	0	0	0	0	0
Total Financing	2,794	3,995	4,593	4,952	4,565	4,970	4,577

<u>FTE by Employment Type:</u>							
FULL TIME	20.5	44.5	35.7	35.8	32.8	34.9	31.9
PART-TIME, SEASONAL, LABOR SER	1.9	3.0	6.0	6.0	6.0	6.0	6.0
Total Full-Time Equivalent	22.4	47.5	41.7	41.8	38.8	40.9	37.9

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PROGRAM SUMMARY

Program: INTEGRATED ENVIRONMENTAL PROGS
Agency: POLLUTION CONTROL AGENCY

PROGRAM PROFILE:

Although the Pollution Control Agency (PCA) has made good progress in environmental protection since the 1960s and continues to maintain ongoing regulatory programs, Minnesotans today are turning their attention to a new generation of environmental challenges—everyday human activities that adversely impact the environment, the cumulative effects of which present significant environmental problems. Addressing emerging environmental issues presents the need for new approaches to solving and preventing the state's environmental problems. Integrating environmental programs leads the PCA and the state toward increased flexibility to adapt to identified environmental priorities and quantifying the outcomes of our work, not only the activities. In order to do this, the program provides data and information to support environmental decisions as well as to develop reduction and prevention strategies. This allows the PCA to promote activities leading to reductions in potential future releases and cleanup actions. Inviting public participation in addressing the state's environmental problems brings government back to the people.

STRATEGIES AND PERFORMANCE:

Integrating environmental programs relies on the following strategies:

- collecting necessary data to describe environmental conditions and process the data in a way that is of value to PCA users, other government agencies, and citizens;
- conducting applied research critical to the PCA's mission;
- using information to measure the effectiveness of our regulatory and management programs in resolving priority environmental problems and protecting the environment;
- providing the data and information required to develop reduction and prevention strategies, thereby reducing the potential for releases and cleanup of pollutants;
- reducing risk through preventing, investigating, cleaning up, and monitoring releases and contamination; and
- working with EPA and other governmental partners to focus public funds on efforts that produce environmental outcomes and allow the state greater flexibility to achieve those outcomes.

To effectively manage environmental progress by measuring the actual environmental outcomes of our work, a more complete and integrated system of

environmental monitoring is needed. Like many environmental agencies, PCA has adequate data in some areas and not enough in others. Significant changes have been made in *what and how* we monitor in order to make monitoring more cost-effective and more useful and to address changes in the types of pollution problems the PCA identifies. In addition, a better way to manage and interpret this data is needed in order to understand environmental conditions, so we can make better decisions, shift priorities if necessary, and use data and information to develop reduction and prevention strategies.

Through PCA environmental monitoring, we have identified important pollution problems across the state. While the state provides direction, consistency and an overall picture of the state's environmental condition, regional and local actions are essential. Coordination within the statewide framework for environmental management allows regional and local activities to fill in gaps. For example, PCA monitoring provides critical data used in setting water quality standards to protect Minnesota's valued water resources. These standards are used to assess and identify polluted waters, to help set priorities for treatment and cleanup actions, and to set discharge limits.

Developing reduction and prevention strategies addresses a focus on reducing environmental and human health risk from hazardous substances, pollutants and contaminants. PCA promotes preventing pollution from occurring in the first place, which will reduce, but not eliminate, future need to conduct clean-up activities. Emergency response activities focus not only on responding to spills but working with communities and industry on spill preparedness and prevention. Potential risks may result from uncontrolled releases leading to contaminated soils and groundwater and subsequent clean-up actions.

A significant direction toward developing joint environmental priorities and agreed upon outcomes with EPA is reflected in the Environmental Performance Partnership Agreement. The activities detailed in the Agreement support the outcome-based goals of clean and clear air, clean water, uncontaminated ground water and land, and healthy ecosystems.

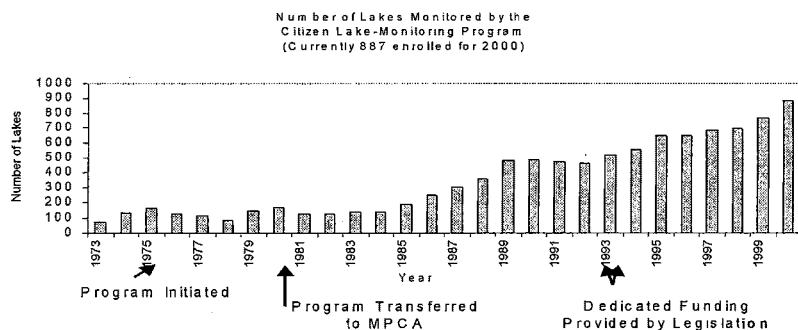
The PCA has conducted extensive public participation efforts aimed at learning about the environmental values and views of citizens. Two examples are the 1999 Governor's Citizen Forums on the Environment and a telephone survey of 800 households regarding the environment. By factoring the public's values and concerns together with our science-based knowledge, we are better able to set environmental priorities and work with partners to develop educational strategies promoting behavioral change and improved environmental practices. What we have learned will help us to shape information for Minnesotans and ultimately to develop support and involvement toward solving today's and tomorrow's environmental problems.

PROGRAM SUMMARY (Continued)

Program: INTEGRATED ENVIRONMENTAL PROGS
Agency: POLLUTION CONTROL AGENCY

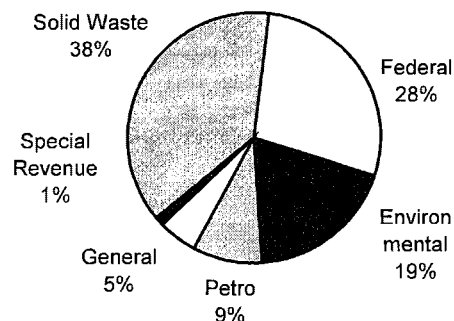
More recently, the PCA published the Minnesota Environment 2000 report, a document that responds to the question, is our environment getting better? This report considers Minnesota environmental issues from global, statewide, and regional perspectives and ultimately encourages Minnesota citizens to personally make a difference.

One way in which citizens can become directly involved is through participation in the Citizen Lake Monitoring program. The graph below shows the growth of this program from its establishment in 1973 to the present.

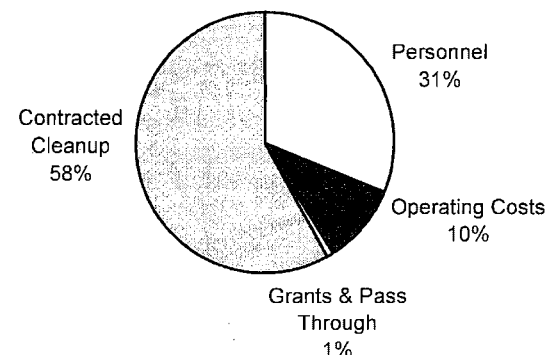


FINANCING INFORMATION:

FY 2000-01 Program Funding Source



FY 2000-01 Program Expenditures by Category



BUDGET ISSUES:

The PCA is seeking to reallocate \$1 million per biennium within the agency's existing base funding to conduct additional monitoring in the Upper Mississippi River Basin and to make the resulting water information more readily accessible. A change item is included for this proposal.

The PCA is also seeking to reallocate \$180,000 for the FY 2002 and FY 2003 biennium within the PCA's existing base funding to continue to provide samples from Minnesota sites to researchers who are interested in studying Minnesota's malformed frogs and to continue frog census work at our research sites. A change item is included for this proposal.

GOVERNOR'S RECOMMENDATION:

The Governor recommends the agency's base budget with the following adjustments:

- Reallocate \$90,000 in FY 2002 and \$90,000 in FY 2003 for malformed frog sample collection and census work;
- Reallocate \$665,000 in FY 2002 and \$335,000 in FY 2003 from the Superfund clean-up program for increased monitoring of the water quality of the Upper Mississippi River Basin.
- Adopt PCA's Environmental Tax Reform proposal to restructure the Environmental Fund and create a new Remediation Fund to improve the ability of the legislature and the affected agencies to direct resources to the highest environmental priorities.

Program: INTEGRATED ENVIRONMENTAL PROGS
Agency: POLLUTION CONTROL AGENCY

Program Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Activity:									
INTEGRATED ENVIRONMENTAL PROGS	4,257	5,428	6,664	6,693	6,693	5,490	5,490	91	0.8%
ENVIRONMENTAL OUTCOMES	7,129	7,891	10,174	7,780	8,535	7,556	7,981	(1,549)	(8.6%)
CLEANUP	25,646	30,064	70,582	50,519	49,854	50,210	49,875	(917)	(0.9%)
Total Expenditures	37,032	43,383	87,420	64,992	65,082	63,256	63,346	(2,375)	(1.8%)

Change Items:	Fund				
(A) PCA ENVIRONMENTAL TAX REFORM	ENV			(6,960)	(6,186)
(A) PCA ENVIRONMENTAL TAX REFORM	PET			(6,293)	(6,346)
(A) PCA ENVIRONMENTAL TAX REFORM	REM			37,780	37,529
(A) PCA ENVIRONMENTAL TAX REFORM	SW			(24,527)	(24,997)
(B) MALFORMED FROG SAMPLE COLLECTION	ENV			90	90
(B) BASIN MONITORING INFORMATION	ENV			665	335
(B) SUPERFUND REALLOC TO BASIN MONITORING	REM			(665)	(335)
Total Change Items				90	90

Financing by Fund:							
Direct Appropriations:							
ENVIRONMENT & NATURAL RESOURCE	311	333	0	0	0	0	0
GENERAL	3,773	3,088	3,288	2,556	2,556	2,565	2,565
MINNESOTA RESOURCES	0	50	50	0	0	0	0
PETROLEUM TANK RELEASE CLEANUP	1,633	1,429	1,331	1,293	0	1,346	0
ENVIRONMENTAL	6,202	6,236	6,769	7,829	5,379	8,131	5,195
REMEDATION	0	0	0	0	7,275	0	7,578
METRO LANDFILL CONTINGENCY	117	0	0	0	0	0	0
SOLID WASTE	522	2,478	1,783	2,777	0	2,871	0
Open Appropriations:							
REMEDATION	0	0	0	0	6,711	0	6,711
SOLID WASTE	2,020	2,420	6,711	6,711	0	6,711	0
Statutory Appropriations:							
PETROLEUM TANK RELEASE CLEANUP	2,711	2,967	5,049	5,000	0	5,000	0
SPECIAL REVENUE	621	548	848	594	594	567	567
FEDERAL	8,469	11,620	27,897	19,438	19,438	17,825	17,825
ENVIRONMENTAL	1,645	2,899	7,666	3,755	0	2,825	0
REMEDATION	0	0	0	0	23,129	0	22,905
SOLID WASTE	9,008	9,315	26,028	15,039	0	15,415	0
Total Financing	37,032	43,383	87,420	64,992	65,082	63,256	63,346

Program: INTEGRATED ENVIRONMENTAL PROGS
Agency: POLLUTION CONTROL AGENCY

Program Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003	
				Base	Governor Recomm.	Base	Governor Recomm.
<u>FTE by Employment Type:</u>							
FULL TIME	272.8	320.9	313.0	274.9	280.4	256.5	262.0
PART-TIME, SEASONAL, LABOR SER	11.6	14.3	18.6	15.8	15.8	14.2	14.2
OVERTIME PAY	0.4	0.5	0.1	0.1	0.1	0.1	0.1
Total Full-Time Equivalent	284.8	335.7	331.7	290.8	296.3	270.8	276.3

BUDGET ACTIVITY SUMMARY

Budget Activity: INTEGRATED ENVIRONMENTAL PROGS
Program: INTEGRATED ENVIRONMENTAL PROGS
Agency: POLLUTION CONTROL AGENCY

ACTIVITY PROFILE:

Integrating environmental programs leads the PCA and the state toward

- increasing flexibility to adapt to identified environmental priorities,
- quantifying the outcomes of our work, not just program outputs, and
- providing data, information and training to support environmental decisions as well as development of reduction and prevention strategies.

STRATEGIES AND PERFORMANCE:

This budget activity relies on the following strategies:

- using data and information on environmental conditions and PCA activities to measure the effectiveness of our regulatory and management programs in resolving priority environmental problems and protecting the environment;
- using the data and information required to develop reduction and prevention strategies;
- processing data in a way that it is of value to PCA users, other government agencies, and citizens;
- working with EPA and other governmental partners to focus public funds on efforts that produce environmental outcomes and allow the state greater flexibility to achieve those outcomes; and
- providing training to regulated individuals focused on enhancing compliance and reducing pollution.

With the goal of developing joint environmental priorities and agreed upon outcomes, EPA and the state have entered into an Environmental Performance Partnership Agreement (EnPPA) beginning in FY 1997. In addition, the PCA pursued a Performance Partnership Grant (PPG) for FY 1999 and 2000-2001 which combined eight media specific grants into one grant award. The activities reflected in the Environmental Performance Partnership Agreement support the outcome-based goals of clean and clear air, clean water, uncontaminated ground water and land, and healthy ecosystems. Through this partnership, the PCA strives to

- protect and improve Minnesota's rivers, lakes, wetlands and ground water so that they support healthy aquatic communities and public uses such as fishing, swimming, and drinking water;
- ensure clean and clear air that is protective of human health and the environment;
- protect public health and the environment from existing and future contamination of the land; and
- protect the environment and public health through multimedia approaches that ensure healthy ecosystems.

EnPPA Activity Categories

Assistance	Compliance Determination	Enforcement	Monitoring and Evaluation
Permitting	Policies and Rules	Program-Specific Activities	Remediation

Over time, we are striving toward having the work of the PCA, as reflected in the Environmental Performance Partnership Agreement, align with the environmental protection needs of the people of Minnesota.

The PCA is moving in the direction of managing progress by quantifying the actual environmental outcomes of our work, not just the outputs of PCA programs. To do this effectively, a more complete and integrated system of environmental monitoring data is needed. Like many environmental agencies, the PCA has adequate data in some areas and not enough in others. In addition, what is needed is a better way to manage and interpret what all these data are telling us about the environment, so we can make better decisions, shift priorities if necessary, and use data and information to develop reduction and prevention strategies.

Ongoing efforts to integrate compliance and related program data and to provide all employees with networked personal computer workstations, has been a strong foundation for a comprehensive environmental data management system. To further the use of data for analysis in meaningful ways, PCA has been relying on the EPA One Stop project as a catalyst for designing and committing resources to make further progress toward meeting our integrated data management needs, including geographic presentation. Since receiving the One-Stop grant, the PCA has made significant progress in adding locational coordinates for sites to allow use of data in geographic context. The One-Stop project has also resulted in significant improvement in communication and cooperation among organizations within and outside Minnesota, leading to information exchange and sharing of strategies.

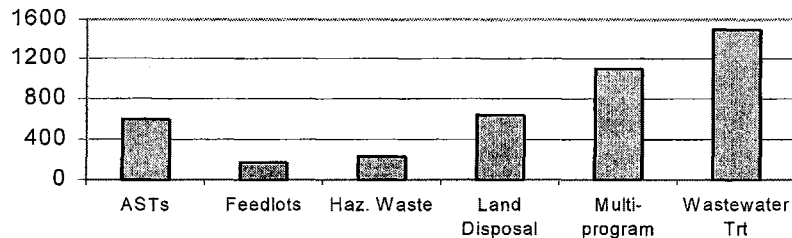
BUDGET ACTIVITY SUMMARY (Continued)

Budget Activity: INTEGRATED ENVIRONMENTAL PROGS
Program: INTEGRATED ENVIRONMENTAL PROGS
Agency: POLLUTION CONTROL AGENCY

The PCA provides training to regulated individuals as part of a balanced regulatory strategy focused on enhancing compliance and reducing pollution. Each year, over 4,000 individuals attend training produced by the PCA. Feedback from attendees has consistently shown that people find particular value in learning about PCA requirements directly from the PCA. PCA training activities are supported predominantly with revenue generated by these training events.

PCA training provides regulated parties with valuable knowledge of PCA rules and environmentally sound operational strategies. This training provides an important opportunity for positive, non-regulatory contact with the PCA and also provides a similar opportunity for PCA staff to learn from and better understand the concerns of regulated parties. The PCA also provides training to a variety of regulatory and research partners to enhance their ability to work with the PCA to protect the environment for all Minnesotans. Beyond the major training events documented below, numerous other training opportunities occur on a smaller scale. For example, several other less formal training events for feedlots have taken place and are planned for the future.

Total Attendance at MPCA Training Events during FY 2000



Training Type	Above-ground Storage Tanks	Feedlots	Hazardous Waste	Land Disposal	Multi-program	Wastewater Treatment	Total
Total Attendance	600	170	230	640	1100	1500	4240
# of Training Opportunities	14	1	7	16	18	12	68

FINANCING INFORMATION:

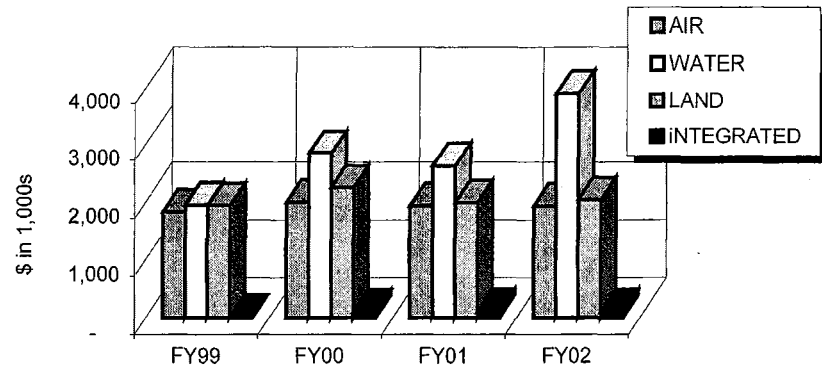
This activity is funded with federal funds (95%) and a direct appropriation from the Environmental Fund (5%).

In FY 2000-01, 84% of expenditures were for personnel, 15% for operating costs, and 1% for grants.

BUDGET ISSUES:

Overall, base funding in the PPG has remained relatively constant over the past three years. Water media funding increased by approximately 51% in FY 2000 because of an increase in the water portion of the PPG. It is anticipated that an additional increase of approximately 50% will be available beginning FY 2002. Also in FY 2002, three competitive grants will be removed from the PPG, and applied for separately.

PPG YEARLY FUNDING BY MEDIA



Activity: INTEGRATED ENVIRONMENTAL PROGS
Program: INTEGRATED ENVIRONMENTAL PROGS
Agency: POLLUTION CONTROL AGENCY

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Category:									
State Operations									
COMPENSATION	3,693	4,791	5,101	5,079	5,079	4,203	4,203	(610)	(6.2%)
OTHER OPERATING EXPENSES	564	637	1,563	1,614	1,614	1,287	1,287	701	31.9%
Total Expenditures	4,257	5,428	6,664	6,693	6,693	5,490	5,490	91	0.8%
Change Items:	Fund								
(A) PCA ENVIRONMENTAL TAX REFORM	ENV				(52)		(54)		
(A) PCA ENVIRONMENTAL TAX REFORM	REM				52		54		
Total Change Items					0		0		
Financing by Fund:									
Direct Appropriations:									
GENERAL	3	0	0	0	0	0	0		
ENVIRONMENTAL	168	147	366	339	287	348	294		
REMEDATION	0	0	0	0	52	0	54		
Statutory Appropriations:									
SPECIAL REVENUE	0	9	69	26	26	26	26		
FEDERAL	4,086	5,272	6,229	6,328	6,328	5,116	5,116		
Total Financing	4,257	5,428	6,664	6,693	6,693	5,490	5,490		
FTE by Employment Type:									
FULL TIME	66.1	79.4	81.2	75.3	75.3	59.2	59.2		
PART-TIME, SEASONAL, LABOR SER	2.4	4.6	7.8	7.5	7.5	7.0	7.0		
Total Full-Time Equivalent	68.5	84.0	89.0	82.8	82.8	66.2	66.2		

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BUDGET ACTIVITY SUMMARY

Budget Activity: ENVIRONMENTAL OUTCOMES
Program: INTEGRATED ENVIRONMENTAL PROGS
Agency: POLLUTION CONTROL AGENCY

ACTIVITY PROFILE:

The Environmental Outcomes activity provides a picture of environmental conditions and the nature of the impairments for the purpose of making decisions to improve Minnesota's environment. This program provides the data and information required to develop reduction and prevention strategies. Ambient monitoring of air, surface water and ground water quality, and biological monitoring allow the Pollution Control Agency (PCA) to measure impacts to human health and the environment, to set standards and determine compliance with standards, and to guide activities that address identified priority environmental concerns. Making environmental outcomes information accessible to citizens and partners and helping the public, including students, to learn about emerging environmental issues is critical to addressing current and future environmental pressures. This brings government back to the people.

Despite the many environmental successes of recent decades and maintenance of ongoing regulatory programs, Minnesota faces continuing environmental challenges. Consumption advisories for some game fish remain in effect due to mercury in numerous lakes. Persistent toxics in the environment continue to need further assessment and development of reduction strategies. Some smaller communities lack adequate wastewater treatment to protect surface water quality. Development brings more pavement and less plant cover to slow runoff carrying contaminants, sediment and nutrients into surface water. Shallow sand aquifers of the west central region are vulnerable to ground water contamination. What we do on the land in the southeast karst topography has a profound effect on water, both above and below ground.

STRATEGIES AND PERFORMANCE:

The following assessment strategies will improve our understanding of and ability to describe the environmental condition by:

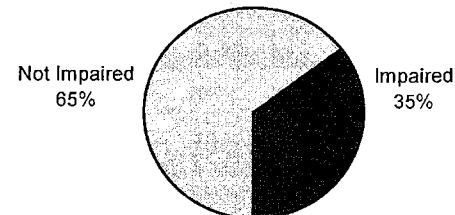
- maintaining a high quality monitoring network that describes the condition of the environment;
- conducting applied research critical to the PCA's mission; and
- using this information to measure the effectiveness of our regulatory and management programs in resolving environmental problems and protecting our resources.

Through PCA's environmental monitoring information we have identified primary pollution problems for each region of the state. By cooperating closely with federal, other state, and local agencies, we coordinate existing monitoring and modeling efforts, minimize duplication, share equipment, cut costs, and provide better customer service. While the state plays a central role in providing direction, consistency, and an overall picture of the state's environmental condition, regional and local actions are an essential part of the state's environmental management system. The statewide system provides a framework for environmental management, while regional and local activities supplement to fill in gaps.

Monitoring and evaluation has evolved a great deal since the PCA's early years. Significant changes have been made in *what* we monitor, as the types of water pollution problems we deal with have changed. Likewise significant changes have been made in *how* we monitor, to make monitoring more cost-effective and results more useable. Most recently, the PCA has moved toward:

- watershed-based monitoring that focuses on the complex relationships between land and water and encompasses both point and nonpoint pollution;
- water program regulation coordination among state and local governments, with the potential for multi-agency monitoring;
- more citizen monitoring and cooperative efforts with local organizations; and
- biological monitoring development, a more direct indicator of impacts to biological integrity.

Aquatic Life Support 11,140 Assessed Miles 91,944 Total River Miles



BUDGET ACTIVITY SUMMARY (Continued)

Budget Activity: ENVIRONMENTAL OUTCOMES
Program: INTEGRATED ENVIRONMENTAL PROGS
Agency: POLLUTION CONTROL AGENCY

FY2000-01 program expenditures by categories include 52% for Personnel, 40% for Operating Costs and 8% for Grants and Pass-Through.

BUDGET ISSUES:

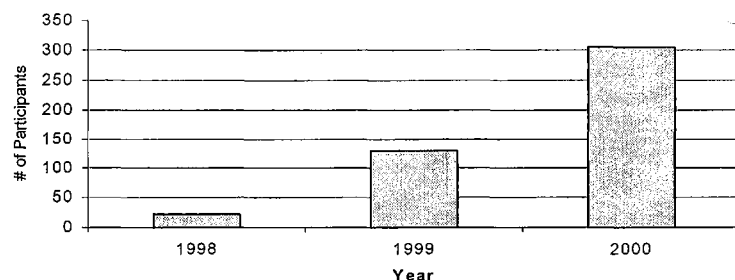
Increases in state funding for some monitoring activities over the past 10 years have responded to the declining purchasing power of federal funding for this activity; however, the purchasing power of overall funding in water monitoring continues to decline. In 1983, 100% of PCA water monitoring staff were federally funded. By 1991, 50% were federally funded and today 22% of PCA water monitoring staff are federally funded. The PCA is seeking to reallocate \$1 million per biennium within the agency's existing base funding to conduct additional monitoring in the Upper Mississippi River Basin and to make the resulting water information more readily accessible. The PCA will continue to implement all other activities for environmental outcomes at the same level of funding. The activity relies on outside experts in the areas of research and chemical analysis and directs funding to support this partnership.

The number of impaired waters requiring TMDL is expanding resulting in increasing resource demand for studies and evaluation. Previous state funds are contributing to 20 TMDL projects currently underway.

The PCA is proposing to reallocate \$180,000 this biennium within the agency's existing base funding for malformed frogs sample collection and census work.

Assistance is provided to various units of government through the Environmental Outcomes budget activity. For FY2000 through FY2002, PCA has an \$848,000 EPA grant covering three years for a cooperative project with the University of Minnesota and the St. Croix Watershed Research Station to identify factors that may increase accumulation of mercury in fish. Also, \$300,000 per year from state funds is provided to the Metropolitan Council to monitor metropolitan watershed outlets and to monitor mercury and PCB inputs to the Minnesota River. For investigation into Minnesota's malformed frogs, in 1999 \$259,000 was provided to the U.S. Geological Survey on a 50-50 cost share basis to conduct hydrogeological investigations at Minnesota malformed frog sites and to conduct pesticide analyses of water and sediment samples from the sites.

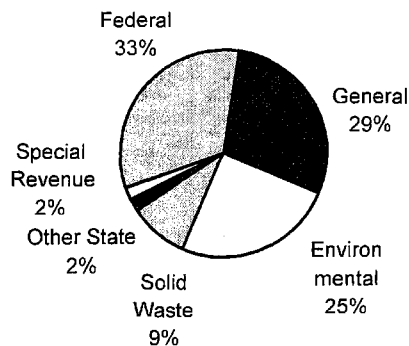
**Number of Participants Enrolled in the Citizen Stream-Monitoring Program
 (Currently 305 enrolled for 2000)**



Water quality standards are a critical tool in the PCA's efforts to protect Minnesota's abundant water resources. Water quality standards are used to assess and identify polluted waters, help set priorities for treatment or cleanup efforts, and set discharge limits. One approach in standards development is setting Total Maximum Daily Loads (TMDL) for protection of surface water quality, an approach which identifies point and nonpoint sources of pollutants and how much each source must reduce its contribution to a water body in order to assure that a water quality standard can be met.

FINANCING INFORMATION:

FY 2000-01 Program Funding Source



Activity: ENVIRONMENTAL OUTCOMES
Program: INTEGRATED ENVIRONMENTAL PROGS
Agency: POLLUTION CONTROL AGENCY

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Category:									
State Operations									
COMPENSATION	3,871	4,766	4,723	4,288	4,622	4,423	4,777	(90)	(0.9%)
OTHER OPERATING EXPENSES	2,376	2,405	4,481	2,934	3,355	2,803	2,874	(657)	(9.5%)
Subtotal State Operations	6,247	7,171	9,204	7,222	7,977	7,226	7,651	(747)	(4.6%)
LOCAL ASSISTANCE	882	720	970	558	558	330	330	(802)	(47.5%)
Total Expenditures	7,129	7,891	10,174	7,780	8,535	7,556	7,981	(1,549)	(8.6%)

Change Items:	Fund						
(A) PCA ENVIRONMENTAL TAX REFORM	ENV				958		1,010
(A) PCA ENVIRONMENTAL TAX REFORM	REM				80		80
(A) PCA ENVIRONMENTAL TAX REFORM	SW				(1,038)		(1,090)
(B) MALFORMED FROG SAMPLE COLLECTION	ENV				90		90
(B) BASIN MONITORING INFORMATION	ENV				665		335
Total Change Items					755		425

Financing by Fund:							
Direct Appropriations:							
ENVIRONMENT & NATURAL RESOURCE	140	333	0	0	0	0	0
GENERAL	3,320	2,592	2,777	2,051	2,051	2,036	2,036
ENVIRONMENTAL	2,276	2,270	2,357	2,301	4,014	2,383	3,818
REMEDIATION	0	0	0	0	80	0	80
SOLID WASTE	292	886	825	1,038	0	1,090	0
Statutory Appropriations:							
SPECIAL REVENUE	228	150	156	123	123	118	118
FEDERAL	873	1,660	4,059	2,267	2,267	1,929	1,929
Total Financing	7,129	7,891	10,174	7,780	8,535	7,556	7,981

FTE by Employment Type:							
FULL TIME	68.4	79.9	74.3	62.7	68.2	62.5	68.0
PART-TIME, SEASONAL, LABOR SER	5.4	6.6	5.2	3.9	3.9	2.8	2.8
OVERTIME PAY	0.3	0.4	0.0	0.0	0.0	0.0	0.0
Total Full-Time Equivalent	74.1	86.9	79.5	66.6	72.1	65.3	70.8

BUDGET CHANGE ITEM (54208)

Budget Activity: ENVIRONMENTAL OUTCOMES
Program: INTEGRATED ENVIRONMENTAL PROGS
Agency: POLLUTION CONTROL AGENCY

Item Title: MALFORMED FROG SAMPLE COLLECTION

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000s)				
Environmental Fund	\$90	\$90	\$-0-	\$-0-
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-
Statutory Change? Yes _____ No <u> X </u>				
If yes, statute(s) affected:				
_____ New Activity _____ Supplemental Funding <u> X </u> Reallocation				

GOVERNOR'S RECOMMENDATION:

The Governor recommends that \$90,000 be reallocated from the Environmental Fund in FY 2002 and \$90,000 in FY 2003 for malformed frog sample collection and census work.

RATIONALE:

The Pollution Control Agency (PCA) has been studying the malformed frog problem for six years. When our research began in 1995, the agency was the only organization that was studying the problem in Minnesota and the nation. To leverage state funds at our disposal the agency chose to partner with other agencies that could contribute resources of their own to the investigation. Today, several federal agencies are researching various aspects of the malformed frog problem in Minnesota including the U.S. Geological Survey, the U.S. Environmental Protection Agency (EPA) and the U.S. Department of Agriculture.

Stakeholder input collected during budget preparation indicated that although malformed frog research is seen an important issue, it is viewed as a problem of nationwide scope and more appropriately led by a federal agency rather than by a state agency.

This initiative would fund a limited continuation of frog census work at identified hot spots and providing samples from Minnesota sites to researchers who are

interested in studying Minnesota's malformed frogs. Frog census work allows us to determine if the problem is getting worse or better with time and may produce information that leads to further research which federal agencies can pursue.

FINANCING:

The \$90,000 per year for FY 2002 and FY 2003 will fund 1.5 FTEs which is the minimum number of staff necessary to conduct the collection of frog samples for federal research. This amount will fund \$80,000 per year for salary, with the balance for related supplies and equipment, and in-state travel to Minnesota sites. A one-time appropriation funded this activity in FY 2000 and FY 2001. This change item represents a 62% decrease in funding for a reduced level of this activity.

The PCA proposes to reallocate \$180,000 for the FY 2002-03 biennium from the PCA's current base funding for the Listed Metals Program (in the Land/Community Assistance Budget Activity). The Listed Metals Advisory Council will complete its work by December 2000 ending the need for listed metals expenditures. The forecasted expenditures are reprioritized to address more pressing environmental problems.

OUTCOMES:

Funding will allow malformed frog census work and sample collection in Minnesota to continue in a cost-effective manner by

- allowing the PCA to continue frog census work, which no other agency is doing;
- allowing non-agency researchers to have a supply of frog, water, and sediment samples with which to work, with the result that information specific to Minnesota can be provided; and
- permitting the agency to continue distributing up-to-date information on the frog malformation problem on its web site and through printed materials.

Measures of the program's success include

- documented progress toward identifying the agents causing malformed frogs in Minnesota;
- number of requests for research samples and percent of positive responses by researchers when PCA provides samples;
- maintenance of contacts with researchers nationwide, which will enable the PCA to provide the latest research results to the citizens of Minnesota through its web site and printed fact sheets, the number of web site hits and requests for information will be documented; and
- publication of additional research articles addressing the potential causes of malformed frogs in Minnesota.

BUDGET CHANGE ITEM (46407)

Budget Activity: ENVIRONMENTAL OUTCOMES
Program: INTEGRATED ENVIRONMENTAL PROGS
Agency: POLLUTION CONTROL AGENCY
Item Title: BASIN MONITORING INFORMATION

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000s)				
Environmental Fund	\$665	\$335	\$500	\$500
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-
Statutory Change? Yes _____ No <u> X </u>				
If yes, statute(s) affected:				
_____ New Activity _____ Supplemental Funding <u> X </u> Reallocation				

GOVERNOR'S RECOMMENDATION:

The Governor recommends that \$665,000 be reallocated from the Environmental Fund in FY 2002 and \$335,000 in FY 2003 for increased monitoring of the water quality of the Upper Mississippi River Basin and to make the resulting water information more readily accessible to stakeholders and the general public.

RATIONALE:

The Pollution Control Agency (PCA) has been receiving an increasing number of requests for environmental data and information. Interest is particularly strong in the Upper Mississippi River Basin because water quality is generally good, but under pressure; development is increasing; and there are a large number of lakes, rivers, and streams in the basin. There is a need both to fill in some of the significant gaps in our current monitoring efforts, and also to interpret and make more easily accessible the data that is collected. Data and information collected by cities and counties will be sought and incorporated with PCA monitoring data and information, then presented together to provide the most complete picture possible. This is a key electronic government service in the environmental area.

This initiative would involve streamflow and chemistry monitoring in areas of the Mississippi River for which such data does not currently exist. Data from monitoring efforts by other units of government, lake associations, and others

would be obtained. The main thrust of the initiative is to make water information that is collected for this area more readily accessible. This would include data analysis, presentation, and delivery. Customer research would be used to determine the means of presentation that would be most useful for various customer groups, primarily local government staff, local elected officials and legislators, but also citizens and citizen groups.

In a series of focus groups conducted around Minnesota in mid 2000 for input on the biennial budget, a strong theme for electronic access to monitoring data and information emerged, particularly among local government staff and elected officials. Those groups also expressed a strong interest in integrating locally-held monitoring data with state-held monitoring data so the most complete environmental picture could be created. Interest in accessing monitoring data and information was expressed by other stakeholder groups as well, including business and environmental groups.

Monitoring data and information is needed at both the state and local levels to determine the "health" of the local and regional environment. Knowing the full environmental health picture in a particular geographic area is a cornerstone upon which to set environmental priorities. When data collected at either the state or local level is not readily available to, and interpreted for the other level, environmental improvement efforts cannot be sufficiently coordinated or well aimed. When this data and information is available, though, individual citizens and citizen groups are able to take local actions to improve their environments.

FINANCING:

Approximately \$40,000 per year is currently spent on project specific monitoring activities in the Upper Mississippi Basin. The increasing information accessibility activities are unlike anything PCA is currently doing. The \$665,000 for FY 2002 includes \$80,000 for purchase of monitoring equipment; \$155,000 for two monitoring staff and related supplies and expense (S&E); \$180,000 for one GIS database administrator, one information technology infrastructure person and related S&E; and \$250,000 for contracting for development of a geographic database and consultation on how to make it accessible through the Internet. The \$335,000 for FY 2003 includes \$155,000 for two monitoring staff and related S&E, and \$180,000 for the GIS database administrator, one information technology infrastructure person and related S&E. This change item represents a 14% increase over current expenditure for the environmental monitoring and evaluation program.

The PCA proposes to reallocate \$1 million per biennium within PCA's current base funding for Superfund (located in the integrated environmental programs/cleanup budget activity.) This will affect clean-up activity. Although there is no statutory deadline, PCA had previously indicated to the legislature that Superfund site construction would be completed by 2006. As a result of this reallocation targeted

BUDGET CHANGE ITEM (46407) (Continued)

Budget Activity: ENVIRONMENTAL OUTCOMES
Program: INTEGRATED ENVIRONMENTAL PROGS
Agency: POLLUTION CONTROL AGENCY

Item Title: BASIN MONITORING INFORMATION

Superfund site construction delays would occur. The remaining sites in the Superfund Program have stable releases that pose an immediate threat to the public. Accordingly, the PCA can reasonably delay the completion work at these sites.

Detail on the portion of this initiative designated for information technology funding follows:

Funding Distribution	2002-03 Biennium		2004-05 Biennium		2006-07 Biennium	
	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007
Personnel	166	171	177	183	189	196
Supplies	0	0	0	0	0	0
Hardware	0	0	0	0	0	0
Software	9	4	0	0	0	0
Facilities	0	0	0	0	0	0
Services	250	0	0	0	0	100
Training	5	5	5	5	5	5
Grants	0	0	0	0	0	0
Total	430	180	182	188	194	301

LIFE CYCLE ANALYSIS:

Life Cycle Status	2002-03 Biennium		2004-05 Biennium		2006-07 Biennium	
	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007
Development	X	X	X			
Operations	X	X	X	X	X	X
Modification		X	X	X	X	X
Retirement						

The project will involve:

*Pre-design: Raw-monitoring data is of little use to most people, so we will need to understand how people want to use the data and information. We plan to conduct a stakeholder input process (e.g. focus groups) as part of this project to learn as clearly as possible those needs. All pre-design will occur in the first half of FY 2002.

*Collection: Collection of additional monitoring data, both by installing more monitors and by acquiring monitoring data from local governments.

*Analysis: That information will drive our decisions about how much analysis of the data to conduct. When data is analyzed, it becomes information because it now has a context. For example, the phosphorus loading in a stream is simply data. How that phosphorus will impact fish and other aquatic life is information.

*Presentation: The stakeholder input process will also dictate how the data and information should be presented. For example, do people want GIS mapping via the web, or graphs for the health of specific lakes, or descriptive narration of the impacts of certain contaminants, or combinations of all these and more.

*Delivery: Once the analysis and presentation components are understood, then we can decide the details of how to deliver the information (e.g.: web, graphics, CD-ROM, etc).

PLANNING

The IT planning will involve a number of our IT staff, including the IT leadership team and our team of senior technical staff. Planning will be conducted as the pre-design is progressing and will be completed in mid FY 2002.

OPERATIONS

The delivery system will be operational before the end of FY 2002, if at all possible. It may be necessary to acquire monitoring data from local governmental units in phases during FY 2003, rather than prior to operational startup.

MAINTENANCE

We will design the system to operate with a minimum of IT staff effort. Ideally, we will create automated processes to acquire local monitoring data and to incorporate additional monitoring data that the PCA monitoring network acquires. Financing for long term maintenance of this system may be sought in future biennia.

RETIREMENT

It may be necessary to retire some portion of the system in the future as different technologies evolve. At present, though, this EGS functionality is seen as long term and there is no plan to retire this system. The system will be tested, however, near the end of the FY 2002-2003 biennium to assess its value to stakeholders. That input will affect our plans for system changes/retirement.

OUTCOMES:

Funding will help provide a more comprehensive picture of water quality in the Upper Mississippi River Basin by:

- supporting collection of information needed for development of the Upper Mississippi River Basin Plan;

BUDGET CHANGE ITEM (46407) (Continued)

Budget Activity: ENVIRONMENTAL OUTCOMES
Program: INTEGRATED ENVIRONMENTAL PROGS
Agency: POLLUTION CONTROL AGENCY

Item Title: BASIN MONITORING INFORMATION

- enabling local government elected official and staff, citizen groups and local residents access on Internet maps and related easy-to-understand water quality information for lakes and streams in their area of concern (this is a geographic area where prevention of adverse impacts is the primary focus); and
- fostering coordination of water program monitoring among state and local governments.

Measures of the program's success include the following:

- There will be adequate data to describe the pollutant loadings from 15 major watersheds to the Upper Mississippi River.
- Usage data for the Internet sites and survey data on use of the sites by local government elected officials and staff, citizen groups, and local residents will be collected.

OFFICE OF TECHNOLOGY ANALYSIS:

Reallocation of existing funds. It seeks to increase monitoring of water quality of the Upper Mississippi River Basin and to make the resulting information more accessible. Deliverables/Objectives: This will be accomplished through positions for a GIS database administrator and IT infrastructure. Funding is distributed into four categories: personnel, software, services, and training. This initiative supports the Big Plan (Self-sufficient People – A Health System for the next 50 years) and infrastructure components. It is identified as a piece of several projects in the Strategic Information Resources Management Plan. Conclusion: Reallocation of funds. This initiative meets information technology criteria for funding. Funding this initiative begins the process of building and accessing critical pollution data. This initiative could prove to be an important resource for other state and local government agencies needing similar data.

BUDGET ACTIVITY SUMMARY

Budget Activity: CLEANUP
Program: INTEGRATED ENVIRONMENTAL PROGS
Agency: POLLUTION CONTROL AGENCY

ACTIVITY PROFILE:

The focus of the clean-up activity is to reduce environmental and human health risk from hazardous substances, pollutants and contaminants. Potential risks may result from uncontrolled hazardous waste, solid waste leachate, methane gas, and petroleum releases. Contaminated soils and ground water can be caused by spills, industrial activities, and land disposal at dumps and solid-waste landfills. Over time the Pollution Control Agency (PCA) efforts to prevent pollution from occurring in the first place will reduce, but not eliminate, future need to conduct clean-up activities.

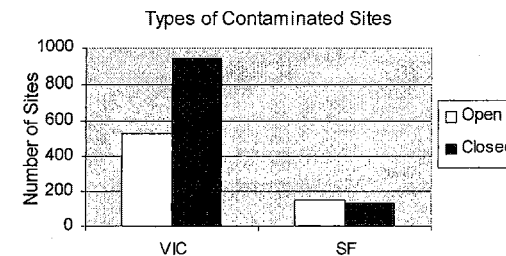
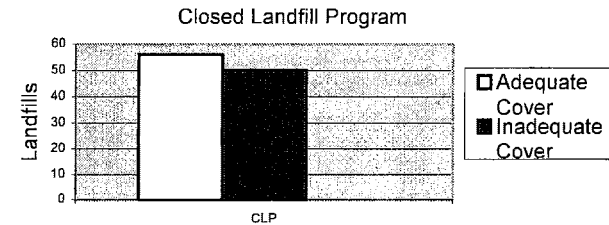
STRATEGIES AND PERFORMANCE:

Elements of clean-up include responding to emergencies and spills, and identifying and mitigating potential releases of hazardous wastes, pollutants or contaminants. Determining the level of risk posed by releases includes identifying potential people who could be affected and assessing human and environmental impacts.

Clean-up activities strive to reduce risk through preventing, investigating, cleaning up and monitoring releases and contamination.

- Emergency response methods are improved through networking, planning exercises with facilities and other responders, and critiquing responses to learn from experience.
- State contractors are directed to conduct cleanup and long-term maintenance of eligible closed landfills that emit greenhouse gases and contaminate ground water.
- Land and management plans will be developed at eligible closed landfills to minimize the impacts of the facility on future land use and to maintain the integrity of the facility. One hundred and one of 106 closed landfills now have signed agreements between the landfill owner and the PCA, allowing the Agency to do cleanup/closure. Forty-eight closed landfills have cover completion; 8 small ones have been consolidated to other closed landfills; and 8 to 16 potential gas problem sites have gas collection systems.

- Developers, local governments, and financial institutions or investors will receive assistance in identifying, investigating, and cleaning up contaminated commercial and industrial property.
- The PCA will conduct or oversee emergency response, investigation, cleanup and long-term maintenance at contaminated sites, maximizing the number of sites cleaned up by responsible parties through voluntary activities and enforcement actions. Many of the voluntary cleanup actions are driven by economic redevelopment of contaminated properties within the urban core of the Twin Cities which supports brownfield versus greenfield development.
- The PCA continues to make significant progress remediating contaminated sites in all the major cleanup programs (Closed Landfill, Superfund, Leaking Underground Storage Tank [LUST], Voluntary Investigation and Cleanup). For example, a major milestone was reached this year with the closure of the 10,000th leak site in the LUST program, which is approximately 75% of the existing total. The cleanup programs have matured, passing the midpoints of their life cycles as completed sites now leave the programs more quickly than new ones enter. Although considerable work remains, a significant performance record has been established that includes a demonstrated commitment to protect human health and the environment and the restoration of contaminated properties to productive use.

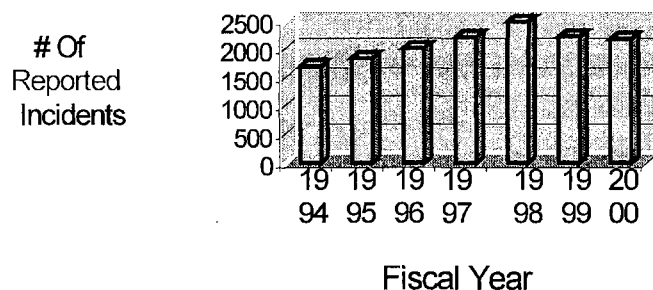


BUDGET ACTIVITY SUMMARY (Continued)

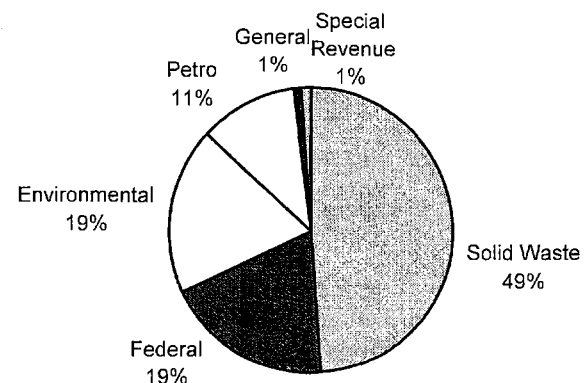
Budget Activity: CLEANUP
Program: INTEGRATED ENVIRONMENTAL PROGS
Agency: POLLUTION CONTROL AGENCY

FINANCING INFORMATION:

FY 2000-01 Program Funding Source



Incidents Reported to PCA Emergency Response



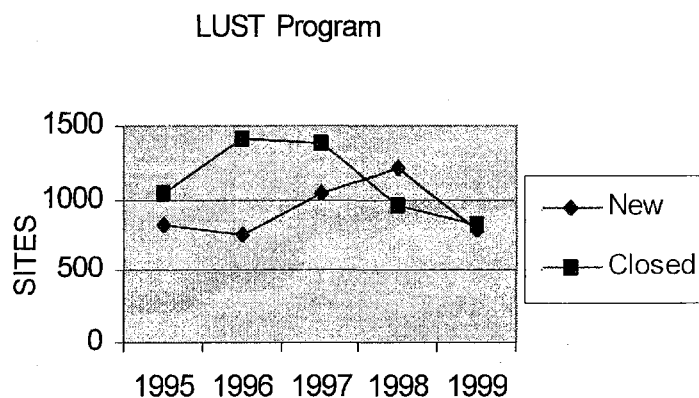
- In FY 2000-01, 76% of expenditures were for contracted cleanup, 21% for personnel, and 3% for operating costs.

BUDGET ISSUES:

SUPERFUND

The PCA's progress in the Superfund Program has caused sufficient optimism for the Agency to project in 1997 that remedy construction would be completed at most sites by 2006. However, the Agency's proposal to redirect a total of \$1 million of our current base funding from Superfund for the proposed reallocation described below will undoubtedly delay this timetable. The large majority of sites remaining in the Superfund program have stable releases that pose no immediate threat to receptors. Accordingly, the PCA can reasonably delay the completion of work at these sites. In the interim, funds can be directed to other, less mature programs that have more subtle yet more serious environmental consequences to their more complex socio-economic origins and regional scope.

The PCA proposal to reallocate \$1 million per biennium within PCA's current base funding to conduct additional monitoring in the Upper Mississippi River Basin affects the clean-up activity. Water quality in the Upper Mississippi River Basin is generally good, but under pressure; development is increasing, and there are a large number of lakes, rivers and streams in the basin. There is a need both to fill in some of the significant gaps in our current monitoring efforts, and also to



BUDGET ACTIVITY SUMMARY (Continued)

Budget Activity: CLEANUP
Program: INTEGRATED ENVIRONMENTAL PROGS
Agency: POLLUTION CONTROL AGENCY

interpret and make more easily accessible the data that is collected. The monitoring will enable the PCA to identify risks to the Upper Mississippi River Basin and then develop strategies to address these risks, therefore enabling problems to be addressed in a more cost effective manner. This reallocation represents a 13% reduction in funding for site remediation in FY 2002 and 6% reduction in FY 2003.

Federal Superfund funding for states to identify, assess, and clean up contaminated sites is declining. It is currently unknown how the federal Superfund trust fund will be funded once it is exhausted. Responsible parties and the state Environmental Fund will bear the full expense of waste site cleanups if federal funds are unavailable. Because Minnesota has made progress in addressing federal Superfund sites, the Superfund program is winding down to the lower risk cleanups for which the responsible parties do not have resources to cleanup. The federal and state funding issue will be monitored for future discussions with the legislature.

CLOSED MUNICIPAL DUMPS

In FY 2000-01, the legislature appropriated \$1 million for assessment of unpermitted dumps with a report due in November 2001. The PCA Commissioner chose to accelerate completion of the report, and it is being presented to the legislature in January 2001. The statute provides \$1 million annually in on-going funding for unpermitted dump assessment. The PCA proposes to use this funding as follows:

- Contract for performing dump assessments by transferring 50% of the funding to the Department of Trade and Economic Development (DTED) for assessments at dump sites with proposed municipal development.
- Conduct site assessment work at unpermitted municipal dumps. With additional legislative authority, the PCA could expand these efforts to other brownfield sites rather than redirecting Minnesota Environmental Response and Liability Act (MERLA) funding away from site cleanup.
- Provide staff time or contractual assistance to assist local units of government in evaluating dump sites for potential threats and provide better locational information on dumps to help in future planning activities for development, including redevelopment for public use.

Assistance is provided to local units of government through the cleanup budget activity. In FY 2000 a \$500,000 grant was provided to the city of St. Paul to

conduct a feasibility study and a final design for remedial actions at the Pig's Eye Dump. In FY 2001, \$1,500,000 of grant funds are budgeted for the city of St. Paul to implement the remedial actions at this site using the orphan share provision of Superfund.

CLOSED LANDFILL PROGRAM

The Closed Landfill Program is funded through three sources: one-half of the solid waste tax, bond dollars authorized over a ten year period, and insurance recovery. The Solid Waste Fund received 19 settlements from the insurance recovery effort. The PCA, along with the Attorney General's Office, has commenced litigation with several insurance carriers. The PCA is hopeful that the litigation will facilitate settlements with carriers, including those not named in the lawsuit. The PCA anticipates that the insurance recovery effort will be completed by the end of the next biennium and assists in providing revenues for long-term care of the eligible closed landfills.

In 1994, the legislature authorized bond dollars to be sold from 1994 – 2002 for the closed landfill program (Laws 1994, chapter 639, article 3, section 5). However, per M.S. 16A.642 unspent bond proceeds cancel after four years unless specifically reauthorized. At the end of FY 2001, the PCA will lose \$33 million of unspent bond capacity, unless the bonds are reauthorized. The PCA and the Department of Finance continue to examine the need for funds for closed landfill cleanup and will provide a recommendation on the cancellation of these bond funds.

Activity: CLEANUP
Program: INTEGRATED ENVIRONMENTAL PROGS
Agency: POLLUTION CONTROL AGENCY

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>Expenditures by Category:</u>									
State Operations									
COMPENSATION	7,575	9,654	10,148	9,263	9,263	9,493	9,493	(1,046)	(5.3%)
OTHER OPERATING EXPENSES	16,980	16,588	32,348	22,309	21,644	21,490	21,155	(6,137)	(12.5%)
OTHER FINANCIAL TRANSACTIONS	0	0	138	0	0	0	0	(138)	(100.0%)
Subtotal State Operations	24,555	26,242	42,634	31,572	30,907	30,983	30,648	(7,321)	(10.6%)
CAPITAL OUTLAY & REAL PROPERTY	949	3,179	26,398	18,547	18,547	18,827	18,827	7,797	26.4%
LOCAL ASSISTANCE	142	643	1,550	400	400	400	400	(1,393)	(63.5%)
Total Expenditures	25,646	30,064	70,582	50,519	49,854	50,210	49,875	(917)	(0.9%)

<u>Change Items:</u>	<u>Fund</u>				
(A) PCA ENVIRONMENTAL TAX REFORM	ENV			(7,866)	(7,142)
(A) PCA ENVIRONMENTAL TAX REFORM	PET			(6,293)	(6,346)
(A) PCA ENVIRONMENTAL TAX REFORM	REM			37,648	37,395
(A) PCA ENVIRONMENTAL TAX REFORM	SW			(23,489)	(23,907)
(B) SUPERFUND REALLOC TO BASIN MONITORING	REM			(665)	(335)
Total Change Items				(665)	(335)

Activity: CLEANUP
Program: INTEGRATED ENVIRONMENTAL PROGS
Agency: POLLUTION CONTROL AGENCY

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003	
				Base	Governor Recomm.	Base	Governor Recomm.
Financing by Fund:							
Direct Appropriations:							
ENVIRONMENT & NATURAL RESOURCE	171	0	0	0	0	0	0
GENERAL	450	496	511	505	505	529	529
MINNESOTA RESOURCES	0	50	50	0	0	0	0
PETROLEUM TANK RELEASE CLEANUP	1,633	1,429	1,331	1,293	0	1,346	0
ENVIRONMENTAL	3,758	3,819	4,046	5,189	1,078	5,400	1,083
REMEDIATION	0	0	0	0	7,143	0	7,444
METRO LANDFILL CONTINGENCY	117	0	0	0	0	0	0
SOLID WASTE	230	1,592	958	1,739	0	1,781	0
Open Appropriations:							
REMEDIATION	0	0	0	0	6,711	0	6,711
SOLID WASTE	2,020	2,420	6,711	6,711	0	6,711	0
Statutory Appropriations:							
PETROLEUM TANK RELEASE CLEANUP	2,711	2,967	5,049	5,000	0	5,000	0
SPECIAL REVENUE	393	389	623	445	445	423	423
FEDERAL	3,510	4,688	17,609	10,843	10,843	10,780	10,780
ENVIRONMENTAL	1,645	2,899	7,666	3,755	0	2,825	0
REMEDIATION	0	0	0	0	23,129	0	22,905
SOLID WASTE	9,008	9,315	26,028	15,039	0	15,415	0
Total Financing	25,646	30,064	70,582	50,519	49,854	50,210	49,875
FTE by Employment Type:							
FULL TIME	138.3	161.6	157.5	136.9	136.9	134.8	134.8
PART-TIME, SEASONAL, LABOR SER	3.8	3.1	5.6	4.4	4.4	4.4	4.4
OVERTIME PAY	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Total Full-Time Equivalent	142.2	164.8	163.2	141.4	141.4	139.3	139.3

PROGRAM SUMMARY

Program: ADMINISTRATIVE SUPPORT
Agency: POLLUTION CONTROL AGENCY

PROGRAM PROFILE:

The Administrative Support program provides leadership and policy direction, agency-wide program coordination, and business systems which support the delivery of environmental programs in St. Paul as well as the service delivery districts in Metro, North, and South. The activities and services included in this program are the commissioner's office, the citizen's board, fiscal management, human resources management, information systems management, organizational development and training, and communications services.

This program serves the general public in setting statewide air, land, and water quality goals and priorities, operating programs, building public awareness, and communicating operational and environmental results. It also provides Pollution Control Agency (PCA) management systems and services.

STRATEGIES AND PERFORMANCE:

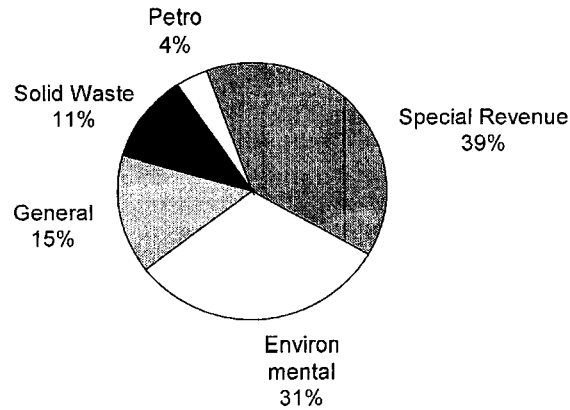
- A new agency organization structure has been implemented which directs air, water, and land specialists toward specific regions of the state so a more holistic approach to environmental problems and issues can be applied on a local level.
- The realignment of staff into a geographic-based organization structure and the deployment of an additional 150-200 staff to regional offices over the next three to five years will substantially change the delivery of administrative services, as well as present new logistical and management challenges. Considerable effort has been made to streamline services and clarify the roles of these activities so they add value to environmental results and so that state services are not duplicated or confusing to clientele.
- The Administrative Support program implements leading business and management practices in order to provide effective and efficient environmental programs. This approach relies on strategic planning, process design, and performance measurement. In the past, the Ford Foundation and Harvard University as well as the Environmental Council of States have recognized the PCA as a national leader in innovative environmental program design. By involving regulated parties, environmental parties, and the public (i.e., stakeholders) in developing priorities, strategies, and programs, the PCA has helped Minnesota keep a high rating for quality of life.
- The PCA Citizens' Board process has been streamlined in statute and practice to focus on controversial and high-priority topics. Likewise, all PCA managers and supervisors have attended training to focus on high environmental risks, system thinking, outcomes rather than processes, and using performance measures.
- Cost-effective solutions to business requirements have been implemented in mail services, fleet management, and copy services. The PCA recently won a Commuter Choice award for futuristic thinking from the purchase of alternative technology vehicles. The PCA's fleet of 136 vehicles is in compliance with the federal Energy Policy Act of 1992, which requires 75% of new acquisitions to be alternative fuel vehicles.
- Financial structures and revenue streams have been under examination to determine the long-term health of fee-supported programs, how fees are levied, and to whom fee programs should be responding regarding program effectiveness. The environmental tax reform proposed in this budget is the result of that review.
- Funds are expended as appropriated, managed according to general government accounting practices, and paid in a timely and accurate way to vendors with few audit exceptions noted.
- Information technology infrastructure has been developed with legislative support in the past. An "Assessment of State Agency and Enterprise Readiness to Deliver Electronic Government Services" evaluating 23 state agencies indicated the PCA cannot sustain long term needs on current funding levels. Remaining areas of concern include maintaining and upgrading critical databases, meeting new program needs for databases and other information developed, making information available in a meaningful way to citizens via Electronic Government Services (EGS), security of PCA's electronic network, and keeping up with the explosive demand for web functionality and content.

PROGRAM SUMMARY (Continued)

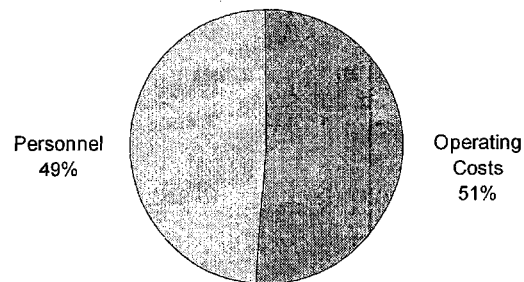
Program: ADMINISTRATIVE SUPPORT
Agency: POLLUTION CONTROL AGENCY

FINANCING INFORMATION:

FY 2000-01 Program Funding Source



**FY 2000-01 Program Expenditures
by Category**



BUDGET ISSUES:

The PCA is prepared to continue its operations to meet PCA and customer needs and technology advances within the base budget. Despite increases in technology needs as a result of distributing staff closer to the customer in Greater Minnesota, we plan to adjust expenditures in other service areas to adequately provide for these needs.

GOVERNOR'S RECOMMENDATION:

The Governor recommends the agency's base budget and the adoption of PCA's tax reform proposal. In addition, the Governor recommends a \$500,000 appropriation from the Solid Waste Fund in FY 2001 for back pay owed as a result of an FLSA ruling.

Activity: ADMINISTRATIVE SUPPORT
Program: ADMINISTRATIVE SUPPORT
Agency: POLLUTION CONTROL AGENCY

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Category:									
State Operations									
COMPENSATION	5,932	5,268	6,629	6,410	6,410	6,585	6,585	1,098	9.2%
OTHER OPERATING EXPENSES	4,631	5,739	5,958	5,861	5,861	6,108	6,108	272	2.3%
TRANSFERS	0	0	0	139	139	142	142	281	
Subtotal State Operations	10,563	11,007	12,587	12,410	12,410	12,835	12,835	1,651	7.0%
LOCAL ASSISTANCE	85	0	0	0	0	0	0	0	
Total Expenditures	10,648	11,007	12,587	12,410	12,410	12,835	12,835	1,651	7.0%

Change Items:	Fund				
(A) PCA ENVIRONMENTAL TAX REFORM	ENV			48	48
(A) PCA ENVIRONMENTAL TAX REFORM	REM			117	117
(A) PCA ENVIRONMENTAL TAX REFORM	SW			(165)	(165)
(A) DEFICIENCY APPROPRIATION FOR FLSA	SW		500		
Total Change Items			500	0	0

Financing by Fund:							
Direct Appropriations:							
GENERAL	1,927	1,690	1,839	2,091	2,091	2,224	2,224
PETROLEUM TANK RELEASE CLEANUP	433	401	483	0	0	0	0
ENVIRONMENTAL	3,446	3,330	3,456	0	0	0	0
METRO LANDFILL CONTINGENCY	8	0	0	0	0	0	0
SOLID WASTE	1,264	1,033	1,767	0	0	0	0
Statutory Appropriations:							
STATE GOVERNMENT SPECIAL REVENUE	1	1	1	1	1	1	1
SPECIAL REVENUE	3,303	4,213	4,646	9,943	9,943	10,235	10,235
ENVIRONMENTAL	156	203	230	210	258	210	258
REMEDIATION	0	0	0	0	117	0	117
METRO LANDFILL CONTINGENCY	5	0	0	0	0	0	0
SOLID WASTE	105	136	165	165	0	165	0
Total Financing	10,648	11,007	12,587	12,410	12,410	12,835	12,835

FTE by Employment Type:							
FULL TIME	102.5	85.3	95.4	95.6	95.6	93.6	93.6
PART-TIME, SEASONAL, LABOR SER	5.8	2.7	3.4	1.8	1.8	1.8	1.8
OVERTIME PAY	0.3	0.1	0.1	0.0	0.0	0.0	0.0
Total Full-Time Equivalent	108.6	88.1	98.9	97.4	97.4	95.4	95.4

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ENVIRONMENTAL ASSISTANCE - EXECUTIVE SUMMARY

AGENCY MISSION AND VISION:

Mission: To protect Minnesota's environment and assure a sustainable economy through waste prevention and resource conservation.

Outcomes: The Office of Environmental Assistance (OEA) has adopted the following environmental outcomes to provide a long-range vision for its programs:

- Minnesotans prevent waste and pollution and conserve resources.
- Minnesotans waste is recycled and managed in an environmentally sound manner.
- Minnesota communities are sustainable.
- Minnesotans make educated decisions and actions regarding the environment.

Goals: To gauge progress toward these outcomes, the OEA has developed one-year activity indicators and five-year goals. The OEA has established performance measures that track progress and measure results on a quarterly and annual basis. This outcome based performance measurement system allows program activities to be continually evaluated and improved to achieve results, or discontinued when objectives are met. The OEA mission, outcomes, and performance measurement system fulfill the policy objectives of the Minnesota Waste Management Act (M.S. 115A), the Toxic Pollution Prevention Act (M.S. 115D), and for environmental education (M.S. 115.072). These efforts increase program effectiveness, improve quality of services, and manage resources wisely.

KEY SERVICE STRATEGIES:

The OEA conducts research, gathers stakeholder input, and uses extensive employee involvement from all program areas to determine future program directions. These strategic directions form the basis of OEA program activities, focusing the organization on what is important to stakeholders and what is necessary to achieve the Mission:

- Research and analyze the solid waste system to develop specific strategies to conserve and recover resources.
- Work to complete the development of the materials and energy recovery system.
- Prioritize certain manufacturers and others to prevent the amount of waste and pollution that is generated both in the manufacturing process and in products.

- Create and advance voluntary methods of reducing the environmental impacts of manufacturing processes and products.
- Educate specific audiences about making responsible environmental choices.

The OEA strategic directions are also articulated in the following reports, which are issued every two years: *the Solid Waste Policy Report*, and *the Pollution Prevention Evaluation Report*. *The GreenPrint: The State Plan for Environmental Education*, is updated every five years. All report recommendations are incorporated in OEA program workplans.

Using these strategic directions as guidance, the OEA replicates innovative, prototypical programs and systems that result in pollution prevention, waste reduction, recycling, and waste processing. The OEA is a service organization, oriented toward helping businesses, local governments, schools, community organizations, and individual citizens by:

- Developing partnerships with early adopters of innovative programs. Early adopters include local units of government, manufacturers, businesses, schools, community organizations and individual citizens that have a strong interest in advancing innovative environmental programs and concepts.
- Providing financial incentives with grants and loans, and leveraging other resources to advance implementation of prototypes of environmentally sound waste management practices that will eventually be mainstreamed. In the past year, through the OEA's Competitive Grant program, the SCORE program, and the OEA Waste Reduction Campaign, the OEA leveraged approximately \$43 million from its grantees, local units of government and the media.
- Informing and promoting resource conservation through print and electronic media.

PERFORMANCE SUMMARY:

OEA's primary objective is to prevent future costs through pollution prevention and the recovery of resources from waste. Measurable results include:

- In 1999, Minnesota manufacturers documented \$2.6 million in savings and prevented the generation of 197 million pounds of waste by implementing new pollution prevention practices recommended by the OEA Minnesota Technical Assistance Program (MnTAP). Documented savings for Minnesota businesses from 1995 to 1999 are \$5.3 million. Projected cost benefits for businesses over the next five years are at least \$6 million.

ENVIRONMENTAL ASSISTANCE - EXECUTIVE SUMMARY (Continued)

- If industry implemented the results of MnTAP case studies and OEA grant projects on an industry wide basis, more than \$132 million in direct economic benefit could be achieved by facilities implementing pollution prevention. An additional \$116 million in economic benefit would occur from lowered production costs. Using this analysis, OEA estimates future cost savings at a minimum of \$250 million over the next five years.
- Minnesotans are making progress in preventing industrial waste and pollution. Toxic Release Inventory (TRI) reporting shows a reduction from 70 million pounds of chemical releases in 1987 to approximately 20.6 million pounds in 1998. Waste generation for manufacturers has declined 40% between 1993 and 1998.
- At current disposal prices of \$55.00 per ton and current recycling rates, Minnesotans can prevent future costs of \$550 million and recover 10 million tons of resources from solid waste over the next five years. Since 1992, recycling has diverted approximately 14 million tons of material from waste processing and land disposal. Minnesota's recycling rate is one of the highest in the nation at 47%.
- Minnesota's value-added recycling manufacturers employ an estimated 6,500 to 8,600 in direct jobs with total estimated salaries from \$646 million to \$862 million. The direct jobs generate an estimated \$81 million to \$93 million in state and local tax revenue. The total value-added activity contributes \$1.04 billion to \$1.38 billion annually to the state economy.
- Municipal solid waste (MSW) generation continues to rise in Minnesota. In 1999, we generated 5.4 million tons, 2.7% more waste than the previous year. Since 1992 there has been a 33% increase in MSW generation. If trends continue, by 2020 we will triple the amount of waste we currently generate.

OPERATING ENVIRONMENT:

Currently, Minnesota's economy is healthy and its unemployment rate is among the lowest in the country. Increased manufacturing, business activity, and purchasing is great for the economy but can be bad for the environment; the current economic climate has led to increased consumption, which means more solid and hazardous waste is generated. As a result, greater efforts are needed from manufacturers, businesses, governments and individuals to use technologies and products that conserve resources.

Leaders in the business community are just beginning to realize the cost savings and competitive advantages of adopting resource conservation practices. OEA's services maximize access to new technologies and aid in the commercialization of those technologies. These activities allow Minnesota industries to become more competitive in the global marketplace. OEA's innovative product stewardship work with the electronics industry and other interested parties has

been profiled in the *Harvard Business Review* and the *Wall Street Journal*, generating national and international interest in our state. The OEA has worked with both the public and private sectors to generate unique approaches to managing products at the end of their useful life.

New industries, processes and practices mean new jobs for rural Minnesota. Through the research and development of the recycling manufacturing industry alone, over 6,500 jobs and more than \$81 million in state and local tax revenues, were created. Through its technical and financial assistance programs, OEA is creating new jobs, putting new products on the market, and improving the competitive position of rural Minnesota.

To create greater market demand for these and other environmentally preferred products, the OEA is working with the Department of Administration to change state agency purchasing practices. Recently, the OEA and the Department of Administration were invited to a summit meeting co-sponsored by the White House Task Force on Recycling and the Environmental Protection Agency to explore strategies for accelerating "green" purchasing across the country.

Finally, OEA's education efforts represent lifelong learning opportunities for all Minnesotans, as we embark on campaigns to educate the public about reducing waste and conserving resources. All of these efforts contribute to healthy, sustainable communities.

MAJOR PARTNERS:

OEA's role in environmental protection is to create new programs or processes that reinvent current systems of solid and hazardous waste management. New and innovative ideas are generated that take businesses and industries beyond compliance, thus reducing the need for regulation. Stakeholders from business, local units of government, education, and the general public are engaged to guide programmatic development and implementation.

Partnerships with other state agencies or institutions primarily include:

- The University of Minnesota through MnTAP, to identify research and development opportunities for pollution prevention. Through its technical assistance activities, MnTAP can be used as a conduit to bring new technology to Minnesota industry.
- The Department of Administration, to change procurement practices to include contract specifications for recycled content and product stewardship components. These procurement efforts will result in all state agencies having a greater opportunity to lead by example through the purchase of environmentally preferable products.

ENVIRONMENTAL ASSISTANCE - EXECUTIVE SUMMARY (Continued)

- The Minnesota Pollution Control Agency (MPCA), along with many other stakeholders and interested parties, to determine strategic program direction for solid and hazardous waste, as articulated in OEA reports and recommendations. OEA's perspective and advice is often sought on MPCA programs that pertain to pollution prevention and solid and hazardous waste management.
- The Department of Administration, Minnesota Planning, Minnesota Pollution Control Agency, Finance, and the Department of Commerce along with others in the Smart Building Partnership, are discussing ways to encourage the incorporation of smart building practices into current and future state agency building projects. By understanding past practices, identifying barriers and incentives, the smart building partnership will help identify and document the most innovative, environmentally preferred and cost-effective building practices.

Major Grant Programs:

- \$14,008,000 per year of General Fund dollars is dedicated to Select Committee on Recycling and the Environment (SCORE) block grants to counties.
- \$1,875,000 per year is allocated to competitive grants.

ORGANIZATION/PROGRAM STRUCTURE:

Director & Executive Management	2.8 fte
— Research and Planning	12.4 fte
— Project Implementation	25.0 fte
— Education & Information	18.0 fte
— Administrative Support	11.0 fte

6/30/00 Total FTEs 69.2

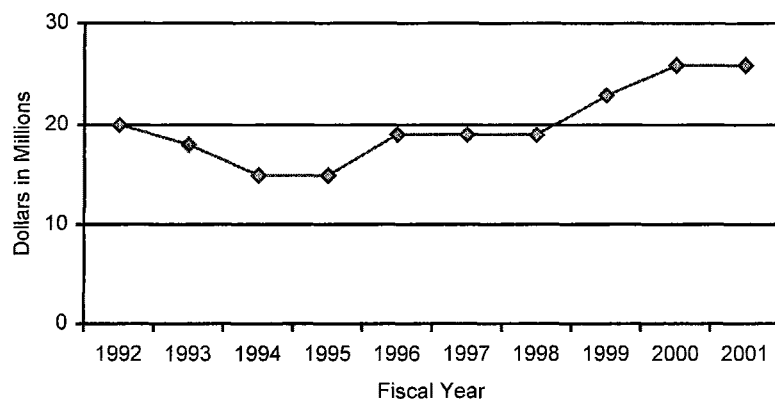
GOVERNOR'S RECOMMENDATION:

The Governor recommends the agency's base budget. The Governor also recommends that the agency reallocate \$200,000 from grants to low-interest loans to help businesses make environmental improvements.

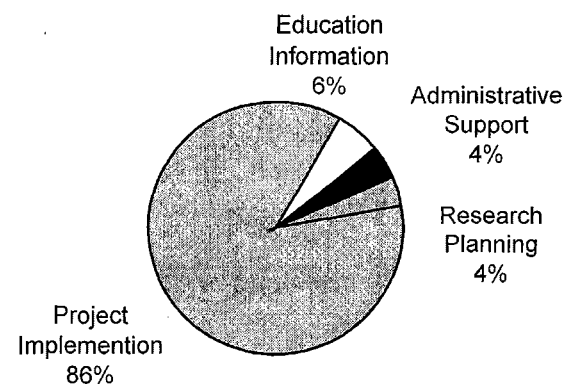
ENVIRONMENTAL ASSISTANCE - EXECUTIVE SUMMARY (Continued)

TRENDS AND PERSPECTIVE:

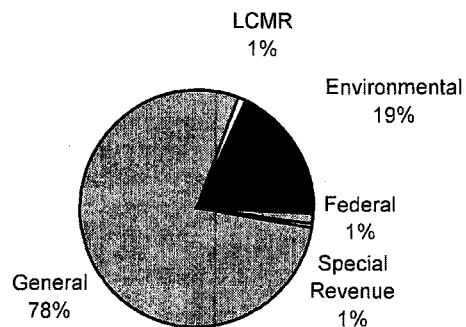
Total Budget -All Funds



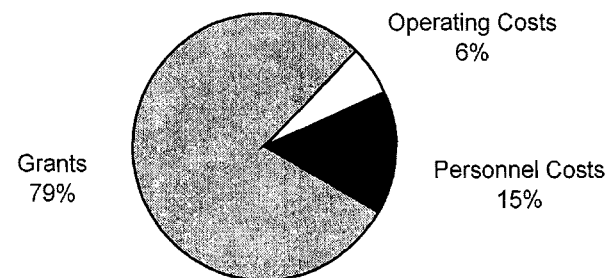
2000-01 Expenditures by Budget Activity
Total: \$53 Million



2000-01 Expenditures by Fund
Total: \$53 million



2000-01 Expenditures by Category
Total: \$53 million



Program: OFFICE OF ENVIRONMENTAL ASSIST
Agency: ENVIRONMENTAL ASSISTANCE

Program Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Activity:									
RESEARCH, POLICY ANALYSIS, EVAL	863	1,134	1,075	969	969	1,060	1,060	(180)	(8.1%)
PROJECT IMPLEMENTATION	19,575	22,537	22,584	20,950	20,950	21,031	21,031	(3,140)	(7.0%)
EDUCATION AND INFORMATION	1,317	1,571	1,495	1,529	1,529	1,500	1,500	(37)	(1.2%)
ADMINISTRATIVE SUPPORT	1,212	1,030	1,150	1,080	1,080	1,068	1,068	(32)	(1.5%)
Total Expenditures	22,967	26,272	26,304	24,528	24,528	24,659	24,659	(3,389)	(6.4%)

Change Items:	Fund				
(B) LOAN REALLOCATION	GEN			200	200
(B) DECREASE GRANTS FOR LOAN PROGRAM	GEN			(200)	(200)
Total Change Items				0	0

Financing by Fund:							
Direct Appropriations:							
ENVIRONMENT & NATURAL RESOURCE	0	175	175	0	0	0	0
GENERAL	20,080	19,104	21,669	20,654	20,654	20,780	20,780
MINNESOTA RESOURCES	0	250	0	0	0	0	0
ENVIRONMENTAL	1,326	1,146	1,482	1,294	1,294	1,312	1,312
Open Appropriations:							
ENVIRONMENTAL	25	26	27	27	27	27	27
Statutory Appropriations:							
SPECIAL REVENUE	125	203	142	0	0	0	0
FEDERAL	96	73	0	0	0	0	0
ENVIRONMENTAL	1,315	5,114	2,780	2,553	2,553	2,540	2,540
GIFT	0	181	29	0	0	0	0
Total Financing	22,967	26,272	26,304	24,528	24,528	24,659	24,659

FTE by Employment Type:							
FULL TIME	65.6	69.2	69.1	69.2	69.2	69.2	69.2
Total Full-Time Equivalent	65.6	69.2	69.1	69.2	69.2	69.2	69.2

ENVIRONMENTAL ASSISTANCE - BUDGET BRIEF

Fund: GENERAL

	<u>FY 2002</u>	<u>FY 2003</u>	<u>Biennium</u>
BASE YEAR (FY 2001) (\$000s)			
Appropriations	\$20,503	\$20,503	\$41,006
<u>BASE ADJUSTMENT</u>			
Documented Rent Increase	53	78	131
2002-03 Salary and Benefits	98	199	297
<u>BASE LEVEL (for 2002 and 2003)</u>	\$20,654	\$20,780	\$41,434
<u>CHANGE ITEMS</u>			
Loan Reallocation	-0-	-0-	-0-
 GOVERNOR'S RECOMMENDATION	 \$20,654	 \$20,780	 \$41,434

BRIEF EXPLANATION OF BUDGET DECISIONS:

- \$14,008,000 per fiscal year of General Fund dollars is dedicated to Select Committee on Recycling and the Environment (SCORE) block grants to counties.
- \$1,875,000 per fiscal year is allocated to competitive grants.
- The base adjustments are \$53,000 in FY 2002 and \$78,000 in FY 2003 for documented rent increase, \$98,000 in FY 2002 and \$199,000 in FY 2003 for salary and benefit compensation.
- Changes to grants:
 - Loan reallocation will shift \$200,000 per year from grants to low-interest loans.

GOVERNOR'S RECOMMENDATION(S):

The Governor recommends the agency's base budget and the reallocation of \$200,000 from grant funds to a revolving loan account for the OEA Environmental Assistance Loan Program.

ENVIRONMENTAL ASSISTANCE - BUDGET BRIEF

Fund: ENVIRONMENTAL

	<u>FY 2002</u>	<u>FY 2003</u>	<u>Biennium</u>
BASE YEAR (FY 2001) (\$000s)			
Appropriations	\$1,273	\$1,273	\$2,546
<u>BASE ADJUSTMENT</u>			
Documented Rent Increase	6	10	16
2002-2003 Salary and Benefits	15	29	44
<u>BASE LEVEL (for 2002 and 2003)</u>	\$1,294	\$1,312	\$2,606
<u>CHANGE ITEMS</u>	-0-	-0-	-0-

GOVERNOR'S RECOMMENDATION	\$1,294	\$1,312	\$2,606
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BRIEF EXPLANATION OF BUDGET DECISIONS:

- \$640,000 per year is dedicated to pollution prevention grants.
- \$376,000 in FY 2002 and \$386,000 in FY 2003 represent pollution prevention operations.
- \$278,000 in FY 2002 and \$286,000 in 2003 represent landfill abatement operations.
- The base adjustments are \$6,000 in FY 2002 and \$10,000 in FY 2003 for documented rent increase, \$15,000 in FY 2002 and \$29,000 in FY 2003 for salary and benefit compensation.

GOVERNOR'S RECOMMENDATION(S):

The Governor recommends the agency's base budget.

ENVIRONMENTAL ASSISTANCE - REVENUE SUMMARY

REVENUE SOURCES:

The OEA generates non-dedicated and dedicated revenue. Non-dedicated revenue is collected from pollution prevention fees in the environmental fund, interest and principal from loans awarded by the OEA, miscellaneous revenues in the general fund, and capital assistance loan repayment principal and interest into the debt service fund.

Facilities reporting toxic chemical releases pay a pollution prevention fee based on the amount of chemical released. Fees generated from this program are used for technical and financial assistance to facilities to prevent and reduce chemical and hazardous waste generation.

Dedicated revenue is generated from various seminars and workshops the OEA presents throughout the year.

FEE STRUCTURE:

The two primary fees collected under OEA programs are pollution prevention fees and landfill abatement fees. Pollution prevention fees are collected from persons required to report by U.S. Code, Title 42, and owners or operators of certain facilities, at a rate of \$150 for each toxic pollutant reported released plus a fee based on the total pounds of reported releases. Facilities reporting more than 25,000 pounds are assessed a graduated fee at the rate of two cents per pound of release reported. If generating more than 1,000 kilograms of hazardous waste per month and not subject to the other fee, owners must pay a pollution prevention fee of \$500 per facility.

The metropolitan solid waste landfill fee is received by the Department of Revenue from operators of disposal facilities in the metro area. Facilities that weigh accepted waste must pay a fee of \$6.66 per ton; facilities that measure the volume of waste pay a fee of \$2 per cubic yard. After the Department of Revenue is reimbursed for its costs, 75% of the remaining proceeds are deposited into the Metropolitan Landfill Abatement Account and 25% deposited into the Metropolitan Landfill Contingency Action Trust Fund.

The fee structure of conference registrations charged is based on the estimated cost of the individual conference. OEA provides these conferences and seminars as technical assistance to its customers.

RECENT CHANGES:

As a result of manufacturers generating less pollution, there have been successive decreases in the amount of pollution prevention fees collected. The OEA has had to absorb these reductions in funding by scaling back its technical and financial assistance. Due to new reporting requirements that have

expanded the types of reporters, the fee account has been restored to its previous level of \$1.1 million, which will enable the OEA to restore full service.

FORECAST BASIS:

Starting with fees collected in January 2000, additional facilities were required to report their toxic chemical releases. This raised the revenues from \$901,000 in January 1999 to \$1.1 million in January 2000. This should remain constant into the future.

Agency: ENVIRONMENTAL ASSISTANCE

Summary of Agency Revenues (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Forecast	Governor Recomm.	Forecast	Governor Recomm.	Dollars	Percent
Non-Dedicated Revenue:									
Departmental Earnings:									
ENVIRONMENTAL	901	1,156	1,100	1,100	1,100	1,100	1,100	(56)	(2.5%)
Other Revenues:									
GENERAL	19	4	8	8	8	8	8	4	33.3%
Other Sources:									
GENERAL	51	136	100	100	100	100	100	(36)	(15.3%)
Total Non-Dedicated Receipts	971	1,296	1,208	1,208	1,208	1,208	1,208	(88)	(3.5%)
Dedicated Receipts:									
Grants:									
SPECIAL REVENUE	177	199	35	0	0	0	0	(234)	(100.0%)
FEDERAL	141	41	0	0	0	0	0	(41)	(100.0%)
Other Revenues:									
SPECIAL REVENUE	17	0	0	0	0	0	0	0	
ENVIRONMENTAL	42	75	140	140	140	140	140	65	30.2%
GIFT	25	165	20	0	0	0	0	(185)	(100.0%)
Total Dedicated Receipts	402	480	195	140	140	140	140	(395)	(58.5%)
Agency Total Revenues	1,373	1,776	1,403	1,348	1,348	1,348	1,348	(483)	(15.2%)

BUDGET ACTIVITY SUMMARY

Budget Activity: RESEARCH, POLICY ANALYSIS, EVAL
Program: OFFICE OF ENVIRONMENTAL ASSIST
Agency: ENVIRONMENTAL ASSISTANCE

ACTIVITY PROFILE:

The OEA's research, policy analysis and evaluation activities provide strategic direction to state and local pollution prevention, waste management, and environmental education programs. OEA policy and program development is well informed, analytically rigorous, and continuously evaluated. The result is the creation of new ideas to reinvent current systems that improve the environment and economy.

Research and development of reports identify emerging issues and provide direction for future policies and programs. Every two years the OEA produces comprehensive policy reports, the *Solid Waste Report* and the *Pollution Prevention Evaluation Report*, that include extensive stakeholder input and employee involvement. The strategic direction provided by these reports can be summarized as:

- Research and analyze the solid waste system to develop specific strategies to recover resources.
- Create and advance voluntary methods of reducing the environmental impacts of manufacturing processes and products.

STRATEGIES AND PERFORMANCE:

■ **County Planning**

Over the past 15 years, county planning activities have worked to change solid waste management practices throughout the state. Partnerships with local units of government, manufacturers and businesses, educators and individual citizens have allowed OEA to implement an integrated system of solid waste management. OEA works directly with local units of government to prepare solid waste plans that guide the implementation of local and regional programs for solid waste reduction, recycling, processing, and management.

■ **Resource Savings and Greenhouse Gas Research**

The OEA is continuing its research on the avoided materials use, energy use, land use, and air emissions associated with Minnesota's integrated waste management system. Preliminary results show that between 2000 and 2020, 16 to 26 million tons of greenhouse gases and 340,000 tons of sulfur dioxide emissions can be avoided and 1,000 acres of land can be saved as a result of managing our wastes according to state policy.

■ **2008 Task Force**

The OEA is committed to advancing a policy that eliminates the disposal of unprocessed MSW by 2008. A multi-discipline technical work group will map the complexities of the solid waste system and identified possible strategies that could be adopted to accomplish the goal. A Governor's Select Committee, comprised of the environmental leadership from the House and Senate and other elected or appointed officials, will meet in the summer of 2001 to discuss recommended strategies.

■ **Product Stewardship**

The OEA developed a framework for working with manufacturers, retail establishments and consumers to effectively remove certain products from the waste stream and divert them to recycling systems. The primary products that were addressed include carpet, electronics that contain cathode ray tubes, and paint. The OEA will continue to lead national efforts and develop partnerships with other types of manufacturers to ensure that materials currently being managed as waste can be converted into resources that have economic value. The OEA will also begin working with other states to develop a national policy on product stewardship.

■ **Pollution Prevention**

The OEA is coordinating with other states and the National Pollution Prevention Roundtable to assure that research and policy is optimized for performance. To link this information with needs specific to Minnesota, the OEA contracted for a survey of state manufacturers and is continuing one-on-one meetings at facilities that generate the most significant quantities of toxic chemicals. As a result of this feedback, the OEA is developing "best practices" resources and "best P2 technology" demonstration projects in cooperation with prioritized trade groups. With these tools in place, helping these industries obtain reduced-rate loans will provide the major pieces necessary for pollution prevention and enhanced economic performance.

■ **OEA Program Evaluation**

In 1997, OEA established program priorities and began using a performance measurement system to track progress. This system allows the organization to gather input from stakeholders and employees, establish strategic program directions, and focus on priorities and results. This system allows for outcome based budgeting and makes our strategic plan a living document.

FINANCING INFORMATION:

This program is funded 89% by direct appropriation from the General Fund and 11% from the Environmental Fund.

Activity: RESEARCH,POLICY ANALYSIS,EVAL
Program: OFFICE OF ENVIRONMENTAL ASSIST
Agency: ENVIRONMENTAL ASSISTANCE

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Category:									
State Operations									
COMPENSATION	627	616	749	832	832	896	896	363	26.6%
OTHER OPERATING EXPENSES	236	278	205	137	137	164	164	(182)	(37.7%)
Subtotal State Operations	863	894	954	969	969	1,060	1,060	181	9.8%
LOCAL ASSISTANCE	0	240	121	0	0	0	0	(361)	(100.0%)
Total Expenditures	863	1,134	1,075	969	969	1,060	1,060	(180)	(8.1%)

Financing by Fund:									
Direct Appropriations:									
GENERAL	816	860	855	863	863	945	945		
ENVIRONMENTAL	42	255	200	106	106	115	115		
Statutory Appropriations:									
FEDERAL	5	19	0	0	0	0	0		
GIFT	0	0	20	0	0	0	0		
Total Financing	863	1,134	1,075	969	969	1,060	1,060		

FTE by Employment Type:									
FULL TIME	13.5	12.4	12.4	12.4	12.4	12.4	12.4		
Total Full-Time Equivalent	13.5	12.4	12.4	12.4	12.4	12.4	12.4		

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BUDGET ACTIVITY SUMMARY

Budget Activity: PROJECT IMPLEMENTATION
Program: OFFICE OF ENVIRONMENTAL ASSIST
Agency: ENVIRONMENTAL ASSISTANCE

ACTIVITY PROFILE:

The OEA uses financial and technical assistance to implement new programs and policies that help counties, cities, businesses, institutions, schools, and the public:

- Prevent waste and pollution;
- Design products and implement manufacturing processes that have minimal impact on the environment;
- Procure products, services, and materials that have the least environmental impact;
- Recover materials and energy from waste through waste management systems and facilities that protect the environment and conserve resources; and,
- Include community environmental considerations in economic and social decisionmaking.

The OEA creates strong partnerships with these public and private interests and provides technical expertise and financial incentives that otherwise would not be available. By meeting these needs, the OEA helps communities of all sizes, businesses and institutions, educators, and the general public implement policies and programs that protect the environment, conserve resources, and prevent future costs.

STRATEGIES AND PERFORMANCE:

While OEA policy, planning, and evaluation activities research and invent new system ideas and programs, our program implementation activities work to develop and implement them throughout the state. Thus, the strategic direction of our implementation program is to take our creative policy ideas from the conceptual to the prototypical. The strategic directions of these activities are to:

- Prioritize certain manufacturers and others to prevent the amount of pollution that is generated both in the process and in products.
- Work to complete the development of the materials and energy recovery system.

TECHNICAL ASSISTANCE ACTIVITIES:

- The OEA technical assistance priorities for counties include implementing methods to reduce waste generation, improving the cost-effectiveness of recycling, composting and recovery systems, expanding the public's understanding of resource conservation and environmental protection, and building stronger regional waste management systems. The county solid waste plans serve as the foundation for these technical assistance priorities.
- The OEA works directly with businesses to develop manufacturing capacity for recyclable materials. OEA provides technical assistance in areas such as business development, recycled product development and market research. This effort has contributed to the establishment of over 6,500 jobs in industries that use recycled feedstock.
- Nearly 600 tons of unwanted electrical and electronic products were collected at 65 sites throughout Minnesota during an OEA-sponsored electronics recycling pilot project in late 1999. The project is breaking new ground nationally to identify costs to collect these materials and to market the recovered scrap. Four private sector organizations are working with the OEA in a public-private partnership to find ways to foster market-based incentives to promote the stewardship of used electronics.
- The Minnesota Technical Assistance Program (MnTAP) is an OEA funded program that provides direct assistance primarily to businesses with toxic chemical waste streams. MnTAP helps businesses find ways to reduce waste and pollution through site visits, telephone assistance, interns, materials exchange and research into process and raw material alternatives. From 1998-99, MnTAP activities resulted in reductions of 197 million pounds of waste and 62 million gallons of water, respectively. As a result of these reductions, MnTAP was able to save companies \$2.9 million.
- An OEA Design for the Environment (DfE) toolkit has been developed and is in use by several Minnesota manufacturers. OEA will partner with manufacturers to implement specific product development projects. Also, lists of products that contain mercury have been developed and OEA is working with manufacturers to identify alternatives.
- The OEA has worked with the Solid Waste Management Coordinating Board (SWMCB) and Department of Administration to develop and distribute statewide, the environmentally preferable purchasing guide. The OEA continues to work with the Department of Administration to revise state purchasing contracts to include integrated pest management and product stewardship components.
- OEA's Green Building assistance program provides schools, and state and local government with information on how reduced toxicity, recycled content,

BUDGET ACTIVITY SUMMARY (Continued)

Budget Activity: PROJECT IMPLEMENTATION
Program: OFFICE OF ENVIRONMENTAL ASSIST
Agency: ENVIRONMENTAL ASSISTANCE

reusable materials, and energy conservation can be incorporated in building design.

- Through the Governor's Awards for Excellence in Waste and Pollution Prevention, the OEA will continue to recognize businesses and other organizations as leaders in Pollution Prevention programs. Since its inception in 1991, over 50 organizations have been recognized with these awards.

Financial Assistance Strategies

- **Competitive Grant Awards**
Since 1985, the OEA and its predecessors have awarded more than \$10 million in grants to entities across Minnesota. From October 1999 to July 2000, the OEA provided \$1.35 million to 28 projects, leveraging nearly \$1.5 million in local financial contributions. The program emphasizes environmental education, pollution prevention, waste reduction and reuse, source separation, recycling and market development of recyclables, and resource conservation. These are activities that go beyond traditional treatment, control and disposal of wastes and pollution. Those eligible include Minnesota businesses, public entities, nonprofit organizations, schools and others involved in improving Minnesota's environment.
- **Capital Assistance Grant Program**
The OEA reviews and approves grants for integrated waste management facilities under the Solid Waste Processing Facilities Capital Assistance Grant Program (CAP). The state has funded 89 grants totaling \$46.6 million and has leveraged \$108 million in local contributions for the development of Minnesota's waste management infrastructure. Transfer stations, recycling facilities, waste-to-energy facilities and household hazardous waste facilities are eligible for these funds.
- **County Assistance**
The OEA provides financial assistance to counties through SCORE grants and through the Metropolitan Landfill Abatement Account, Local Recycling Development Grant program. Each year, SCORE block grants of over \$14 million are disbursed to counties and Western Lake Superior Sanitary District to support and expand services to prevent waste generation, foster reuse of materials and expand recycling. Solid waste plans must be approved to receive SCORE grant money. The OEA administers the Local Recycling Development Grant program for the seven county metropolitan area to improve education, waste reduction, recycling and solid waste

management programs serving the region. These programs have contributed significantly to Minnesota's 47% recycling rate.

FINANCING INFORMATION:

This program is funded 83% from the General Fund and 17% from the Environmental Fund.

BUDGET ISSUES:

- A majority of Minnesota businesses surveyed in 1999 stated that low-interest loans would serve as a strong incentive to make environmental improvements. The OEA proposes to partner with private financial institutions to develop a loan program and leverage private sector funds. Financial institutions would service the loans and provide 50% of the loan funds at market rates, and the state would provide the remainder at reduced rates. This approach substantially lowers staffing needs, lowers the overall effective interest rate and, thereby makes the return on investment for pollution prevention projects competitive with other capital needs. This partnership will also assure that loans go to credit worthy businesses. Loan funds are projected to revolve within a five to seven year timeframe. Statutory authority to administer the loan program currently exists but authorization for a revolving account is needed. The OEA proposes to reallocate \$200,000 per fiscal year in existing grant funding to the new revolving account to use as loans. The revolving account will allow the OEA to issue new loans as money is repaid to the account. Five states have recently initiated loan programs similar to OEA's proposed program. These states report that no loans have defaulted to date or are having repayment problems.

Activity: PROJECT IMPLEMENTATION
Program: OFFICE OF ENVIRONMENTAL ASSIST
Agency: ENVIRONMENTAL ASSISTANCE

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Category:									
State Operations									
COMPENSATION	1,252	1,411	1,519	1,647	1,647	1,774	1,774	491	16.8%
OTHER OPERATING EXPENSES	432	575	522	227	227	194	194	(676)	(61.6%)
OTHER FINANCIAL TRANSACTIONS	0	0	0	0	200	0	200	400	
Subtotal State Operations	1,684	1,986	2,041	1,874	2,074	1,968	2,168	215	5.3%
LOCAL ASSISTANCE	17,891	20,551	20,543	19,076	18,876	19,063	18,863	(3,355)	(8.2%)
Total Expenditures	19,575	22,537	22,584	20,950	20,950	21,031	21,031	(3,140)	(7.0%)

Change Items:	Fund				
(B) LOAN REALLOCATION	GEN			200	200
(B) DECREASE GRANTS FOR LOAN PROGRAM	GEN			(200)	(200)
Total Change Items				0	0

Financing by Fund:							
Direct Appropriations:							
ENVIRONMENT & NATURAL RESOURCE	0	175	175	0	0	0	0
GENERAL	16,936	15,984	18,376	17,292	17,292	17,375	17,375
MINNESOTA RESOURCES	0	250	0	0	0	0	0
ENVIRONMENTAL	1,131	753	1,182	1,105	1,105	1,116	1,116
Statutory Appropriations:							
SPECIAL REVENUE	102	141	62	0	0	0	0
FEDERAL	91	54	0	0	0	0	0
ENVIRONMENTAL	1,315	5,114	2,780	2,553	2,553	2,540	2,540
GIFT	0	66	9	0	0	0	0
Total Financing	19,575	22,537	22,584	20,950	20,950	21,031	21,031

Revenue Collected:							
Dedicated							
ENVIRONMENTAL	42	75	140	140	140	140	140
GIFT	0	0	20	0	0	0	0
Nondedicated							
GENERAL	70	140	106	106	106	106	106
ENVIRONMENTAL	901	1,156	1,100	1,100	1,100	1,100	1,100
Total Revenues Collected	1,013	1,371	1,366	1,346	1,346	1,346	1,346

Activity: PROJECT IMPLEMENTATION
 Program: OFFICE OF ENVIRONMENTAL ASSIST
 Agency: ENVIRONMENTAL ASSISTANCE

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003	
				Base	Governor Recomm.	Base	Governor Recomm.
FTE by Employment Type:							
FULL TIME	23.8	25.0	25.0	25.0	25.0	25.0	25.0
Total Full-Time Equivalent	23.8	25.0	25.0	25.0	25.0	25.0	25.0

BUDGET CHANGE ITEM (47599)

Budget Activity: PROJECT IMPLEMENTATION
Program: OFFICE OF ENVIRONMENTAL ASSIST
Agency: ENVIRONMENTAL ASSISTANCE

Item Title: LOAN REALLOCATION

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000s)				
General Fund				
-State Operations	\$200	\$200	\$200	\$200
-Grants	(\$200)	(\$200)	(\$200)	(\$200)
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ☒ No ☐

If yes, statute(s) affected: 115A.0716

☐ New Activity ☐ Supplemental Funding ☒ Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends a change in allocation from grants to loans of \$200,000 per year to create and fund a revolving account for the OEA environmental assistance loan program.

RATIONALE:

Minnesota industry recycles, disposes or otherwise manages over 127 million pounds of toxic chemicals each year. While industry has reduced toxic chemical generation by 40% from 1993-98, recent data indicates that this trend has reached a plateau. Further reductions will not likely occur without new financial incentives and additional technical assistance activities.

A majority of Minnesota businesses surveyed in 1999 state that low-interest loans would serve as a strong incentive to make environmental improvements. Five states have recently initiated loan programs similar to this proposal. These states report that no loans have defaulted to date or are having repayment problems.

The OEA will partner with private financial institutions to administer the loan program and leverage private sector funds. Financial institutions would service the loans and provide 50% of the loan funds at market rates, and the state

would provide the remainder at reduced rates. This approach substantially lowers staffing needs, lowers the overall effective interest rate and, thereby makes the return on investment for pollution prevention (P2) projects competitive with other capital needs. The loan applicants would also have to meet the due diligence requirements of the financial institutions thereby limiting risk to the state. Loan funds are projected to revolve within a five to seven year timeframe.

Statutory authority to administer the loan program currently exists but authorization for the revolving account is needed. The OEA proposes to reallocate \$200,000 per fiscal year in existing grant funding to the new revolving account to use as loans. The revolving account will allow the OEA to issue new loans as money is repaid to the account.

FINANCING:

	FY 2002	FY 2003	FY 2004	FY 2005
Grants	\$(200,000)	\$(200,000)	\$(200,000)	\$(200,000)
Loans	\$200,000	\$200,000	\$200,000	\$200,000

OUTCOMES:

The OEA projects that significant environmental outcomes can be achieved with support from low interest loans. Data shows that significant reductions in hazardous solvents and heavy metal wastes could be realized over a five year period and result in approximately \$1.6 million in waste management savings to Minnesota industry. These savings do not include positive economic impacts resulting from reduced raw materials cost, improved workplace safety, lowered regulatory requirements, and avoided landfill cleanup.

The proposed loan program is innovative and will result in "win-win" environmental and economic benefits. The proposal leverages non-government sources of funding, complements existing regulatory programs, and accelerates development of new technologies with high export potential. The competitive edge of Minnesota businesses will be enhanced by the increased application of cleaner technologies.

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BUDGET ACTIVITY SUMMARY

Budget Activity: EDUCATION AND INFORMATION
Program: OFFICE OF ENVIRONMENTAL ASSIST
Agency: ENVIRONMENTAL ASSISTANCE

ACTIVITY PROFILE:

The OEA uses education to advance reformation of the current waste management system and to encourage resource conservation behaviors. The following statement summarizes our strategic direction for education:

- Educate specific audiences about making responsible environmental choices.

These education activities, authorized by M.S. 115A.072 (Environmental Education), augment OEA's policy, planning and program implementation functions by developing educational programming and a variety of information and communication tools such as fact sheets, written reports, directories and videotapes. The OEA also conducts workshops and attends key conferences and events to exhibit information. These venues provide an interactive means of reaching OEA audiences and developing community networks for program implementation.

During FY 2000, the OEA expanded its services in southern, northeastern and northwestern Minnesota. The goal is to support environmental educators throughout Minnesota through skill building, partnerships, communications, financial and educational resources. The OEA has made great strides in working towards these goals through our Sharing Environmental Education Knowledge (SEEK) program and capacity building efforts.

The OEA facilitates various environmental education-based programming and partnerships statewide. Efforts focus on enhancing communication, skill building, partnership building and access to resources. The Minnesota Sustainable Communities Network (MnSCN) and the Environmental Education Advisory Board (EEAB) are two forums the OEA uses to reach the citizens of Minnesota.

STRATEGIES AND PERFORMANCE:

- The OEA, in partnership with local governments across Minnesota, created the waste reduction public education campaign, "Reduce Waste. If Not You Who?". The campaign was designed to raise awareness regarding the ever growing waste stream. A recent survey conducted as a follow-up to the campaign found that Minnesotans are concerned about the amount of waste they generate, frustrated by the large amount of throwaway

packaging, and have an interest in actively reducing the amount of waste they generate.

- **Sharing Environmental Education Knowledge (SEEK)**
SEEK is a World Wide Web online directory of Minnesota environmental education resources. SEEK works as a clearinghouse for environmental education resources that come from a variety of organizations throughout Minnesota, including schools, colleges, government agencies, environmental learning centers and businesses. In 1998, SEEK was accessed daily by over 1,500 individuals and organizations, of which 59 were new users. At present, there are 93 contributors that input their environmental education resources on SEEK.
- **Education and Information Clearinghouse**
Students, educators, businesses and government officials benefit from resources available through the Clearinghouse. These resources include fact sheets, brochures, reports, periodicals, videos, tabletop displays, and educational materials specifically for students and teachers, including software.
- **Environmental Education Capacity Building**
During FY 2000, the OEA offered monthly EE capacity building workshops. Each workshop filled up immediately and several workshops required waiting lists. Topics included:
 - The Nuts and Bolts of Facilitation
 - Paradigms and Learning
 - The Inner Environment
 - Public Participation
 - Multiple Intelligences
 - Minnesota Graduation Standards
 - Client-Centered Learning
 - Untying Your Tongue
 - The Marketing Toolkit

Workshop participants are all placed on an e-mail list so our network continues to grow. All communication to interested parties is primarily done through an e-mail listserve called STEEL (State EE Listserve).

- **GreenPrint**
The OEA's role in environmental education includes development of *The GreenPrint for Minnesota*, a document that identifies key strategies for state agency environmental education efforts. The *GreenPrint* series acts as a guide for environmental organizations and educators in delivering environmental education to all Minnesota audiences. The second edition was recently produced and identifies accomplishments and revisits priorities.

BUDGET ACTIVITY SUMMARY (Continued)

Budget Activity: EDUCATION AND INFORMATION
Program: OFFICE OF ENVIRONMENTAL ASSIST
Agency: ENVIRONMENTAL ASSISTANCE

BUDGET ISSUES:

- The OEA launched an educational effort known as "Reduce Waste. If Not You Who?" in January 2000. This effort has proven to be a valuable outreach and educational strategy to raise awareness about increasing waste generation. The initial combination of mass media, social marketing and community level education increased awareness of waste reduction issues by over 14%. After achieving this increased awareness, it is now time to focus on changing behavior that directly affects waste generation. \$150,000 from various education activities will be reallocated to focus on Phase II of the Waste Reduction Campaign.

- **Sustainable Communities**

The OEA works with communities so that environmental considerations are balanced with social and economic concerns. Work in this area has contributed to over 1,600 members having joined the Minnesota Sustainable Communities Network and over 900 individuals who receive a bi-weekly e-mail newsletter. OEA is providing assistance to over 25 current sustainable community projects.

- **NextStep Web Site**

The OEA is introducing a new, interactive web-based assistance tool called NextStep. This site will provide a convenient point of access to information about sustainability in Minnesota as well as meet the needs of over 1,600 members of Minnesota's Sustainable Communities Network (MnSCN).

The site addresses the economic, social and environmental aspects of each topic area and contains information on tools and resources, case studies, calendar listings, short articles and interactive scrolling conversations. Registered users will also be able to add links, resources and calendar events to the site as well as participate in discussion forums and search the member directory.

- **The Resource**

The Resource is OEA's free quarterly newsletter. It covers a wide range of environmental issues in our state, from waste management to sustainable communities. The Resource reaches approximately 6,000 residents, businesses and organizations in Minnesota. A new online version was introduced during the summer of 2000.

- **OEA Website**

The OEA website can be found at www.moea.state.mn.us and offers links to several other environmental resources. This technology allows the OEA to make its resources more widely available and quickly accessible. As we increase information distribution through this medium, we will reduce the number of hard copies we print and distribute.

FINANCING INFORMATION:

This program is funded 95% from the General Fund and 5% from the Environmental Fund.

Activity: EDUCATION AND INFORMATION
Program: OFFICE OF ENVIRONMENTAL ASSIST
Agency: ENVIRONMENTAL ASSISTANCE

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Category:									
State Operations									
COMPENSATION	767	913	1,003	1,077	1,077	1,156	1,156	317	16.5%
OTHER OPERATING EXPENSES	550	658	492	452	452	344	344	(354)	(30.8%)
Total Expenditures	1,317	1,571	1,495	1,529	1,529	1,500	1,500	(37)	(1.2%)
Financing by Fund:									
Direct Appropriations:									
GENERAL	1,154	1,317	1,395	1,446	1,446	1,419	1,419		
ENVIRONMENTAL	141	122	100	83	83	81	81		
Statutory Appropriations:									
SPECIAL REVENUE	22	17	0	0	0	0	0		
GIFT	0	115	0	0	0	0	0		
Total Financing	1,317	1,571	1,495	1,529	1,529	1,500	1,500		
FTE by Employment Type:									
FULL TIME	16.8	18.0	18.0	18.0	18.0	18.0	18.0		
Total Full-Time Equivalent	16.8	18.0	18.0	18.0	18.0	18.0	18.0		

BUDGET ACTIVITY SUMMARY

Budget Activity: ADMINISTRATIVE SUPPORT
Program: OFFICE OF ENVIRONMENTAL ASSIST
Agency: ENVIRONMENTAL ASSISTANCE

ACTIVITY PROFILE:

OEA management provides leadership, expertise, and coordination of programs for staff and customers. OEA management confers with stakeholders and all OEA employees, then establishes strategic program directions and program priorities. Resources are allocated, programs evaluated, and spending decisions are made to obtain the most value from our programs.

Support services provide financial, personnel, computer and clerical assistance to OEA staff and others. Financial and personnel information allows us to shift resources based on program needs and staffing expertise, making the best use of our talents and funding. Our computer department strategic information resource plan (SIRP) anticipates the future technology needs of the agency.

The challenges facing these functions are primarily related to the changing demands placed on governmental organizations and the evolving nature of environmental issues. OEA management must be able to anticipate future trends and determine the best course of action. Support staff must continually update their technical expertise. Computer networks must be maintained and periodically upgraded in order to allow staff to complete work and to be able to communicate electronically with others.

STRATEGIES AND PERFORMANCE:

Implementation of the OEA Strategic Plan, through a Performance Measurement System, allows management to focus on priorities, track and evaluate program implementation on a quarterly basis, and strategically allocate resources. OEA Management has encouraged and assisted staff in developing OEA Core Values, behavior models that staff use when dealing with each other and with customers. OEA support services assist staff, the public, and other customers in the most efficient and cost-effective manner possible. OEA contracts with the Minnesota Pollution Control Agency (MPCA) to provide personnel, regional office space and assistance, and employee safety support. In-house computer software training is provided to staff. Financial oversight assures that taxpayer resources are protected and used in a responsible manner.

Performance measures:

OEA management satisfied all of its program objectives for FY 2000, as identified in the OEA Strategic Plan. A brief summary of these accomplishments follows:

- Completion of three product stewardship projects designed to reduce the environmental impacts of paint, electronics with CRT's, and carpet in the waste stream. The results are currently being evaluated.
- Identified, visited, and developed plans for potential reductions in toxic chemical generation at 25 Minnesota manufacturing facilities. Evaluation of this information allowed the development of OEA workplan activities for FY 2001.
- Completion of the Solid Waste Policy Report has resulted in specific policy development steps being taken to maximize the conservation of materials and energy from waste.
- The OEA has changed its internal purchasing practices to reflect the state's environmental policies by purchasing chlorine free copy paper with 100% post-consumer recycled content, less toxic desk cleaner containing no Volatile Organic Chemicals (VOC's), appointment books and calendars containing recycled content paper, and by using gasoline that produces 10-20% fewer emissions.

FINANCIAL INFORMATION:

This budget activity is funded totally from the General Fund. The Environmental Fund pays statewide indirect costs.

Activity: ADMINISTRATIVE SUPPORT
Program: OFFICE OF ENVIRONMENTAL ASSIST
Agency: ENVIRONMENTAL ASSISTANCE

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Category:									
State Operations									
COMPENSATION	786	751	871	891	891	874	874	143	8.8%
OTHER OPERATING EXPENSES	426	279	279	189	189	194	194	(175)	(31.4%)
Total Expenditures	1,212	1,030	1,150	1,080	1,080	1,068	1,068	(32)	(1.5%)
Financing by Fund:									
Direct Appropriations:									
GENERAL	1,174	943	1,043	1,053	1,053	1,041	1,041		
ENVIRONMENTAL	12	16	0	0	0	0	0		
Open Appropriations:									
ENVIRONMENTAL	25	26	27	27	27	27	27		
Statutory Appropriations:									
SPECIAL REVENUE	1	45	80	0	0	0	0		
Total Financing	1,212	1,030	1,150	1,080	1,080	1,068	1,068		
Revenue Collected:									
Nondedicated									
GENERAL	0	0	2	2	2	2	2		
Total Revenues Collected	0	0	2	2	2	2	2		
FTE by Employment Type:									
FULL TIME	11.5	13.8	13.7	13.8	13.8	13.8	13.8		
Total Full-Time Equivalent	11.5	13.8	13.7	13.8	13.8	13.8	13.8		

MINN-WISCONSIN BOUNDARY COMM - EXECUTIVE SUMMARY

AGENCY MISSION AND VISION:

By Interstate Compact, the commission promotes voluntary cooperation with Wisconsin in the St. Croix and Mississippi River valleys, serving citizens, NGOs, local governments and other state agencies. (M.S. Ch. 1.31)

Mission: To protect, use and develop, in the public interest, the lands, river valleys, and waters on the Wisconsin boundary.

Vision: To identify and eliminate counter-productive conflicts and differences for the mutual benefit of the people.

KEY SERVICE STRATEGIES:

- Joint regional planning for the development of boundary areas.
- Measures for controlling air and water pollution, maintaining water quality, and controlling water use.
- Programs for control of soil and river bank erosion and the general improvement of the river basins.
- Diversion of waters from and into the rivers.
- Restrictions and regulation of land use development designed to preserve the scenic and recreational attributes of the river basins.
- Other restrictions, regulations or programs the commission may recommend to the party states.

PERFORMANCE SUMMARY:

- The citizen commission is the only agency devoting full-time attention to the nationally significant river boundaries. It fosters much citizen participation.
- For the St. Croix River valley, the commission:
 - organized a cell tower site work group to get agreement with local units of government, telecommunications companies, and citizen groups, on guidelines to be used to locate cell phone towers in the river valley.
 - provides leadership to citizen-volunteer water quality monitors in collecting base level phosphorus data at various points along the river.
 - organized volunteers to conduct a boat count to measure river traffic for use as baseline data in future studies and trend analysis reports;
 - assembled a comprehensive list of funding resources available to local units of government for wastewater treatment plant upgrades;
 - organizes bi-monthly planning meetings for the staff of the five counties which border the lower river and several of the river municipalities;
 - staffs the state-federal Upper and Lower Management Commissions and their committees;
 - organized the annual "Expo" featuring a kids river stewardship poster contest and attracting several hundred visitors to 25 booths of natural

- resource agencies, history groups, and chambers of commerce.
- invited marina operators to contribute their experience and share their concerns about boundary area issues;
- held a public hearing on environmental effects of the Hudson casino proposal.
- participates on many other teams, task forces and partnerships;
- publishes a quarterly River Stewards Journal;
- organizes educational seminars;

- For the Mississippi River valley, the commission:
 - conducts public information and listening sessions to enable the state and federal agencies and the Army Corps of Engineers to coordinate policy for programs like the proposed expansion of the navigation system, the Habitat Needs Assessment Study, the Sedimentation Initiative, and the Endangered Species Act.
 - consulted for operation and maintenance of the existing lock and dam system;
 - participates in the Upper Mississippi River Basin Association; the Environmental Management Coordinating Committee; the Annual Summit Meeting; the habitat restoration, channel maintenance, and water level management teams; and the River Resources Forum's Recreation Work Group;
 - led a law enforcement coordination conference attended by 30+; led a tour of Japanese civil engineers;
 - promoted Winona's Agahming Park; and is updating the *Citizens Guide to the Management of the Upper Mississippi*.

ISSUES AFFECTING AGENCY'S OPERATIONS:

Population growth in both river valleys challenges planners and tests the resilience of natural resources. Controversy swirls around the Stillwater bridge, the Chisago power line, the barge shipping economy, boat congestion, cell towers, zebra mussels, and other bi-state concerns. The commission provides direct services and contains costs for Minnesota through coordination.

GOVERNOR'S RECOMMENDATIONS:

The Governor recommends the agency's base budget.

Agency: MINN-WISCONSIN BOUNDARY COMM

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Category:									
State Operations									
OTHER OPERATING EXPENSES	1	2	2	2	2	2	2	0	0.0%
Subtotal State Operations	1	2	2	2	2	2	2	0	0.0%
LOCAL ASSISTANCE	177	181	186	192	192	197	197	22	6.0%
Total Expenditures	178	183	188	194	194	199	199	22	5.9%

Financing by Fund:									
Direct Appropriations:									
GENERAL	146	150	154	159	159	163	163		
NATURAL RESOURCES	32	33	34	35	35	36	36		
Total Financing	178	183	188	194	194	199	199		

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MN ZOOLOGICAL GARDEN - CONTENTS

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MN ZOOLOGICAL GARDEN - EXECUTIVE SUMMARY

AGENCY MISSION AND VISION:

The Minnesota Zoological Board (MZB) is the state agency established by M.S. 85A and charged with operating the Minnesota Zoological Garden (Zoo) as an education, conservation, and recreation organization for the collection, habitation, preservation, care, exhibition, examination or study of wild and domestic animals.

Mission: *To strengthen the bond between people and the living earth.* This mission is accomplished through exhibits and programs to educate the public, to increase understanding of animals and nature and to encourage action on behalf of conservation efforts.

Vision: The Zoo follows seven vision strategies to achieve its mission.

- Create a magical experience.
- Thrive as a special place for children.
- Know our customers.
- Manage visitors' moments of truth.
- Link revenues to results.
- Build a premier service organization.
- Invest to keep the existing Zoo great.

As established by Minnesota statute, the Zoo is a public-private partnership intended to operate with considerable independence and to actively solicit contributions from non-state sources. The Zoo enhances the quality of life in Minnesota by providing enjoyable education, conservation, and recreation experiences to promote a better understanding of animals and nature and to encourage stewardship of natural resources. The Zoo belongs to the people of Minnesota and its facilities and programs are accessible to all Minnesota citizens. The Zoo is a valuable tourist attraction which attracts many visitors from other states.

KEY SERVICE STRATEGIES:

The Zoo provides activities and programs for people of all ages and backgrounds to encourage stewardship for animals and nature and a greater appreciation for the rich diversity of the living earth.

- Education programs provide meaningful and entertaining interactions with the Zoo's unique collection of plants and animals. Programs foster the development of values regarding species survival, biodiversity, habitat preservation, and environmental stewardship. The Zoo is a primary

resource for Minnesota schools to achieve environmental education outcomes.

- Conservation efforts strive to preserve biodiversity and promote a better understanding of animals and nature. The Zoo partners with local and global agencies and organizations to promote the survival of threatened and endangered species and ecosystems.
- Recreation opportunities are family-oriented educational experiences that are delivered both at the Zoo and throughout Minnesota. Visitors to the Zoo have fun and leave with a greater understanding, appreciation, and respect for animals and nature.

MINNESOTA ZOOLOGICAL GARDEN HISTORY:

The Legislature established the Minnesota Zoological Garden under the supervision and control of the MZB in 1969 and in 1973 approved the Zoo master plan and passed a bonding bill that was signed by the Governor to fund the construction of the Zoo. Ground breaking took place in May 1974, and the Zoo officially opened to the public on 5-22-78.

In the summer of 2000 the Zoo opened the Family Farm exhibit. The goal of this latest addition to the Zoo is to focus attention on, and to educate visitors on the past, present, and possible futures of Minnesota's agricultural community. This latest addition to the Zoo was constructed at a cost of \$4.3 million dollars. The Minnesota Zoo Foundation raised the total capital cost of the Family Farm exhibit through private fund raising efforts.

Since 1978, the Zoo has been conserving wildlife and serving the public. Over 22 million visitors have been to the Zoo. The Zoo continually evaluates and improves its programs and services to provide the most effective and enjoyable experiences possible, with the resources available. Currently approximately 1.1 million visitors come to the Zoo annually, including over 130,000 Minnesota K-12 students.

OPERATING ENVIRONMENT:

Issues affecting the Zoo operations:

- Approximately 70% of the annual visits to the Zoo occur between Memorial Day and Labor Day.
- The Zoo is relatively young and undeveloped in comparison to other major zoos and has the need for additional exhibits in order to offer the public a more complete experience.
- The expenses for maintenance of the facility and the management of the plant and animal collection are fixed and distributed throughout the year.

MN ZOOLOGICAL GARDEN- EXECUTIVE SUMMARY (Continued)

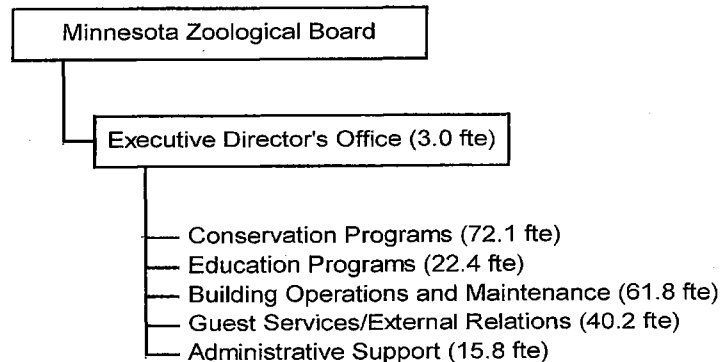
- Admission fees earned during the summer months generate the vast majority of revenue.

Many factors beyond the Zoo's control impact the levels of attendance and revenue:

- growth in competing attractions,
- adverse weather conditions,
- decline in available leisure time,
- economic conditions affecting disposable income.

The Zoo is a valuable and unique education, conservation, and recreation resource for all Minnesota citizens. The Zoo is funded by a combination of sources for FY 2001 including: 1) Zoo admission receipts (26%); 2) state appropriation (35%); 3) Zoo revenue programs and activities (32%); and 4) private philanthropic support (7%).

ORGANIZATION/PROGRAM STRUCTURE:



6/30/2000 Total FTE's: 216.3

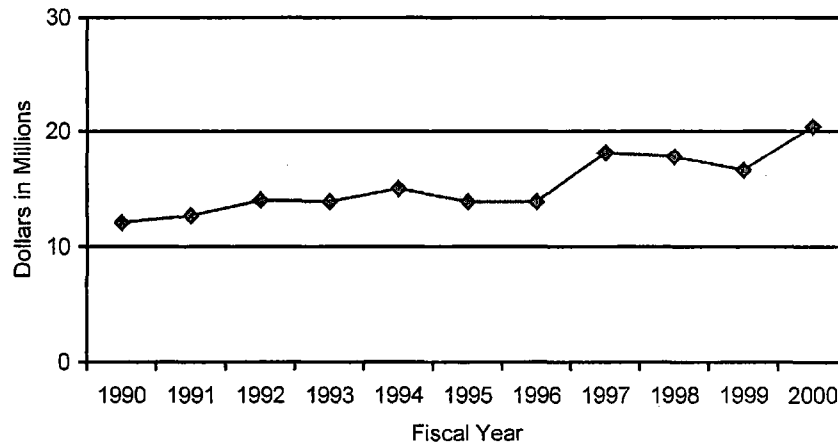
GOVERNOR'S RECOMMENDATION:

The Governor recommends the agency's base budget and their LCMR project. The Governor also recommends that \$140 thousand each year be transferred from Department of Natural Resources to the Minnesota Zoo from the Natural Resource Fund, consistent with MS 297A.44.

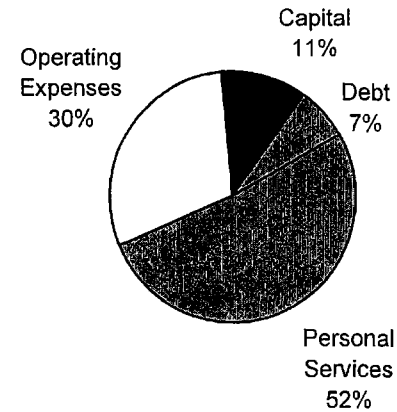
MN ZOOLOGICAL GARDEN- EXECUTIVE SUMMARY (Continued)

TRENDS AND PERSPECTIVE:

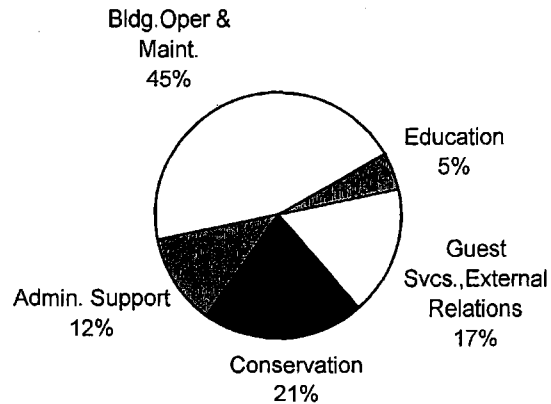
Total Budget -All Funds



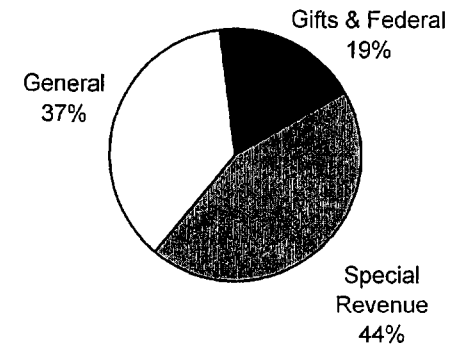
2000-01 Expenditures by Category
Total: \$ 38.9 million



2000-01 Expenditures by Program
Total: \$ 38.9 million



2000-01 Expenditures by Fund
Total: \$ 38.9 Million



Program: MINNESOTA ZOO
Agency: MN ZOOLOGICAL GARDEN

Program Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>Expenditures by Activity:</u>									
CONSERVATION PROGRAMS	3,704	3,819	4,360	4,533	4,533	4,728	4,728	1,082	13.2%
EDUCATION PROGRAMS	781	901	1,042	1,076	1,306	1,112	1,112	475	24.4%
BUILDING OPERATIONS AND MAINT	6,283	10,451	6,943	6,412	6,412	6,474	6,474	(4,508)	(25.9%)
GUEST SVCS, EXTERNAL RELATIONS	3,295	3,153	3,410	3,452	3,452	3,505	3,505	394	6.0%
ADMINISTRATIVE SUPPORT	2,504	2,088	2,685	2,761	2,761	2,851	2,851	839	17.6%
Total Expenditures	16,567	20,412	18,440	18,234	18,464	18,670	18,670	(1,718)	(4.4%)
<u>Change Items:</u>	<u>Fund</u>								
(B) LCMR PROJECT	MNR				230				
Total Change Items					230				
<u>Financing by Fund:</u>									
Direct Appropriations:									
GENERAL	6,353	7,209	7,229	7,445	7,445	7,668	7,668		
MINNESOTA RESOURCES	0	0	0	0	230	0	0		
NATURAL RESOURCES	0	0	164	0	0	0	0		
Statutory Appropriations:									
SPECIAL REVENUE	8,659	7,645	9,401	9,569	9,569	9,666	9,666		
GIFT	1,555	5,558	1,646	1,220	1,220	1,336	1,336		
Total Financing	16,567	20,412	18,440	18,234	18,464	18,670	18,670		
<u>FTE by Employment Type:</u>									
FULL TIME	156.5	148.6	166.5	164.5	164.5	164.5	164.5		
PART-TIME, SEASONAL, LABOR SER	53.4	49.1	49.7	49.7	49.7	49.7	49.7		
OVERTIME PAY	3.7	2.6	2.5	2.5	2.5	2.5	2.5		
Total Full-Time Equivalent	213.6	200.3	218.7	216.7	216.7	216.7	216.7		

MN ZOOLOGICAL GARDEN- BUDGET BRIEF

Fund: GENERAL

	<u>FY 2002</u>	<u>FY 2003</u>	<u>Biennium</u>
BASE YEAR (FY 2001) (\$000s)			
Appropriations	\$7,229	\$7,229	\$14,458
<u>BASE ADJUSTMENT</u>			
2002-03 Salary and Benefit Base	216	439	655
<u>BASE LEVEL (for 2002 and 2003)</u>	\$7,445	\$7,668	\$15,113
<u>CHANGE ITEMS</u>			
GOVERNOR'S RECOMMENDATION	\$7,445	\$7,668	\$15,113

BRIEF EXPLANATION OF BUDGET DECISIONS:

This plan includes base level adjustments in FY 2002 and FY 2003 for salary inflation.

GOVERNOR'S RECOMMENDATION(S):

The Governor recommends the agency's base budget.

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MN ZOOLOGICAL GARDEN- REVENUE SUMMARY

REVENUE SOURCES:

The Minnesota Zoological Board (MZB) generates significant dedicated revenue and gift funds. The dedicated revenues are generated through admission fees and enterprise sales, and the gifts are from individuals, corporations, groups and foundations.

- Admissions and other earnings are deposited in the Special Revenue Fund and are estimated to be \$9.6 million in FY 2001.
- Gifts received from individuals, corporations and foundations are deposited in the gift fund and are estimated to be \$1.7 million in FY 2001. The gift fund revenue for FY 2000 and FY 2001 includes the foundation gifts of \$4.1 million and \$418,000 respectively for constructing and equipping the Wells Fargo Family Farm.
- Interest earnings from Special Revenue and Gift Fund cash balances are estimated to be \$40,000 for FY 2001.

FEE STRUCTURE:

The state statutes that created the MZB and the Zoo provides the 30-member board with the authority to establish a schedule of charges for admission and use of the Zoo. Legislation related to fees contained in M.S. 16A.1283 places restrictions on increasing the rate of certain fees unless approved by law. Admission fees to the Zoo are subject to this restriction. Current general admission rates at the Zoo are \$10 for adults and \$5 for children.

Fees are established to recover a portion of the cost of operating the Zoo. In addition to the admission fee, there are user fees for various enterprise activities, including the monorail, gift store, food service, education classes, animal rides, and special programs, such as Dolphins Dark to Dawn.

RECENT CHANGES:

Attendance has been relatively steady in recent years and is forecast to remain substantially the same. The admission rates were last increased in the spring of 2000. Membership rates were last increased in the spring of 1999.

FORECAST BASIS:

The FY 2002-03 revenue forecast is based on attendance estimates of 1.2 million visitors in each year and no increase in admission prices.

Agency: MN ZOOLOGICAL GARDEN

Summary of Agency Revenues (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Forecast	Governor Recomm.	Forecast	Governor Recomm.	Dollars	Percent
Dedicated Receipts:									
Departmental Earnings:									
SPECIAL REVENUE	8,660	7,991	9,560	9,560	9,560	9,560	9,560	1,569	8.9%
Other Revenues:									
SPECIAL REVENUE	54	72	40	40	40	40	40	(32)	(28.6%)
GIFT	1,946	5,199	1,674	1,256	1,256	1,256	1,256	(4,361)	(63.5%)
Total Dedicated Receipts	10,660	13,262	11,274	10,856	10,856	10,856	10,856	(2,824)	(11.5%)
Agency Total Revenues	10,660	13,262	11,274	10,856	10,856	10,856	10,856	(2,824)	(11.5%)

BUDGET ACTIVITY SUMMARY

Budget Activity: CONSERVATION PROGRAMS
Program: MINNESOTA ZOO
Agency: MN ZOOLOGICAL GARDEN

ACTIVITY PROFILE:

Conservation Programs fulfill the Zoo's mission *to strengthen the bond between people and the living earth* by managing programs for the collection, habitation, preservation, care, exhibition, and the examination and study of wild and domestic animals. Conservation Programs provide the Zoo visitors with interpretive programs and activities related to the management of the Zoo's plant and animal collection.

- Comprehensive Animal Collection and Conservation Plans have been established to continually evaluate and update animal exhibits according to their conservation significance and impact for visitors.
- Zoo research promotes the survival of threatened and endangered species. The Zoo is a partner in a global network to manage animal reproduction and population studies.
- The Zoo works closely with and houses the international headquarters of both the Conservation Breeding Specialist Group (CBSG) and the International Species Information System (ISIS). CBSG manages captive and wild populations of over 3,000 endangered species around the world. ISIS is a database used to manage breeding programs for more than 6,000 threatened and endangered species in 58 countries. These are independent, self-supporting organizations that greatly enhance the Zoo's conservation programs.

STRATEGIES AND PERFORMANCE:

Functional work areas within the Conservation Programs are as follows:

- *Biological Programs Administration* manages the activities of the Conservation Programs.
- *The Conservation Office* develops, coordinates, and implements conservation activities at the Zoo and as part of global efforts to protect threatened and endangered animal species and ecosystems. Public education is an integral part of the Conservation Office efforts.
- *Animal Care* provides professional care for the acquisition, breeding, and health of the Zoo's diverse collection of animal species.
- *Animal Health* provides preventative health care, medical treatment according to the best veterinary practices, and maintenance of accurate accession and health records.

- *Animal Interpretive Programs* provide entertaining and educational programs utilizing the Zoo's animal collection. These programs include the World of Birds Show, Dolphin Show, Zoolab, and Zoomobile programs both at the Zoo and throughout Minnesota.

These work areas function cooperatively to deliver the best practice care of the Zoo's animal collection. Conservation Programs also interact with other Zoo departments and external organizations to support the Zoo's education and conservation efforts.

- The Conservation Programs staff will provide professional care for the Zoo's collection of plants and animals according to the guidelines of the American Zoo and Aquarium Association.
- The Animal Collection Plan will be maintained to guide the Zoo's long-range planning and the cooperative efforts of the conservation and education programs to create rich and thought-provoking experiences.
- The Conservation Plan will be utilized to define, prioritize, and guide the Zoo's local and international conservation goals.
- An exhibit master plan will be completed to evaluate and define each trail's mission, organization, and species selection.
- Visitor understanding and enjoyment of the Zoo's mission and exhibits will be measured through surveys.

FINANCING INFORMATION:

The Conservation Programs activity is funded primarily through a combination of the General Fund appropriation and from the earned revenues of the Zoo.

In addition, the Zoo Conservation Office has been the recipient of gifts from private sources to conduct activities related to conservation both at the Zoo and in cooperation with other organizations worldwide. The Zoo Conservation Office is leading the worldwide effort to save tigers from extinction in the wild.

BUDGET ISSUES:

- The Conservation Programs budget includes all operational costs related to the care of the animal collection. The annual fixed costs include staff salaries, animal feed, and veterinary care.
- These fixed costs do not vary based on the number of guests visiting the Zoo.
- Appropriation increases and admissions revenues have not fully covered increased costs due to inflation. This shortfall has resulted in reductions in program activities.

Activity: CONSERVATION PROGRAMS
Program: MINNESOTA ZOO
Agency: MN ZOOLOGICAL GARDEN

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>Expenditures by Category:</u>									
State Operations									
COMPENSATION	3,096	3,079	3,665	3,854	3,854	4,049	4,049	1,159	17.2%
OTHER OPERATING EXPENSES	608	740	695	679	679	679	679	(77)	(5.4%)
Total Expenditures	3,704	3,819	4,360	4,533	4,533	4,728	4,728	1,082	13.2%
<u>Financing by Fund:</u>									
Direct Appropriations:									
GENERAL	1,551	2,537	2,704	2,785	2,785	2,868	2,868		
Statutory Appropriations:									
SPECIAL REVENUE	1,386	557	995	1,095	1,095	1,107	1,107		
GIFT	767	725	661	653	653	753	753		
Total Financing	3,704	3,819	4,360	4,533	4,533	4,728	4,728		
<u>Revenue Collected:</u>									
Dedicated									
SPECIAL REVENUE	455	120	161	161	161	161	161		
GIFT	140	12	77	77	77	77	77		
Total Revenues Collected	595	132	238	238	238	238	238		
<u>FTE by Employment Type:</u>									
FULL TIME	58.7	57.4	66.1	66.1	66.1	66.1	66.1		
PART-TIME, SEASONAL, LABOR SER	8.3	7.3	7.8	7.8	7.8	7.8	7.8		
OVERTIME PAY	0.9	0.7	0.7	0.7	0.7	0.7	0.7		
Total Full-Time Equivalent	67.9	65.4	74.6	74.6	74.6	74.6	74.6		

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BUDGET ACTIVITY SUMMARY

Budget Activity: EDUCATION PROGRAMS
Program: MINNESOTA ZOO
Agency: MN ZOOLOGICAL GARDEN

ACTIVITY PROFILE:

A healthy natural environment is vital to maintaining Minnesota's communities as desirable places to work and live. Education, particularly of Minnesota's youth, on the importance of conservation of the environment is the focus of this activity.

Education Programs fulfill the Zoo's mission *to strengthen the bond between people and the living earth* by providing educational interactions with the Zoo's plant and animal collection designed to foster the development of values supportive of species survival, biodiversity, habitat preservation, and environmental stewardship.

- The Minnesota Zoo is the only zoo with an education department that is accredited as a Special Function School by the North Central Association of Schools and Colleges.
- The Zoo is a primary resource for Minnesota schools to achieve environmental education learning outcomes.
- Education Programs continue to provide leadership and instruction for the innovative curriculum at the School of Environmental Studies in partnership with Independent School District No. 196.
- Education Programs serve daily Zoo visitors through interpretive graphics and programs such as Monorail tours, Shark Reef feeding sessions, and special events.

STRATEGIES AND PERFORMANCE:

Functional work areas within the Education Programs are as follows:

- *Public and Community Programs* provide fun and informative programs for families, pre-school-age children, scouts, college and university students, community organizations, and the general public. Programs include Family Zoo Adventures, Zoo Camp, Scout Overnights, Minority Mentor Program, Zoo Career Nights, Family Farm Overnights, and Internships.
- *School Programs* design and distribute curriculum materials and provide specialized education programs at the Zoo. Programs include Guided Tours, Aquatic Overnights, Special Events, Monorail Programs, and Teacher Training and Development. Staff is developing methods to incorporate technology to extend the reach of the Zoo's education programs.
- *Volunteer Programs* provide a variety of activities and programs for education classes and general public visitors. Volunteers provide animal

demonstration, lead tours, respond to visitor questions, and assist in many ways. Volunteers have donated over 1 million hours of service to the Zoo since opening. In FY 2000, volunteers donated over 90,000 hours.

- *Monorail Programs* provided interpretive tours of the Northern Trail exhibits for 219,163 visitors in FY 2000. Staff naturalists also developed and delivered a variety of educational programs for K-12 audiences.

These work areas function cooperatively to deliver high quality education programming. Education Programs partner with local and regional environmental and educational agencies and organizations to maximize the impact of efforts *to strengthen the bond between people and the living earth*.

The Education Programs at the Zoo accomplish the goal of educating Minnesota citizens on the importance of environmental stewardship through the following strategies:

- Offer programs through the largest environmental learning center in Minnesota, serving almost 250,000 program participants annually.
- Encourage visits by Minnesota K-12 students. In FY 2000, 132,000 K-12 students and chaperones from over 2,000 schools visited the Zoo, including 78,927 students who visited the Zoo with free admission.
- Increase the participation base, especially from historically under served audiences, through knowledge of their backgrounds, use of innovative programming, new marketing approaches, and outreach. An example of this has been the success in receiving funding from private donors to subsidize the expenses of visits to the Zoo by school-age children from St. Paul, Rochester, and Mankato public schools.
- Encourage return visits through unique visitor experiences and dynamic program development by ensuring that programs are new and relevant throughout the year. Add value to the visitor experience by infusing fun, innovation, and recreation into the Zoo experience.
- Continually evaluate the overall effectiveness and efficiency of the Education Programs in fulfilling its mission and vision through participant review.

FINANCING INFORMATION:

The Education Programs activity is funded through a combination of general fund appropriations, revenue earned by the Zoo, and gifts from private donors.

In FY 2000 the monorail program had revenues of \$402,000. The revenue from the variety of education activities exceeded \$325,000 in FY 2000.

BUDGET ACTIVITY SUMMARY (Continued)

Budget Activity: EDUCATION PROGRAMS
Program: MINNESOTA ZOO
Agency: MN ZOOLOGICAL GARDEN

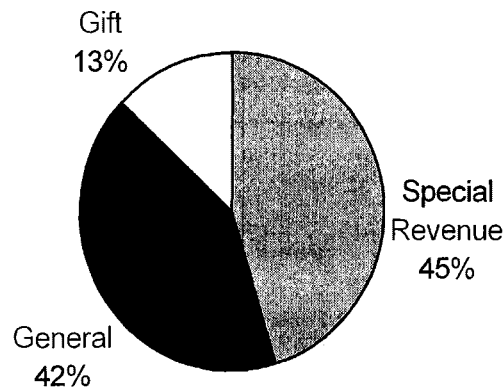
LCMR RECOMMENDATIONS-DIRECT:

The Legislative Commission on Minnesota Resources has recommended the following project submitted by the Minnesota Zoo for funding:

Connecting with Wildlife at the Minnesota Zoo

Through creation of an integrated system of interpretive graphics and activities the project will create interactive educational experiences and provide increased opportunities for dynamic interaction with the wildlife collection at the Zoo. Each exhibit area will have a specific environmental theme designed and presented to be relevant to the needs and expectations of general visitors and school age audiences, (\$230,000 Environmental and Natural Resources Trust Fund).

FY 2000-01 Expenditures by Fund



BUDGET ISSUES:

The Education Programs activity is vital to meeting the Zoo's mission and contributes to the maintaining of healthy and vital communities in the state.

- The Education Programs budget supports staff salaries, educational materials, professional development, and program development, implementation, and evaluation.
- The Zoo currently has insufficient education classroom space, which limits the ability to meet the growing demand for programming.
- The majority of the Zoo's graphics and interpretive displays were installed over 20 years ago and are outdated and inadequate to meet the current expectations and needs of visitors to the Zoo.

Activity: EDUCATION PROGRAMS
Program: MINNESOTA ZOO
Agency: MN ZOOLOGICAL GARDEN

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>Expenditures by Category:</u>									
State Operations									
COMPENSATION	654	742	802	836	866	872	872	194	12.6%
OTHER OPERATING EXPENSES	127	159	240	240	440	240	240	281	70.4%
Total Expenditures	781	901	1,042	1,076	1,306	1,112	1,112	475	24.4%
<u>Change Items:</u>	<u>Fund</u>								
(B) LCMR PROJECT	MNR				230				
Total Change Items					230				
<u>Financing by Fund:</u>									
Direct Appropriations:									
GENERAL	245	385	422	435	435	448	448		
MINNESOTA RESOURCES	0	0	0	0	230	0	0		
Statutory Appropriations:									
SPECIAL REVENUE	503	435	445	466	466	473	473		
GIFT	33	81	175	175	175	191	191		
Total Financing	781	901	1,042	1,076	1,306	1,112	1,112		
<u>Revenue Collected:</u>									
Dedicated									
SPECIAL REVENUE	467	710	825	825	825	825	825		
GIFT	0	104	136	136	136	136	136		
Total Revenues Collected	467	814	961	961	961	961	961		
<u>FTE by Employment Type:</u>									
FULL TIME	3.7	4.6	6.1	6.1	6.1	6.1	6.1		
PART-TIME, SEASONAL, LABOR SER	12.9	13.3	13.4	13.4	13.4	13.4	13.4		
OVERTIME PAY	0.1	0.2	0.2	0.2	0.2	0.2	0.2		
Total Full-Time Equivalent	16.7	18.1	19.7	19.7	19.7	19.7	19.7		

BUDGET ACTIVITY SUMMARY

Budget Activity: BUILDING OPERATIONS AND MAINT
Program: MINNESOTA ZOO
Agency: MN ZOOLOGICAL GARDEN

ACTIVITY PROFILE:

Building Operations and Maintenance ensures that facilities are adequately provided for at the Zoo so that education, conservation, and recreation programs are delivered efficiently, effectively, and safely.

STRATEGIES AND PERFORMANCE:

Functional work areas within Building Operations and Maintenance are as follows:

- *Operation Administration* manages Building Operations and Maintenance activities.
- *Building Services* maintains the cleanliness of all interior Zoo facilities (.5 million square feet) and provides support for guest services, education programs, conservation programs, special events and facility rentals.
- *Grounds Maintenance* maintains the cleanliness of all exterior Zoo facilities (500 acres) and provides support for guest services, education programs, conservation programs, special events and facility rentals.
- *Horticulture* maintains the plant collection at the Zoo.
- *Supporting Trades* provides support to all Zoo programs and activities, including carpentry, electrical, exhibit design and fabrication, painting, plumbing, vehicle maintenance and welding.
- *Project Management* provides leadership for shipping and receiving, stockroom, special operations, construction and maintenance projects.
- *Engineering* maintains climate control for the comfort of visitors and management of the collection of plants and animals.
- *Life Support* maintains the quality of the aquatic environments for the animal collection.

These areas work cooperatively to provide adequate care for the Zoo facility within budget limitations. Building Operations and Maintenance interacts with internal and external customers to support the Zoo's education, conservation, and recreation efforts. The program operates to

- maintain cleanliness and aesthetic appearance for all facilities to enhance the visitor experience,
- implement a preventative maintenance program to correct and standardize various internal systems,

- participate in the implementation of the Conservation Plan to ensure that environmentally friendly cleaning products are utilized, to reuse and recycle materials at the Zoo, and to reduce Zoo consumption of natural resources.

FINANCING INFORMATION:

The Building Operations and Maintenance program is funded through a combination of General Fund appropriations and Zoo earned revenue funds.

The activity is credited with the gift fund revenue in FY 2000 and FY 2001 that was received by the MZB to construct the Family Farm exhibit at the Zoo. The \$4.3 million exhibit was built entirely with private contributions.

BUDGET ISSUES:

- Building Operations and Maintenance program budget supports staff salaries, utilities, and maintenance supplies and equipment required to maintain Zoo facilities. These costs are substantially fixed and do not vary according to attendance levels.
- The aging infrastructure of the Zoo requires increased attention to preventative maintenance to allow for the professional care of the Zoo's plant and animal collection and for the enjoyment of Zoo visitors. Appropriations for operating and capital budgets and admissions revenues have not kept pace with the increased need.
- Appropriate increased investments in infrastructure maintenance would reduce the long-term need for major capital repair expenditures.
- The Zoo's utilities costs increased substantially in FY 2001 due to increased rates from the utility suppliers. Lack of increased funding for these unavoidable increased costs will require reductions in other operations.

Activity: BUILDING OPERATIONS AND MAINT
Program: MINNESOTA ZOO
Agency: MN ZOOLOGICAL GARDEN

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Category:									
State Operations									
COMPENSATION	2,864	2,858	3,146	3,166	3,166	3,354	3,354	516	8.6%
OTHER OPERATING EXPENSES	1,797	2,236	1,926	1,926	1,926	1,926	1,926	(310)	(7.4%)
OTHER FINANCIAL TRANSACTIONS	1,470	1,433	1,398	1,265	1,265	1,139	1,139	(427)	(15.1%)
Subtotal State Operations	6,131	6,527	6,470	6,357	6,357	6,419	6,419	(221)	(1.7%)
CAPITAL OUTLAY & REAL PROPERTY	152	3,924	473	55	55	55	55	(4,287)	(97.5%)
Total Expenditures	6,283	10,451	6,943	6,412	6,412	6,474	6,474	(4,508)	(25.9%)

Financing by Fund:									
Direct Appropriations:									
GENERAL	2,938	2,705	2,519	2,595	2,595	2,673	2,673		
NATURAL RESOURCES	0	0	164	0	0	0	0		
Statutory Appropriations:									
SPECIAL REVENUE	3,141	3,361	3,842	3,817	3,817	3,801	3,801		
GIFT	204	4,385	418	0	0	0	0		
Total Financing	6,283	10,451	6,943	6,412	6,412	6,474	6,474		

Revenue Collected:									
Dedicated									
GIFT	550	4,092	418	0	0	0	0		
Total Revenues Collected	550	4,092	418	0	0	0	0		

FTE by Employment Type:									
FULL TIME	58.2	54.6	58.3	56.3	56.3	56.3	56.3		
PART-TIME, SEASONAL, LABOR SER	9.4	7.2	7.2	7.2	7.2	7.2	7.2		
OVERTIME PAY	1.5	0.7	0.7	0.7	0.7	0.7	0.7		
Total Full-Time Equivalent	69.1	62.5	66.2	64.2	64.2	64.2	64.2		

BUDGET ACTIVITY SUMMARY

Budget Activity: GUEST SERVICES AND EXTERNAL RELATIONS
Program: MINNESOTA ZOO
Agency: MN ZOOLOGICAL GARDEN

ACTIVITY PROFILE:

Guest Services is responsible for managing the visitor experience at the Zoo. External Relations promotes the Zoo to the public to encourage participation and highlight the Zoo's education, conservation, and recreation activities and programs and to promote the public private partnership through contributions supporting the Zoo.

STRATEGIES AND PERFORMANCE:

Functional work areas within Guest Services and External Relations are as follows:

- *Sales* promotes the use of the Zoo for picnics, by groups, tour operators, and after hours events.
- *Guest Services* provides customer service to Zoo visitors including admissions and crowd control.
- *Public Relations and Marketing* defines and implements the media relations plan, advertising, and promotion of the Zoo.
- *Special Events* develops and implements special activities for the public to utilize the Zoo facility.
- *Gift Store*, a retail operation, offers a variety of souvenirs, gift items, and educational materials for the public to purchase. Total gift store sales in FY 2000 were \$1.3 million.
- *Membership Programs* promotes and administers the Zoo member program.
- *Development* promotes private support for the Zoo programs, facilities and activities.

These areas work cooperatively to promote the Zoo and its mission through interaction with customers to support the Zoo's education, conservation, and recreation efforts.

- Surveys will be utilized to determine the effectiveness of marketing efforts and visitor satisfaction with the plant and animal collection, programs, and facilities. Data from surveys will be utilized by the Board of Directors and all program areas to improve customer service and program quality.
- The Marketing Plan will focus on education and conservation efforts and correlate to the Conservation Plan, Collection Plan, and Education Plan.
- Marketing efforts will generate sufficient attendance, program participation, and revenue to meet or exceed budget projections.

- Development efforts will continue to increase private support for Zoo facilities and activities.

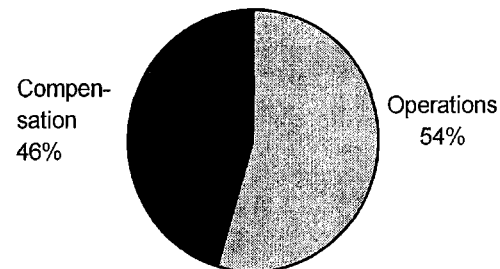
FINANCING INFORMATION:

This activity is credited with significant revenues from admissions charges, membership dues, gift store sales, and concessions income. These funds are used to pay a majority of the total Zoo operations.

BUDGET ISSUES:

- The Guest Services and External Relations programs are essential to ensure Zoo attendance at levels necessary to meet the projected revenues. The

**FY 2000-01 Expenditures
by Category**



budget supports staff salaries, efforts to promote attendance and participation in Zoo programs and special events, such as concerts and seasonal special events.

- Due to increased competition for quality family recreational opportunities, the Zoo's marketing efforts need to be increased to stay competitive.
- Increased use of technology to improve customer services through more efficient and streamlined admissions procedures, membership programs, inventory, retail, and scheduling procedures are necessary to meet visitor expectations.

Activity: GUEST SVCS, EXTERNAL RELATIONS
Program: MINNESOTA ZOO
Agency: MN ZOOLOGICAL GARDEN

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>Expenditures by Category:</u>									
State Operations									
COMPENSATION	1,403	1,443	1,546	1,588	1,588	1,641	1,641	240	8.0%
OTHER OPERATING EXPENSES	1,892	1,710	1,864	1,864	1,864	1,864	1,864	154	4.3%
Total Expenditures	3,295	3,153	3,410	3,452	3,452	3,505	3,505	394	6.0%
<u>Financing by Fund:</u>									
Direct Appropriations:									
GENERAL	465	442	437	449	449	462	462		
Statutory Appropriations:									
SPECIAL REVENUE	2,572	2,452	2,756	2,786	2,786	2,826	2,826		
GIFT	258	259	217	217	217	217	217		
Total Financing	3,295	3,153	3,410	3,452	3,452	3,505	3,505		
<u>Revenue Collected:</u>									
Dedicated									
SPECIAL REVENUE	7,792	7,233	8,614	8,614	8,614	8,614	8,614		
GIFT	1,256	991	1,043	1,043	1,043	1,043	1,043		
Total Revenues Collected	9,048	8,224	9,657	9,657	9,657	9,657	9,657		
<u>FTE by Employment Type:</u>									
FULL TIME	15.7	15.0	17.0	17.0	17.0	17.0	17.0		
PART-TIME, SEASONAL, LABOR SER	19.8	18.8	18.8	18.8	18.8	18.8	18.8		
OVERTIME PAY	0.8	0.8	0.7	0.7	0.7	0.7	0.7		
Total Full-Time Equivalent	36.3	34.6	36.5	36.5	36.5	36.5	36.5		

BUDGET ACTIVITY SUMMARY

Budget Activity: ADMINISTRATIVE SUPPORT
Program: MINNESOTA ZOO
Agency: MN ZOOLOGICAL GARDEN

ACTIVITY PROFILE:

Administrative Support provides management and support services for the operation of the Zoo. Administrative Support manages the Zoo staff and financial and capital resources, and ensures that the policies and initiatives of the Board of Directors are effectively and efficiently implemented.

STRATEGIES AND PERFORMANCE:

Functional work areas within Administrative Support are as follows:

- *Human Resources* provides for the staffing of the Zoo and manages the labor relations and compensation activity of the Zoo.
- *Finance and Purchasing* maintains financial and accounting functions according to state of Minnesota guidelines and manages the Zoo's procurement of supplies and materials.
- *Information Systems* manages the effective use of technology to improve customer service and maximize business operation efficiency.
- *Health, Safety, and Security* maintains a safe and secure environment for the customers, the staff, and the animal collection.
- *Director's Office* provides for leadership and management of the Zoo's operations.

These areas work cooperatively to manage the Zoo's operations and its plant and animal collection. Administrative Support interacts with the Zoo Board of Directors and external customers to support the Zoo's education, conservation, and recreation efforts.

- Manage the Zoo to meet or exceed FY 2002-03 attendance and budget projections.
- Maintain high level of visitor satisfaction. The most recent Visitor Survey indicated that 71% of visitors related their overall satisfaction with their Zoo visit as excellent.
- Continue to promote preventative initiatives to improve safety for staff and visitors.
- Maintain and improve information systems to increase efficiency and improve customer service.

FINANCING INFORMATION:

Zoo Administrative activity is funded through a combination of General Fund appropriations, earned revenues, and gifts.

BUDGET ISSUES:

The functional units within Administrative Support will prioritize efforts in the biennium and utilize resources towards the following needs:

- development of a master plan to guide future capital investments, exhibit development, and conservation, education and recreation plans;
- continuation of the partnership developed with private and public representatives;
- expansion of long term earned revenue potential through entrepreneurial activity.

Activity: ADMINISTRATIVE SUPPORT
Program: MINNESOTA ZOO
Agency: MN ZOOLOGICAL GARDEN

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Category:									
State Operations									
COMPENSATION	1,453	1,220	1,551	1,637	1,637	1,727	1,727	593	21.4%
OTHER OPERATING EXPENSES	1,051	868	1,134	1,124	1,124	1,124	1,124	246	12.3%
Total Expenditures	2,504	2,088	2,685	2,761	2,761	2,851	2,851	839	17.6%
Financing by Fund:									
Direct Appropriations:									
GENERAL	1,154	1,140	1,147	1,181	1,181	1,217	1,217		
Statutory Appropriations:									
SPECIAL REVENUE	1,057	840	1,363	1,405	1,405	1,459	1,459		
GIFT	293	108	175	175	175	175	175		
Total Financing	2,504	2,088	2,685	2,761	2,761	2,851	2,851		
FTE by Employment Type:									
FULL TIME	20.2	17.0	19.0	19.0	19.0	19.0	19.0		
PART-TIME, SEASONAL, LABOR SER	3.0	2.5	2.5	2.5	2.5	2.5	2.5		
OVERTIME PAY	0.4	0.2	0.2	0.2	0.2	0.2	0.2		
Total Full-Time Equivalent	23.6	19.7	21.7	21.7	21.7	21.7	21.7		

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NATURAL RESOURCES DEPT - EXECUTIVE SUMMARY

AGENCY MISSION AND VISION:

The mission of the Department of Natural Resources is "to work with citizens to protect and manage the state's natural resources, to provide outdoor recreation opportunities, and to provide for commercial uses of natural resources in a way that creates a sustainable quality of life." (*Directions for Natural Resources 2000*, DNR's strategic plan.

The DNR mission is broad. It includes providing hunting and fishing opportunities for millions of Minnesotans; providing high quality recreation opportunities for park and trail users; providing economic opportunities for resource industries; preserving important features of the state's natural heritage. DNR programs include fish and wildlife habitat improvement, fire management, mineral potential research, management of public lands and waters, and many others—all designed to provide sustainable benefits to Minnesotans for the long term. The DNR mission requires sharing stewardship with citizens and partners and working together to address sometimes conflicting interests.

The goal of sustainability guides our work with citizens to manage the state's natural resources. Sustainability depends on healthy ecosystems, a vibrant economy, and viable communities. Healthy ecosystems support natural resource industries, tourism, outdoor recreation, and lifestyles important to Minnesotans.

DNR's mission, goals, and programs support the Governor's Big Plan goals for Healthy, Vital Communities (Initiative: Growing Smart in Minnesota); Service, Not Systems (Initiatives: Active, Engaged Citizens, and State Departments: Best Bang for the Buck); and Minnesota: World Competitor (Initiative: Jesse "The Tourism Governor" Ventura: Promoting Minnesota, Promoting the Industry). See Operating Environment section for specific agency action priorities.

KEY SERVICE STRATEGIES:

The department works with citizens, providing scientific and technical expertise, to set priorities and approaches in managing the diverse natural resource of the state. Operationally, this is done through nine divisions and five bureaus. Staff are located in six regions and over 200 field offices to provide services throughout the state.

In carrying out its mission, DNR administers 12 million acres in mineral rights and 5.3 million acres of land for state forests, wildlife management areas, parks, recreation areas, scientific and natural areas, state trails, and public water access sites.

Activities regulated by the department include hunting; trapping; fishing; boating; snowmobiling; wild rice gathering; timber harvesting; mineral exploration; mining

and mineland reclamation; dredging, filling, and draining protected waters and wetlands; constructing and maintaining dams; appropriating surface and ground waters; establishing lake levels and permitting work in the lake beds; development on shorelands, floodplains, and wild and scenic rivers; private game farms; fish hatcheries; roadside zoo operations; and open burning.

Key management principles outlined in the department's strategic plan will guide our strategies for managing Minnesota's natural resources.

- Our long-term, basic work to sustain natural resources and serve citizens is the backbone of effective resource management.
- Cooperation with other agencies, local units of government, citizens, and stakeholder groups is the best approach to managing natural resources effectively.
- We will emphasize a systems approach to resource management that seeks to coordinate and integrate the broad scope of management efforts.
- Complex challenges of the future will require increased emphasis on good science, accurate information and state-of-the-art technology, especially information systems.
- Good internal and external communication will be essential in managing future natural resource challenges.
- Many resource and land use decisions should be made at the local level, and DNR will expand efforts to provide information and technical assistance to citizens and local government.
- Natural resource stewardship education will be a cornerstone for DNR efforts to develop an environmental stewardship ethic among all Minnesotans.
- Accurate assessment of our effectiveness and management must occur on a regular basis.
- DNR actions should model sustainable use of natural resources.
- Integrating planning and budgeting across area, regional, and state levels will strengthen our ability to accomplish our goals and objectives.
- Sustaining natural resources requires an effective and skilled workforce.
- DNR's products and services will be of the highest quality.

OPERATING ENVIRONMENT:

Minnesota's population has the fastest growth rate in the Upper Midwest. The population is expected to increase by 5.1 million by 2020. Nearly 80% of

NATURAL RESOURCES DEPT - EXECUTIVE SUMMARY (Continued)

Minnesotans live in cities. Surveys indicate that most Americans prefer a single family dwelling in a non-urban setting.

Population growth, housing preferences and the economy are contributing to intense pressures on Minnesota's natural resources. Similarly, technological changes (jet skis, fish finders, off road vehicles) are putting unprecedented recreational pressure on Minnesota's resources. Increased demand on natural resources along with changes in land use and outdoor recreation challenge DNR's ability to meet its goal of sustainability. Land use conversion continues to fragment and reduce the extent of ecological communities, and many ecological communities require restoration and improved management to reverse trends of declining health.

Given this operating environment, DNR will emphasize three broad resource management strategies:

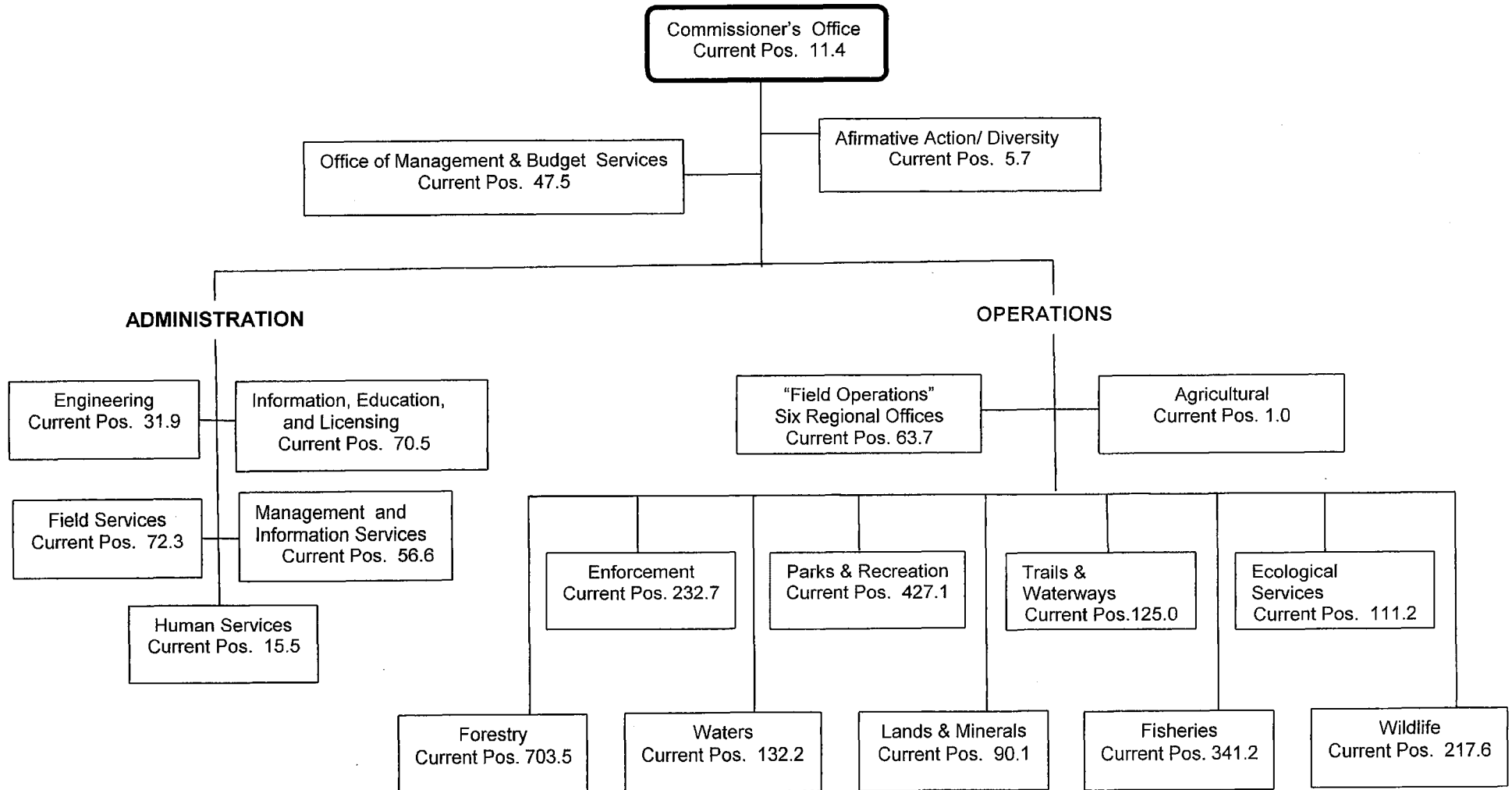
Conservation Connections: DNR will partner with local citizen groups and local governments to establish and maintain land and water connections throughout Minnesota.

Smart Growth: DNR will work with other government, non-profit, and for-profit organizations to sustain healthy ecosystems, a vibrant economy, and livable communities.

Sustainable Forests: DNR recognizes the critical importance of sustainable forest ecosystems and will continue cooperating with other agencies and organizations to accomplish that end.

DNR is guided by "Doing the right things and doing them well." We will work continuously to assure that existing resources are directed toward our highest priorities. The department is proposing internal reallocations that meet our management principle of constantly seeking to improve how we work with stakeholders. These initiatives will result in improved communication and delivery of information to ensure accountability for efficient and active public service.

Minnesota Department of Natural Resources Organization Chart



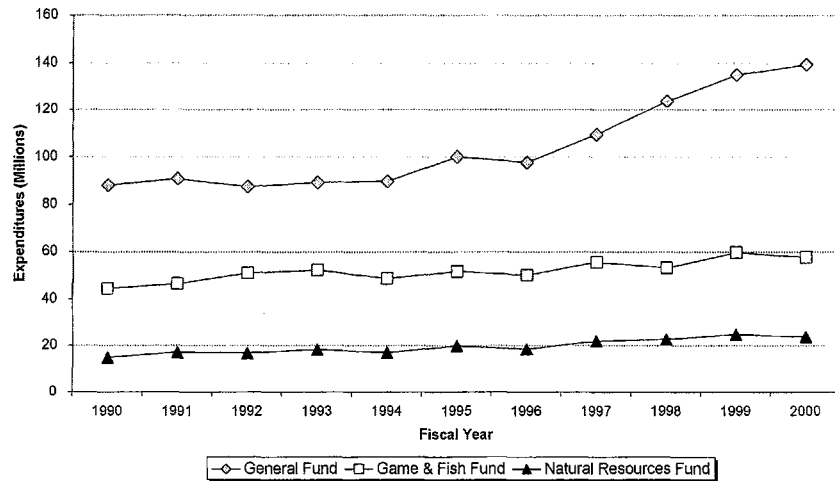
June 30, 2000 FTE: 2,756.7

■ **ORGANIZATION/PROGRAM STRUCTURE:**

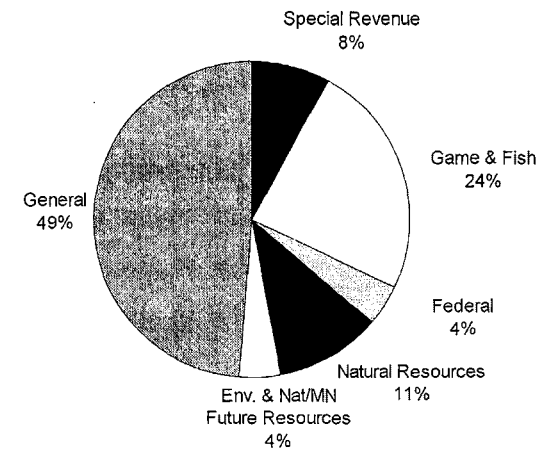
NATURAL RESOURCES DEPT - EXECUTIVE SUMMARY (Continued)

TRENDS AND PERSPECTIVE:

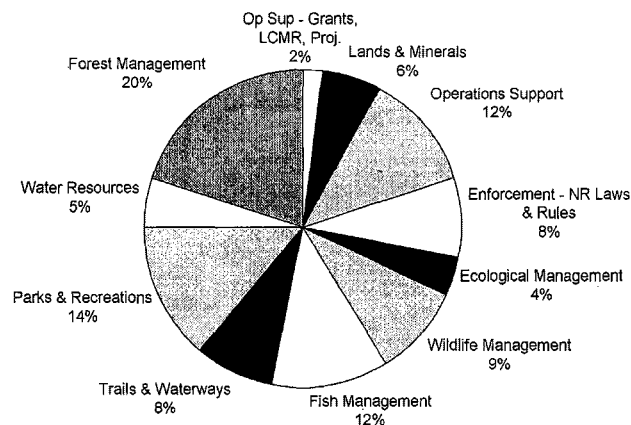
Ten Year Expenditure History FY 1991-2000 in Actual Dollars



FY 2000-01 Expenditures by Fund Total: \$597 Million



FY 2000-01 Expenditures by Program Total: \$597 Million



GOVERNOR'S RECOMMENDATIONS:

The Governor recommends the agency's base budget, and the following change items.

General Fund

- Reallocation of Base Resources - \$2.185 million in FY 2002 and \$2.149 million in FY 2003 from agency programs to be reallocated to higher priorities.

Natural Resources Fund

- Snowmobile Fund Budget Reduction - A \$650 thousand reduction each year to lower expenditures to meet forecasted revenues. This reduction is a result of the drop in the snowmobile unrefunded gas tax rate from .1% to .075%.
- Lottery In-Lieu Sales Tax - \$10,482 each year to improve state parks and trails, and metropolitan area regional parks and trails, local trail grants, and the Minnesota, Como and Duluth zoos.

Game and Fish Fund

- Federal Wallop/Breaux - Reductions of \$713 thousand in FY 2002 and \$299 thousand in FY 2003 to meet Federal Sport Fish Restoration match requirements.

NATURAL RESOURCES DEPT - BUDGET BRIEF

Fund: GENERAL

	<u>FY 2002</u>	<u>FY 2003</u>	<u>Biennium</u>
BASE YEAR (FY 2001) (\$000s)			
Appropriations (FY2001)	\$114,975	\$114,975	\$229,950
BASE ADJUSTMENT			
One-Time Appropriations	(4,215)	(4,215)	(8,430)
2002-03 Salary and Benefits	2,260	4,591	6,851
Attorney General Costs	27	58	85
Transfers Between Agencies	(150)	(150)	(300)
BASE LEVEL (for 2002 and 2003)	\$112,897	\$115,259	\$228,156
CHANGE ITEMS			
Internal Reallocation Reduction	(2,185)	(2,149)	(4,334)
Internal Reallocation Increase	2,185	2,149	4,334
GOVERNOR'S RECOMMENDATION	\$112,897	\$115,259	\$228,156

BRIEF EXPLANATION OF BUDGET DECISIONS:

- The following one-time appropriation base adjustments were made to remove non-recurring items from the budget: \$150,000 grant to the Cannon River Watershed Partnership; \$500,000 for the activities of the Minnesota Forest Resources Council; \$1.5 million grant to the Metropolitan Council for metropolitan area regional parks and trails; \$1.565 million for fish and wildlife management programs, and \$500,000 for expansion of the walleye stocking program.
- The FY 2002-03 Salary and Benefits compensation base budgets were increased 3.0% annually in the amounts of \$2.260 million for FY 2002 and \$4.591 million for FY 2003.
- The appropriation of \$150,000 each year for a grant to the University of Minnesota's College of Natural Resources for research to reduce the impact of blister rust on Minnesota's white pine would be transferred to the University.
- The reallocation of \$2.185 million for FY 2002 and \$2.149 million for FY 2003 represents only those funds that are recommended for transfer between programs. The transfer of funds is summarized by program as follows:

<u>Program</u>	<u>FY 2002</u>	<u>FY 2003</u>
Lands and Minerals	\$ (56)	\$ (25)
Water Resources	(76)	(38)
Forest Management	(653)	(669)
Parks and Recreation	(707)	(716)
Trails and Waterways	(69)	(75)
Fish Management	(138)	(121)
Wildlife Management	(117)	(125)
Ecological Services	284	280
Enforcement	(369)	(380)
Operations Support	1,901	1,869
Total	\$ -0-	\$ -0-

- The net internal reallocation of base resources addresses the following high priority agency needs:

Agency Priorities

Minnesota Forest Resources Council
Minnesota County Biological Survey
Regional Operations
Minnesota Conservation Connections
Human Resource Bureau Services
Performance and Results Management
MIS Sub-Regional Connectivity
MIS Software Engineering Services

GOVERNOR'S RECOMMENDATION(S):

The Governor recommends the agency's base level general fund budget, and the internal reallocations identified above. Further information on the impact of, and rationale for, these reallocations is provided on the change item narrative.

NATURAL RESOURCES DEPT - BUDGET BRIEF

Fund: NATURAL RESOURCES

	<u>FY 2002</u>	<u>FY 2003</u>	<u>Biennium</u>
BASE YEAR (FY 2001) (\$000s)			
Appropriations (FY 2001)	\$38,103	\$38,103	\$76,206
<u>BASE ADJUSTMENT</u>			
One-Time Appropriations	(12,304)	(12,304)	(24,608)
2002-03 Salary and Benefits	333	673	1,006
Attorney General Costs	3	3	6
<u>BASE LEVEL (for 2002 and 2003)</u>	\$26,135	\$26,475	\$52,610
<u>CHANGE ITEMS</u>			
Snowmobile Fund Budget Reduction	(650)	(650)	(1,300)
Lottery in-Lieu Sales Tax	10,482	10,482	20,964
GOVERNOR'S RECOMMENDATION	\$35,967	\$36,307	\$72,274

BRIEF EXPLANATION OF BUDGET DECISIONS:

- The one-time base adjustment of \$12.304 million removed the FY 2001 appropriation amounts made from the lottery in-lieu of sales tax revenue deposited to the Natural Resources Fund under Laws 2000, Chapter 463, Section 23, Subd. 3.
- The FY 2002-03 Salary and Benefits compensation base budgets were increased 3.0% annually in the amounts of \$333,000 for FY 2002 and \$673,000 for FY 2003.
- The Lottery in-Lieu Sales Tax budget change item of \$10.482 million for FY 2002 and \$10.482 million for FY 2003 would provide funds for state parks, state trails, metropolitan area regional parks and trails, local trail grants, and grants to the Minnesota Zoological Garden, the Como Park Zoo and Conservatory, and the Duluth Zoo.

GOVERNOR'S RECOMMENDATION(S):

The Governor recommends the Natural Resources base budget and the change items listed below.

- Snowmobile Fund Budget Reduction - A reduction of \$650 thousand each year to align expenditures with forecasted revenues resulting from the reduction in the unrefunded gas tax from .1% to .075%.
- Lottery In-Lieu - \$10.482 million in FY 2002 and \$10.482 million in FY 2003 for improvements in state parks and trails, and to fund local trail grants. This change item also includes operating grants to the Metropolitan Council for metropolitan and regional parks, and the three zoos.

NATURAL RESOURCES DEPT - BUDGET BRIEF

Fund: GAME AND FISH (OPERATIONS)

Enhancement Account for the Fisheries, Wildlife, Ecological Services, and Enforcement programs.

GOVERNOR'S RECOMMENDATION(S):

The Governor recommends the Game and Fish fund base budget and the change items listed below.

- Federal Wallop/Breaux - Reductions of \$713 thousand in FY 2002 and \$299 thousand in FY 2003 to comply with federal spending levels in the Sport Fish Restoration Program.
- Lottery In-Lieu - \$10.253 million in FY 2002 and \$10.316 million in FY 2003 for improvements in fish and wildlife management, ecological services, and enforcement. This includes the \$500 thousand each year for the walleye stocking program.

	<u>FY 2002</u>	<u>FY 2003</u>	<u>Biennium</u>
BASE YEAR (FY 2001) (\$000s)			
Appropriations (FY 2001)	\$78,301	\$78,301	\$156,602
<u>BASE ADJUSTMENT</u>			
One-Time Appropriations	(12,304)	(12,304)	(24,608)
2002-03 Salary and Benefits	1,388	2,831	4,219
New Programs to Agency Base (LIL)	500	500	1,000
Attorney General Costs	9	19	28
<u>BASE LEVEL (for 2002 and 2003)</u>	\$67,894	\$69,347	\$137,241
<u>CHANGE ITEMS</u>			
Federal Wallop/Breaux	(713)	(299)	(1,012)
Lottery in-Lieu Sales Tax (LIL)	9,753	9,816	19,569
GOVERNOR'S RECOMMENDATION	\$76,934	\$78,864	155,798

BRIEF EXPLANATION OF BUDGET DECISIONS:

- The one-time base adjustment of \$12.304 million removed the FY 2001 appropriation made from 50% of the in-lieu of sales tax for lottery tickets revenue deposited to the Heritage Enhancement Account in the Game and Fish Fund under Laws 2000, Chapter 463, Section 23, Subd. 2.
- The FY 2002-03 Salary and Benefits compensation base budgets were increased by 3.0% annually in the amounts of \$1.388 million for FY 2002 and \$2.831 million for FY 2003.
- The New Programs to Agency Base reflects the \$500,000 annual adjustment in the Heritage Enhancement Account for expansion of the walleye stocking program as directed in Laws of 2000, Chapter 463, Section 23 (b).
- Federal Wallop/Breaux - 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 for each fiscal year for the payment of up to 75% of the costs of acquisition, development, renovation or improvement of public access facilities for recreational boating purposes. The budget reduction is necessary to align the level of state funds in the FY 2002-03 biennium with the forecasted federal 15% apportionment.
- The Lottery in-Lieu Sales Tax budget change item of \$9.753 million for FY 2002 and \$9.816 million for FY 2003 would provide funds from the Heritage

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NATURAL RESOURCES DEPT - REVENUE SUMMARY

REVENUE SOURCES:

In FY 2000, the DNR deposited receipts of \$139.1 million and received \$15.4 million in transfers, mainly from the unrefunded gasoline tax. Total revenues of \$154.5 million for the year were 57.4% of \$269.1 million, which is the sum of agency expenditures of \$261.0 million and transfers out of \$8.1 million

Revenues are derived from a wide variety of activities and sources and are deposited to a complex account structure. The major revenue categories are 1) fishing and hunting licenses; 2) taxes including sales tax and unrefunded gas tax; 3) vehicle registrations including watercraft, snowmobile, all-terrain vehicle, off-highway motorcycle and off-road vehicle; 4) sale and use of natural resources, such as timber and mineral leases, land sales and leases, and water appropriations; 5) use permits, such as park vehicle permits; 6) federal grants and reimbursements; and 7) special revenues.

FEE STRUCTURE:

These revenue sources are deposited to a number of funds that each has a statutory purpose. The major fund groupings are listed below.

- **General Fund – Dedicated and Non-Dedicated.** For FY 2000 total revenues deposited was \$15.5 million. This total includes the revenues deposited in the Cambridge Deposit Fund. Major sources include: timber sales, \$3.6 million; park permits, \$3.1 million; water appropriations, \$2.9 million; camping fees, \$2.9 million, fire fighting, \$768,000; and sales tax, \$652,000. General fund revenues for FY2002-03 are estimated at \$30.6 million.
- **Natural Resources Fund.** The Natural Resources Fund is comprised of eight distinct subfunds. The funds within the Natural Resources Fund include Water Recreation, Snowmobile, All-Terrain Vehicle, Off-Highway Motorcycle, Off-Road Vehicle, Nongame Wildlife, Land Acquisition and Lottery in-lieu-of-sales tax. In FY 2000 receipts of \$12.6 million were deposited and an additional \$14.1 million of unrefunded gasoline tax was transferred to the Natural Resources Fund. Major revenue categories include watercraft registrations, \$3.3 million; watercraft surcharge, \$1.2 million; snowmobile registrations, \$4.4 million; nongame wildlife donations, \$995,000; and ATV registrations, \$950,000.

Starting in FY 2001, 50% of the total available to the agency from in-lieu-of-sales tax generated by the sale of lottery tickets will be deposited in a new subfund. This source of revenue is estimated at \$12.7 million in FY 2001 and \$23.0 million in FY 2002-03.

For FY 2002-03 total receipts deposited and the unrefunded gas tax transferred to the Natural Resources Fund are estimated at \$48.3 million and \$26.4 million respectively.

- **Game and Fish Fund.** The Game and Fish Fund is comprised of ten separate subfunds. This fund receives the proceeds from the sale of hunting and fishing licenses, federal reimbursements, and other revenues. The resources in this fund are dedicated to hunting and fishing programs and related support activities. In FY 2000 major revenue categories included fishing licenses, \$25.8 million; hunting licenses, \$16.5 million; federal reimbursements, \$14.1 million; and the sportsperson's license, \$6.3 million.

Starting in FY 2001, 50% of the total available to the agency from in-lieu-of-sales tax generated by the sale of lottery tickets will be deposited in a new subfund, the Heritage Enhancement Account. This source of revenue is estimated at \$12.7 million in FY 2001 and \$23.0 million in FY 2002-03.

For FY 2002-03 total revenues deposited in the Game and Fish Fund are estimated at \$164.6 million.

- **Special Revenue Funds.** These funds were set up for the revenues dedicated for a specific purpose. In FY 2000 revenues of \$17.1 million were deposited to these special revenue accounts: Parks Working Capital and Douglas Lodge, \$3.8 million; Forest Nursery Account, \$1.5 million; Consolidated Conservation Account, \$3.1 million (50% of this amount is paid to the county, 50% is transferred to the General Fund); cooperative agreements, workshops, seminars, publications, sale of merchandise and revolving accounts, \$8.7 million. For FY 2002-03 revenues to the special revenue accounts are estimated at \$31.3 million.
- **Federal Funds.** In FY 2000 the agency received \$7.1 million in federal grants and reimbursements. This amount does not include the Dingell-Johnson and Pittman-Robertson federal reimbursements deposited in the Game and Fish Fund. For FY 2002-03 the agency expects to receive \$24.7 million in federal funds.
- **Gift Funds.** In FY 2000 the agency received \$2.5 million in gifts. For FY 2002-03 gifts are estimated at \$2.8 million.
- **Permanent School.** In FY 2000 the agency deposited \$12.1 million in the Permanent School Account. Proceeds come from timber sales, mining rents and royalties, land sales and leases. For FY 2002-03 the proceeds are estimated at \$27.7 million.

NATURAL RESOURCES DEPT - REVENUE SUMMARY (Continued)

RECENT CHANGES:

The DNR has a complex revenue structure. The agency takes in more than \$139 million in receipts, which is collected at sites throughout the state. Receipts are credited to over 400 accounts established for the various revenues. The agency is working to prepare more accurate income forecasts, to better manage its account receivables, to expedite revenue deposits, and to provide more relevant management information for resource decisions. The agency has proposed a reallocation of current base funding to continue the development of a new department-wide revenue management system.

FORECAST BASIS:

The methodologies and assumptions used for future forecasts vary according to the revenue category. For example, mining rents and royalties are based on lease agreements and company mining plans. Timber forecasts are based on stumpage rates, available cut, and many other factors. Revenue from the sale of hunting and fishing licenses is based on historical trends, demographics, weather, census data, and more. Each revenue category is unique and must be analyzed and projected using the relevant factors.

Agency: NATURAL RESOURCES DEPT

Summary of Agency Revenues (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Forecast	Governor Recomm.	Forecast	Governor Recomm.	Dollars	Percent
Non-Dedicated Revenue:									
Departmental Earnings:									
GENERAL	0	0	0	13,589	13,589	13,689	13,689	27,278	
NATURAL RESOURCES	10,250	10,635	10,881	10,730	10,730	10,719	10,719	(67)	(0.3%)
CAMBRIDGE DEPOSIT FUND	12,908	13,613	13,568	0	0	0	0	(27,181)	(100.0%)
GAME AND FISH (OPERATIONS)	56,968	68,494	61,245	66,517	66,517	66,753	66,753	3,531	2.7%
Other Revenues:									
GENERAL	150	129	130	130	130	130	130	1	0.4%
NATURAL RESOURCES	353	455	1,348	1,348	1,348	1,348	1,348	893	49.5%
GAME AND FISH (OPERATIONS)	869	921	1,336	1,536	1,536	1,536	1,536	815	36.1%
Other Sources:									
GENERAL	3	6	12	12	12	12	12	6	33.3%
Taxes:									
GENERAL	656	652	702	686	686	701	701	33	2.4%
NATURAL RESOURCES	0	0	12,731	11,488	10,483	11,488	10,483	8,235	64.7%
GAME AND FISH (OPERATIONS)	0	0	12,731	11,488	10,483	11,488	10,483	8,235	64.7%
Total Non-Dedicated Receipts	82,157	94,905	114,684	117,524	115,514	117,864	115,854	21,779	10.4%

Agency: NATURAL RESOURCES DEPT

Summary of Agency Revenues (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Forecast	Governor Recomm.	Forecast	Governor Recomm.	Dollars	Percent
Dedicated Receipts:									
Departmental Earnings (Inter-Agency):									
GAME AND FISH (OPERATIONS)	183	71	67	70	70	70	70	2	1.4%
MISCELLANEOUS AGENCY	45	0	0	0	0	0	0	0	
Departmental Earnings:									
GENERAL	485	768	750	750	750	750	750	(18)	(1.2%)
NATURAL RESOURCES	1,187	427	571	571	571	571	571	144	14.4%
SPECIAL REVENUE	14,269	15,434	16,593	13,382	13,382	13,600	13,600	(5,045)	(15.8%)
GAME AND FISH (OPERATIONS)	289	926	2,084	2,092	2,092	2,097	2,097	1,179	39.2%
MISCELLANEOUS AGENCY	2,281	1,125	3,796	5,542	5,542	8,045	8,045	8,666	176.1%
GIFT	0	(1)	0	0	0	0	0	1	(100.0%)
PERMANENT SCHOOL	10,351	11,112	13,161	13,076	13,076	13,376	13,376	2,179	9.0%
Grants:									
FEDERAL	6,012	7,121	14,510	12,614	12,614	12,117	12,117	3,100	14.3%
Other Revenues:									
GENERAL	2,023	281	188	80	80	51	51	(338)	(72.1%)
NATURAL RESOURCES	1,012	1,109	1	0	0	0	0	(1,110)	(100.0%)
SPECIAL REVENUE	501	515	597	596	596	596	596	80	7.2%
GAME AND FISH (OPERATIONS)	2	210	500	500	500	500	500	290	40.8%
REINVEST IN MINNESOTA	142	94	165	165	165	165	165	71	27.4%
MISCELLANEOUS AGENCY	72	73	117	117	117	117	117	44	23.2%
GIFT	1,514	2,511	1,421	1,400	1,400	1,400	1,400	(1,132)	(28.8%)
PERMANENT SCHOOL	1,115	971	620	620	620	620	620	(351)	(22.1%)
Other Sources:									
GENERAL	63	82	0	0	0	0	0	(82)	(100.0%)
SPECIAL REVENUE	25	29	35	35	35	35	35	6	9.4%
MISCELLANEOUS AGENCY	0	338	112	0	0	0	0	(450)	(100.0%)
Total Dedicated Receipts	41,571	43,196	55,288	51,610	51,610	54,110	54,110	7,236	7.3%
Agency Total Revenues	123,728	138,101	169,972	169,134	167,124	171,974	169,964	29,015	9.4%

NATURAL RESOURCES DEPT - FEDERAL FUNDS SUMMARY

Agency: Natural Resources, Department of (DNR)

This report includes all federal revenues and anticipated revenues to be deposited in federal fund accounts as well as anticipated federal reimbursements to be deposited in the Game and Fish Fund for the Sport Fish Restoration and the Wildlife Restoration programs. Federal FEMA reimbursements passed through another state agency are also included.

Benefits:

Federal funding augments DNR's financial resources. It is sought and accepted to support the department's goals and strategies outlined in this budget and in DNR's strategic plans. Also, in some cases federal funding fosters federal, state and local cooperation and coordination in the management of natural resources.

Major New Program Pending Legislative Approval:

All new programs whose funding is pending legislative approval are followed with an asterisk.

At the time of this printing, the Conservation and Reinvestment Act (CARA) funding remains unclear. The estimated funding levels included here are based on the most recent information. The level of funding and type of activities funded has changed since our last estimate (under the title "teaming with wildlife") in the FY 2000-2001 Biennial Budget. The current compromise proposal establishes a six-year fund, beginning with FFY 2001(10-1-2000) and ending in September of 2006. Funding will be subject to annual discretionary appropriations and states will have to compete with federal and other programs for funding. The state match requirements vary from 25-50% of the funded projects. Currently the department is in the process of identifying base level funds that can be used for eligible match. If the department cannot identify the amounts necessary within the base level we will develop a proposal for additional state funds that will be submitted in the future for legislative consideration. The following is a breakdown of the program elements and related funding.

- Land and Water Conservation. \$1.5 million
- Coastal Stewardship (Department Of Commerce). \$1.5 million
- State and other Conservation Programs (includes state wildlife grants; Endangered Species, and North American Wetlands Conservation Act and Forest Legacy funds). \$1 million
- Urban and Community Forest and Youth Conservation Corps. \$250,000

These new funds are all listed below under the "Conservation and Reinvestment Act" title, even though there is a relationship to existing federally funded

programs. This was done to differentiate the new funding from ongoing funding for these programs.

Changes:

- The Coastal Zone Management funding levels reflect a delayed start up of the program. FY 2001 includes both those contracts that would have started in FY 2000 and the current year activity. FY 2002 and 2003 reflect continuing funding estimates.
- The Federal Emergency Management Agency (FEMA) Flood Mitigation Program, previously located in the Department of Public Safety, is now managed by DNR Waters Division who will be the direct recipient of federal funding beginning in FY 2001. This follows the shift of direct federal funding during the 2000-2001 biennium of the FEMA Community Assistance Program to DNR from Public Safety. Both programs' focus is local assistance.
- National funding for the Conservation Reserve Program has been drastically reduced affecting state allocations.
- Funding for the Forest Legacy program included under "Special Forestry Federal" has diminished as we moved from land acquisition and maintenance (FY 2000) to just land maintenance.
- The increase in the North American Waterfowl Act Program is related to two large projects-Heron and Swan Lakes.
- The apparent increase in the Recreational Boating Safety Program from FY 2000 to 2001 is related to a combination of factors. First, is a variable project work schedule that depends on when larger projects are bid and billed during the two year spend out period (e.g. FY 1999 was \$2,184,000, and FY 2000 much lower). Second, the FY 2001-2003 amounts are estimated at the maximum DNR could earn.

Related State Spending:

Per budget instructions "related state spending" shows state spending for "the same purpose whether mandated or not. "Mandated" was interpreted to mean required state match. Therefore, this column shows more state spending than is required for federal match needs.

NATURAL RESOURCES DEPT - FEDERAL FUNDS SUMMARY (Continued)

Federal Program (\$ in Thousands)	Related SFY 2000 Spending	Primary Purpose	SFY 2000 Revenues	SFY 2001 Revenues	Estimated SFY 2002 Revenues	Estimated SFY 2003 Revenues
FEMA Dam Safety Program	-0-	State Operations	19	86	86	86
Federal Flood Plain Management	70	State Operations	115	108	108	108
Waters Coastal Issues	-0-	State Operations	3	-0-	-0-	-0-
Waters Federal Flood Forecast	-0-	State Operations	106	17	-0-	-0-
Mississippi National Riverway	45	State Operations	122	60	-0-	-0-
Waters Coastal Zone Management	44	Grants Political Subdiv.	161	1,000	1,000	1,000
Waters Wetland Protection EPA	37	State Operations	-0-	50	50	50
FEMA Flood Mitigation Assistance	-0-	Grants- Political Subdiv.	-0-	136	136	136
GAP Analysis	170	State Operations	170	130	130	130
Forest Stewardship	151	Grants Political Subdiv.	155	363	363	363
Forest Health Program	240	State Operations	240	202	202	202
Urban Forestry	217	Grants Political Subdiv.	217	330	330	330
Conservation Reserve Program	-0-	Grants- Individuals	582	46	46	46
Special Forestry Federal (Coop)	300	State Operations	296	883	162	162
Forestry Federal Focus Funds (Coop)	89	State Operations	89	80	80	80
Rural Community Fire Protection (Coop)	79	Grants Political Subdiv.	79	104	104	104
FEMA Icestorm Mitigation-Forestry	98	State Operations	98	-0-	-0-	-0-
MCC Americorps Administration Grant*	0	State Operations	-0-	43	-0-	-0-
MCC Americorps Insurance	13	State Operations	13	-0-	-0-	-0-

NATURAL RESOURCES DEPT - FEDERAL FUNDS SUMMARY (Continued)

Federal Program (\$ in Thousands)	Related SFY 2000 Spending	Primary Purpose	SFY 2000 Revenues	SFY 2001 Revenues	Estimated SFY 2002 Revenues	Estimated SFY 2003 Revenues
Clean Vessel Act	-0-	Grants- Individuals	25	-0-	-0-	-0-
Boating Infrastructure	-0-	State Operations	-0-	200	100	100
National Recreational Trails (Tea-21)	-0-	Grants Political Subdiv	698	1,000	1,000	1,000
Hazard Mitigation-Old Mill Park*	-0-	State Operations	0	30	45	0
Conservation and Appreciation	-0-	State Operations	7	10	20	20
North American Waterfowl Act	80	State Operations	221	851	600	600
Forest Research	-0-	State Operations	-0-	15	20	-0-
Sport Fish/ Wildlife Restoration Admin Grants	304	State Operations	60	165	-0-	-0-
Long term Resource Monitoring	64	State Operations	489	350	350	350
Fish and Wildlife Coordination	-0-	State Operations	-0-	70	155	175
Endangered species Section 6	10	State Operations	30	-0-	-0-	-0-
Endangered Species	104	State Operations	47	50	50	50
Wetlands Protection Grants	10	State Operations	35	41	-0-	-0-
Great Lakes Program	20	State Operations	113	125	125	125
Surveys, studies, special grants	200	State Operations	127	125	125	125
Pesticide Enforcement	37	State Operations	19	25	25	25
Commercial Fish Assessment	22	State Operations	25	12	12	12
Harvest Information Program	-0-	State Operations	-0-	20	-0-	-0-
Community Oriented Policing	48	State Operations	25	120	70	65

NATURAL RESOURCES DEPT - FEDERAL FUNDS SUMMARY (Continued)

Federal Program (\$ in Thousands)	Related SFY 2000 Spending	Primary Purpose	SFY 2000 Revenues	SFY 2001 Revenues	Estimated SFY 2002 Revenues	Estimated SFY 2003 Revenues
FEMA Disaster Public Assistance-thru DEM	363	State Operations	1,254	353	114	2
Recreational Boating Safety	3,400	State Operations	1,376	2,300	2,300	2,300
Land and Water Conservation	105	Grants Political Subdiv.	105	760	446	112
Conservation and Reinvestment Act*	-0-	State Operations	-0-	4,250	4,250	4,250
EPA Environmental Education*	-0-	State Operations	-0-	-0-	10	9
Sub total-federal fund appropriations			7,121	14,510	12,614	12,117
Wildlife Restoration-Game and Fish Fund	1600	State Operations	4,876	5,200	5,300	5,300
Sport Fish Restoration- Game and Fish Fund	3100	State Operations	9,211	9,000	9,000	9,000
Subtotal federal game and fish fund	4700		14,087	14,200	14,300	14,300
Agency Total			21,208	28,710	26,914	26,417

BUDGET CHANGE ITEM (48557)**Agency: NATURAL RESOURCES DEPT****Item Title: REALLOCATION OF BASE RESOURCES**

	<u>2002-03 Biennium</u>		<u>2004-05 Biennium</u>	
	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Expenditures: (\$000s)				
General Fund				
-State Operations	\$2,185	\$2,149	\$2,149	\$2,149
-State Operations	(\$2,185)	(\$2,149)	(\$2,149)	(\$2,149)
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-
Statutory Change? Yes _____ No <u> X </u>				
If yes, statute(s) affected:				
_____ New Activity _____ Supplemental Funding <u> X </u> Reallocation				

GOVERNOR'S RECOMMENDATION:

The Governor recommends an internal reallocation of base resources to address the following high priority agency needs.

- Minnesota Forest Resources Council
- Minnesota County Biological Survey
- Regional Operations
- Minnesota Conservation Connections
- Human Resource Bureau Services
- Performance and Results Management
- Management Information Systems: Sub-Regional Connectivity
- Management Information Systems: Software Engineering Services

The reallocation of \$2.185 million for FY 2002 and \$2.149 million for FY 2003 identifies only those funds that are recommended to be moved between programs.

RATIONALE:

In keeping with the Governor's Big Plan and Budget Principles and with the agency's strategic plan management principles, DNR reaffirms its commitment to cost-conscious state government and to increasing the efficiency and quality

of services. This will be accomplished through reallocating base resources to address high priority agency needs.

FINANCING:

DNR will reallocate a net amount of \$2.185 million for FY 2002 and \$2.149 million for FY 2003 in base level resources. The amounts reallocated in the General Fund represent 1.9% of the agency's operating budget financed by direct appropriations from this fund. Also, included in the agency's reallocation plan is a reduction in the operating costs of the fleet management program.

OUTCOMES:**Minnesota Forest Resources Council**

Continuation of the Minnesota Forest Resources Council at a reduced level of funding (\$375,000 per year reallocated from within the Forest Management Program). Amendments to the Sustainable Forest Resources Act (SFRA) in the 1999 legislative session included an extension of a repealer through FY 2001 for the purpose of evaluating progress. With legislative approval to remove the repealer, funding will continue implementation of a few of the sustainable forest management efforts. SFRA implementation has impacts not only on the department, but also on other land management organizations within the state, such as USDA-Forest Service, forest industry, and county land departments. Examples of potential impacts for the department are: application of comprehensive timber harvesting/forest management guidelines on DNR-administered lands, involvement in landscape planning/coordination activities, participation on the Minnesota Forest Resources Council. Similar impacts could be expected for other agencies (3.0 FTE).

Minnesota County Biological Survey: \$400,000 (FY 2002) \$400,000 (FY 2003)

Identify the status and distribution of rare resources in all Minnesota counties; enter data into Rare Features Database of the Natural Heritage Information System. Citizens, businesses, and local communities will be better able to protect and manage important elements of Minnesota's biological diversity by using the information in the Rare Features Database and by receiving technical assistance from County Biological Survey staff (9.0 FTE).

Regional Operations: \$432,000 (FY 2002) \$526,000 (FY 2003)

Enhance the state's ability to provide coordinated resource management services at the local level. The state and the department will meet key strategic goals of an accessible service-oriented government that works with local communities and citizens to build strong and healthy communities.

Program direction will be set through biennial workplans. Performance will be assessed annually and will be measured based on the quality and volume of internal business services that are provided, resources leveraged, the number of

BUDGET CHANGE ITEM (48557) (Continued)

Agency: NATURAL RESOURCES DEPT

Item Title: REALLOCATION OF BASE RESOURCES

cooperative efforts involving partners, and the number of integrated departmental projects (8.0 FTE).

Minnesota Conservation Connections: \$270,000 (FY 2002) \$270,000 (FY 2003)

Increase collaboration between local government and the DNR that results in protecting and restoring community ecological infrastructure (1.0 FTE). Specific outcomes are:

- Locally financed capital investments to protect and conserve habitats.
- Locally developed actions to link and conserve habitats.
- Healthier fish and wildlife habitat and populations.
- Increased recreation opportunities.
- Diverse economic opportunities.
- Improved quality of life.
- Enhanced DNR-local government partnerships.

Human Resource Bureau Services: \$155,000 (FY 2002) \$155,000 (FY 2003)

Services will be more timely. Work force/succession planning activities will result in DNR having staffing levels and numbers needed to complete necessary natural resource and other support work at the time it is needed, with no "down-time" for recruitment, scoring applications, etc. (2.0 FTE).

Performance and Results Management: \$150,000 (FY 2002) \$150,000 (FY 2003)

Intermediate and long-term outcomes of strengthened performance measurement (2.0 FTE) include:

- A set of indicators and performance measures that link agency activities to actual natural resource outcomes and public benefits.
- Periodic State of the Natural Resources Report.
- Measurable goals, objectives, and corresponding indicators in DNR strategic plans. Biennial performance reports on progress toward agency strategic goals.
- Inter-agency coordination on common natural resource results and agency performance.

- Greater accountability in demonstrating how financial resources are being spent on the highest priorities.
- Common baseline information for citizens and legislators leading to sounder policy and management options.
- A better informed citizenry knowledgeable about complex resource issues.

Management Information Systems—Sub-Regional Connectivity: \$250,000 (FY 2002) \$140,000 (FY 2003)

Field natural resource managers will have fast, reliable, and continuous access to a wide range of information resources, within the DNR, at other agencies across levels of government, and via the Internet. They will also be able to provide information about their own resources and management activities in a fast and reliable manner. Field natural resource managers will be able to collaborate much more quickly and conveniently with other DNR managers as well as outside partners by communicating and exchanging information via e-mail.

Management Information Systems—Software Engineering Services: \$950,000 (FY 2002) \$950,000 (FY 2003)

The DNR will have trained and experienced Information Technology staff on board, whose technical and institutional (business) knowledge can be used to maintain existing databases and applications, as well as develop and deploy new ones that will be well-integrated (4.0 FTE).

The DNR will have an integrated, streamlined Revenue Management System that will efficiently and effectively manage income across a wide-range of DNR revenue-producing activities, and will allow these funds to be deposited into interest-bearing accounts more quickly.

The DNR will have an integrated Forest Management System that will contribute to achieving the forest resource goals in the department's strategic plan.

The DNR will move towards an integrated State Land Records system that will -

- Enhance the ability of the DNR divisions to manage state land by determining ownership, restrictions, qualifications, encumbrances, funding, etc., matching current DNR business practices, legislative mandates, and cooperative agreements with public and private interests.
- More effectively answer questions on Con-Con Lands, PILT payments, trust fund land, fiduciary responsibilities, etc.
- Create the opportunity to be more productive in designating lands available for sale and exchange.

BUDGET CHANGE ITEM (48557) (Continued)

Agency: NATURAL RESOURCES DEPT

Item Title: REALLOCATION OF BASE RESOURCES

- Provide increasingly more detailed information that is being requested by our customers through a "point and click" graphical user interface over existing internet technologies.
- Improve data accuracy and the ability of citizens to utilize the information we store on land management and the resulting revenue and costs.

REDUCTIONS:

Lands and Minerals - small reductions to Environmental Cooperative Research, Iron Ore Cooperative Research Mineral Diversification activities and a small reduction to general fund program operations (\$140,000 each year of internal reallocations within the Lands and Minerals Division will remain to continue support of the Land Exchange Program).

Waters - reduction to pass through grants (\$25,000 per year for the Lewis and Clark Rural Water System, \$40,000 per year to the Mississippi Headwaters Board and \$7,000 per year to the Leach Lake Band). Red River Mediation grants will be reduced by \$150,000 per year and exploratory drilling and observation well programs will also be reduced (\$200,000 each year of internal reallocations within the Waters Division will remain to continue support for delivery of mandated activities).

Forestry - significant reductions in forest road maintenance (requiring additional seasonal closure of roads), forest campground and recreational facility operation, Youth Programs (approximately 20%), forest stand improvement and private landowner assistance.

Parks - reductions in park maintenance (2 full-time positions and some season labor) and park naturalist activities (2 naturalists) and post-pone the implementation of the second half of the Campground Management Program.

Trails and Waterways - small negative impact on Trails and Waterways Program activities.

Fish - small reductions to General Fund appropriations to lake aeration systems, fishing piers, lake and stream habitat improvement, spawning area development, shoreline stabilization, creel surveys and hatchery maintenance and improvement.

Wildlife - reductions to General Fund appropriations to the Private Land Wildlife Habitat technical Assistance (eliminate two temporary positions), brush land

and open land habitat enhancement (approximately 1000 acres/yr reduction) and wildlife population inventory and survey work.

Ecological Services - need to leave one position vacant in the Environmental Review activity and to eliminate the analytical chemistry work that supports lake surveys, and a few smaller program adjustments that impact the collection and delivery of ecological information

Enforcement - restructuring of work responsibilities within the central office, not filling certain support positions vacated through retirement and extending leases on computer equipment.

BUDGET CHANGE ITEM (46609)**Agency: NATURAL RESOURCES DEPT****Item Title: SNOWMOBILE BUDGET REDUCTION**

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000s)				
Natural Resources				
-State Operations	\$(262)	\$(262)	\$(262)	\$(262)
-Grants	\$(388)	\$(388)	\$(388)	\$(388)
Revenues: (\$000s)				
Natural Resources	\$-0-	\$-0-	\$-0-	\$-0-
Statutory Change? Yes _____ No <u> X </u>				
If yes, statute(s) affected:				
_____ New Activity _____ Supplemental Funding <u> X </u> Reallocation				

GOVERNOR'S RECOMMENDATION:

The Governor recommends a \$650,000 annual reduction in the department's operating budget funded from the Snowmobile Trails and Enforcement Account in the Natural Resources Fund. The reduction is necessary in order to maintain a positive balance in the account at the end of the FY 2004-05 biennium. Fifty percent of the reduction will be allocated to the Snowmobile Grants-in-Aid (GIA) Program and 50% to the remainder of the department's operating budget, which includes \$63,000 of Snowmobile Safety Enforcement grants to county sheriffs.

RATIONALE:

The percentage of the unrefunded gas tax attributed to snowmobiling was raised from .75% to 1% for 2 years by the 1997 legislature. The rationale for this was the increasing snowmobile registrations and trail use resulting from several excellent snow years. During this time, the legislature directed the Department of Administration to do a study on the gas tax attributed to snowmobiling. The study has been completed and it recommends that .75% is appropriate. The study showed that the upper limit for a good winter is 1.067% and the lower limit for an average year is .62%.

Even though the GIA program realized a \$3 million increase per year for the 1998-99 biennium, these proportional reductions would honor the budget structure set during a prior biennial budget session. This structure was to

balance the appropriation between the GIA program and the rest of the appropriations to DNR.

FINANCING:

Funding reductions attributed to the sunseting of the 1% gas tax back to .75%.

	2002-03 Biennium	
	FY 2002	FY 2003
Expenditures: (000s)		
Trails and Waterways-		
- Grants	\$(325)	\$(325)
- Operations	(160)	(160)
Enforcement		
- Grants	(63)	(63)
- Operations	(63)	(63)
Information, Education & License Bureau	(14)	(14)
Minnesota Conservation Corps (MCC)	(8)	(8)
Management Information System (MIS)	(17)	(17)
Total	\$(650)	\$(650)

OUTCOMES:**Trails and Waterways**

Grant-in-Aid Program will be reduced by \$325,000 each fiscal year. The snowmobile plan, developed four years ago, called for four major initiatives with the increased funding.

- Get the existing grants to a level that would accommodate most winters.
- To allow existing non-GIA trails into the GIA program.
- Modernization of the existing system where possible.
- New trails.

The first two initiatives have been completed and the modernization effort is nearing completion. This reduction leaves no funding for new trails, and would reduce funding available for existing grants by approximately 10%.

Trails and Waterways Operations will be reduced by \$160,000 each year. This will impact the quality and quantity of grooming on DNR operated trails.

Enforcement Division

Annual grants to county sheriffs' offices and local enforcement agencies will be reduced by \$63,000, or 16%. It is anticipated that their enforcement and training hours would be reduced by the same level.

BUDGET CHANGE ITEM (46609) (Continued)

Agency: NATURAL RESOURCES DEPT

Item Title: SNOWMOBILE BUDGET REDUCTION

Enforcement Division operations will be reduced by \$63,000 annually. This will result in the reduction of approximately 2,600 hours of snowmobile enforcement each year.

Information, Education and Licensing Bureau

Operations will be reduced by \$14,000 each year.

Minnesota Conservation Corps

This annual reduction (\$8,000) will result in the loss of one full-time corps member position

Management Information System (MIS)

The MIS Bureau budget will be reduced by \$17,000 annually in the area of data entry for snowmobile registrations.

BUDGET CHANGE ITEM (55982)**Agency: NATURAL RESOURCES DEPT****Item Title: LOTTERY IN-LIEU SALES TAX**

	<u>2002-03 Biennium</u>		<u>2004-05 Biennium</u>	
	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Expenditures: (\$000s)				
Game and Fish Fund				
- State Operations	\$9,418	\$9,481	\$9,481	\$9,481
- Grants	\$335	\$335	\$335	\$335
Natural Resource Fund				
- State Operations	\$4,717	\$4,717	\$4,717	\$4,717
- Grants	\$5,765	\$5,765	\$5,765	\$5,765
Revenues: (\$000s)				
Game and Fish Fund	\$(1,006)	\$(1,006)	\$(1,006)	\$(1,006)
Natural Resource Fund	\$(1,006)	\$(1,006)	\$(1,006)	\$(1,006)
Statutory Change? Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>				
If yes, statute(s) affected:				
<input checked="" type="checkbox"/> New Activity <input type="checkbox"/> Supplemental Funding <input type="checkbox"/> Reallocation				

GOVERNOR'S RECOMMENDATION:

The Governor recommends \$9.753 million in FY 2002 and \$9.816 million in FY 2003 from the Heritage Enhancement Account in the Game & Fish Fund, and \$10.482 million in FY 2002 and \$10.482 million in FY 2003 from the Natural Resources Fund for improved Fish Management, Wildlife Management, Ecological Services, Enforcement, Parks & Recreation, and Trails & Waterways programs at DNR and for the Metropolitan Regional Park System and Zoo Grants. The amounts made available by the 2000 Legislative Session from these two new funding sources were designated as one-time appropriations for FY 2001.

RATIONALE:

In keeping with the Governor's Big Plan and with the agency's strategic plan, DNR reaffirms its commitment to smart growth; tourism; strong basic services that provide recreation opportunities, protect and improve habitat, and manage natural resources for sustainable use; partnerships with local units of government; science, information, and technology; and technical assistance. These efforts will be accomplished through continued funding from the lottery in-lieu of sales tax.

FINANCING:

The level of funds included in this recommendation are based on proposed changes to the state's sales tax rate of 6.5% to 6% under the Governor's tax reform plan, and the distribution rate of the lottery in-lieu of sales tax receipts of 87% to 86% under MS 297A.44, Subdivision 1(e). Reducing the distribution rate by 1% will provide additional resources in the General Fund to finance the payment in-lieu-of taxes on 102,000 acres of Consolidated Conservation Area (Con-Con) Lands that the Department is proposing to manage as wildlife management areas pending approval by the 2001 Legislative Session.

OUTCOMES:**Fish Management: \$3.4 million (FY 2002) \$3.4 million (FY 2003)**

- Statewide field projects (lake aeration, fishing piers, stream improvement and restoration, fish barriers, shoreline stabilization, spawning area improvement, lake and stream surveys, creel surveys).
- Urban fishing programs (Metro Twin Cities and East Grant Forks).
- Aquatic plant management and habitat protection.
- Fish culture improvements (fish hatching and rearing facilities).
- Aquatic education (Metro Twin Cities).
- Access and management of small lakes (central and northern Minnesota), remove access barriers for physically disabled anglers.
- Marketing and human dimensions research on angler expectations.

Wildlife Management: \$2.4 million (FY 2002) \$2.5 million (FY2003)

- Con-Con WMA boundary surveys, posting, management, and record keeping (protect and manage 102,000 acres).
- Con-Con WMA PILT increases.
- Con-Con WMA public use promotion.
- Wildlife inventory, monitoring, and research completion of applied population research and monitoring in each of the forest, wetland, and wildlife groups.
- Prescribed burning for grasslands, wetlands, forests (additional 5,700 acres).
- Brushland management (additional 7,500 acres burned or sheared).
- Prairie grassland development - native species restoration and improvement (additional 3,300 acres of grasslands).
- Forest habitat improvement (additional 4,500 acres forest habitat).

BUDGET CHANGE ITEM (55982) (Continued)

Agency: NATURAL RESOURCES DEPT

Item Title: LOTTERY IN-LIEU SALES TAX

- Forest wildlife landscape planning and coordination (influence habitat sustainability on 410,000 acres).
- Wetland wildlife habitat development - wetland restoration and shallow lake habitat development (6,700 acres of habitat improvement).
- Private land technical assistance and cost-share to improve wildlife habitat on private lands (additional 9,500 acres of habitat development improvement).
- Increased support for waterfowl habitat development in Canada pursuant to MS 97A.127 (additional 2,500 acres of habitat to benefit waterfowl migrating through Minnesota).
- Development of newly acquired WMA's to meet minimum development standards (additional 2,280 acres of development).
- Prairie chicken reintroduction and monitoring activities; to provide state match for private contributions, and program continuity of an LCMR project.
- Wolf management and the long-term survival of wolves; effective resolution of wolf and human conflict, and resumption of state management authority.

Ecological Services: \$1.655 million (FY 2002) \$1.555 million (FY 2003)

- Collect and manage ecological data on important ecosystems and species to support statewide investigations of critical species and habitats in forest and river systems, including a contribution to the County Biological Survey and inventory and management efforts of the Nongame Wildlife Program.
- Deliver ecological information on terrestrial and aquatic systems to landowners, business leaders, public resource agencies, and local public officials.
- Expand education and outreach efforts on the value and importance of the state's native plants, animals, and native plant communities
- Cover the increased salary costs of the Hay Classification Study.

Enforcement: \$2.298 million (FY 2002) \$2.361 million (FY 2003)

- Maintain basic services (14-20 Conservation Officers, increase contact with the public and improving resource protection).
- Equipment replacement (implement a replacement schedule).
- Retiree insurance costs for 42 in FY 2002 and 50 in FY 2003.
- Increase in fleet costs

Parks and Recreation: \$3.865 million (FY 2002) \$3.865 million (FY 2003)

- Restore camping to 30 parks, opening all campgrounds for the entire operating system.
- Extend open hours for park interpretive centers.
- Provide day use activities and revenue collection for spring, summer, and fall for all parks.
- Provide partial funding for winter public use activities.
- Accelerate natural and cultural resource management and protection.
- Accelerate facility maintenance and emergency maintenance.

Trails & Waterways: \$1.481 million (FY 2002) \$1.481 (FY 2003)

- Local trail grants (\$629,000 annually, resulting in an estimated 9 projects each year).
- Operation and maintenance of state trails.
- Expand customer services (maps brochures, interpretive services).
- Plan, acquire, develop, and manage Gitchi Gami State Trail.

Metropolitan Council: \$4.717 million (FY 2002) \$4.717 million (FY 2003)

- Operation and maintenance for the Metropolitan Regional Park System.

Zoo Grant: \$419,000 (FY 2002) \$419,000 (FY 2003)

- Minnesota Zoological Garden.
- City of Saint Paul, Como Zoo and Conservatory.
- City of Duluth, Duluth Zoo.

BUDGET CHANGE ITEM (62494)**Agency: NATURAL RESOURCES DEPT****Item Title: PCA ENVIRONMENTAL TAX REFORM****OUTCOMES:**

Please see PCA's budget document for a discussion of the outcomes expected from their tax proposal.

No change in funding level, use of funds, or oversight is proposed for the Department of Natural Resources.

	<u>2002-03 Biennium</u>		<u>2004-05 Biennium</u>	
	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Expenditures: (\$000s)				
Solid Waste	\$(100)	\$(100)	\$(100)	\$(100)
Remediation Fund	\$100	\$100	\$100	\$100
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ☒ No ☐

If yes, statute(s) affected:

☐ New Activity ☐ Supplemental Funding ☒ Reallocation**GOVERNOR'S RECOMMENDATION:**

The Governor recommends the change in funding source for the Enforcement Division as part of the PCA Tax Reform change item.

RATIONALE:

In an effort to improve the ability of the legislature and affected agencies to direct money to the highest environmental priorities, the PCA is proposing to reform the way that the state funds certain environmental activities. Specifically, PCA is proposing to restructure the Environmental Fund, create a new Remediation Fund, and abolish the Solid Waste and the Metropolitan Landfill Contingency Action Trust Funds. For more information on this initiative, please see the PCA's budget.

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

FINANCING:

Funding will be changed from the Solid Waste Fund to the new Remediation Fund.

PROGRAM SUMMARY

Program: LAND AND MINERAL RESOURCE MANAGEMENT
Agency: NATURAL RESOURCES DEPT

PROGRAM PROFILE:

The Division of Lands and Minerals was formed as the result of a 1999 merger of the former Division of Minerals and the Bureau of Real Estate Management.

The new division provides land management direction for the department and manages all department real estate transactions. The division also provides technical assistance to local government on mining related issues and is responsible for generating leasing revenue from state-owned mineral resources for the state trust funds and local taxing districts throughout the state.

Lands

The division provides real estate services for all units of the department. It provides transaction services for land acquisitions and sales, leasing, conservation easements, licensing, and land exchanges.

The division also manages the state land records and mineral rights information systems for state owned and administered lands including state acquired land, county administered tax-forfeited land, and land held in trust for the Permanent University Fund and Permanent School Fund. The system's five million records include data for recording: 1) land ownership, sales, acquisitions, exchanges, easements, deeds, and contracts; 2) mineral ownership, leases, and lease sales; 3) payments-in-lieu-of-taxes, Public Hunting Ground payments, and general assessments; and 4) billings, reconciliations, and mineral lease sales.

Minerals

The division's responsibilities are fully integrated with the administration's strategic direction. Minnesota's mining industry is a world competitor, providing commodities and products for the global and regional marketplace. Environmentally sound mineral extraction is directly related to maintaining healthy, vital communities. Mineral commodities produced locally are vital to our public infrastructure, including light rail, highways, bridges, and airports.

The division is actively engaged in providing technical support to local government on mining and reclamation issues. It manages a number of research and development programs supporting mineral research statewide, and is a fiduciary for state trust funds.

State lands managed for mineral revenue include those held in trust for the Permanent School Fund, Permanent University Fund, and local units of government.

The lands include:

- twelve million acres of state-owned trust and tax-forfeited mineral rights, including 18% of the mineral rights on the Mesabi Iron Range; and
- eight million acres of surface rights and mineral rights for horticulture peat, industrial minerals, and construction materials.

STRATEGIES AND PERFORMANCE:

Strategically the division's goal is to provide department customers with expert, timely real estate services in support of legislative mandates and department goals. Land related performance is tied to providing market-based returns for the use of state lands by the private sector and governmental entities.

The division also generates revenue from state-owned lands by leasing lands for exploration and mining. Its goal is to help sustain a strong and viable mineral industry using environmentally sound mining practices. In 1999, Minnesota ranked eighth in the nation in nonfuel mineral production, valued at \$1.6 billion.

Minnesota is the nation's leading producer of taconite. Other major nonfuel minerals mined in the state include horticultural peat and construction sand and gravel, ranked third and seventh in the nation, respectively. In addition, the state is a producer of industrial sand (silica sand), crushed stone, agricultural lime, kaolin, common clay, and dimension stone.

Lands and Minerals staff provide the following services:

- *Mineral Potential and Engineering.* Mineral potential and engineering staff inspect mining properties having state leases. All taconite mining companies operating in the state hold state leases, i.e., USX Corporation, Hibbing Taconite Co., LTV Steel Mining Co., Northshore Mining Co., EVTAC Mines LLC, National Steel Pellet Co., and Ispat Inland Mining Co. The division provides computer-generated resource estimates for new mine proposals and expansions. It also markets Minnesota's mineral resources by developing and distributing information on mineral resources potential. The current emphasis is: 1) mapping construction aggregate resources for county government; and 2) developing computerized data on non-ferrous metallic minerals for exploration companies.
- *Mineland Reclamation.* In addition to reclaiming mined lands, reclamation staff also provide technical assistance on industrial mineral mining operations to local governments throughout the state. The current focus is: 1) developing hydrological data necessary for watershed restoration for LTV Steel Mining Co.'s Hoyt Lakes plant closure in February, 2001; and 2) permit issues related to renewed interest and foreign investment in copper, nickel, and platinum properties.

PROGRAM SUMMARY (Continued)

Program: LAND AND MINERAL RESOURCE MANAGEMENT
Agency: NATURAL RESOURCES DEPT

- **Leasing, Sales, and Acquisitions.** These responsibilities cover a broad range of land and mineral tasks. The division is implementing a policy of an annual land sale, the first of which was held in July, 2000, with 11 parcels offered and nine sold. As the division does for mineral lease sales, it used the Internet to advertise the properties. It completed multiple acquisitions, including the McQuade Road Safe Harbor access site. It completed substantial work on the Lakeshore Leased Lot Exchange project. Eighty-nine metallic mineral leases encompassing about 32,000 acres have been issued during the current biennium.
- **Regional Operations.** The division maintains staff in each of the six department regions. A goal of the merger was to strengthen regional responsibilities and expand over-the-counter services for the public. Regional operations staff work to coordinate decisions on land exchange proposals, land acquisitions, land sales, acquisition of road and conservation easements, and permanent utility corridor reviews with other department staff.
- **Research and Development.** The division manages three research and development programs that address mineral processing, metallurgical, geological, and environmental questions related to mining throughout the state. The research is funded through cost-sharing programs with the mining industry, nonprofits, and federal and local governments. Examples of applied research topics:

Environmental Cooperative Research

- restoration projects using native vegetation on construction aggregate properties in Rochester and in Clay County;
- reclamation projects on the Mesabi Iron Range using dredged material from Duluth Harbor as a soil amendment;
- use of rock fines, a by-product of the aggregate industry, as a soil amendment for organic farmers in central Minnesota; and
- research on the impact of taconite processing on mercury levels in natural systems.

Iron Ore Cooperative Research

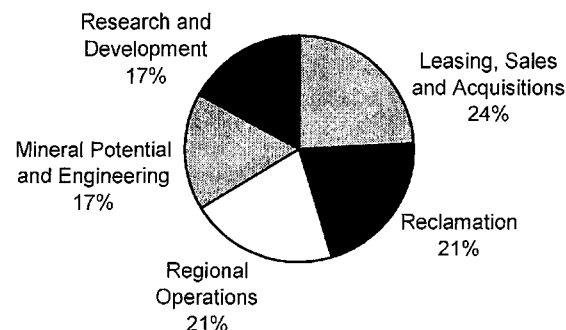
- agglomeration studies focused on developing alternative binders for pelletization;
- process modeling for induration furnaces;
- survey of dust suppression techniques for tailings basins;
- an evaluation of the environmental impacts of disposing tailings in existing mine pits.

Mineral Diversification

- mapping aggregate resources in Nicollet, Benton, and Chisago counties;
- geochemical evaluation of platinum group element mineralization in northeastern Minnesota;
- an inventory of aggregate resources in the seven-county metropolitan area; and
- a statewide evaluation and cataloguing of mining industry by-products that have market values for other uses.

The following chart illustrates the level of effort the division plans to direct toward each functional area:

**Projected Allocation of Funding
FY 2002 - 03**



FINANCING INFORMATION:

The real estate program is funded by a variety of sources, including General Fund, the Game and Fish Fund, and the Water Recreation Account. The costs of land acquisitions are billed to the acquiring division and/or funding accounts. The minerals program is funded solely by General Fund dollars.

REVENUE SUMMARY

Lands

Real estate related activities generated about \$3.07 million in FY 2000. Revenue related to various types of sales and leases constituted 93% of the total.

PROGRAM SUMMARY (Continued)

Program: LAND AND MINERAL RESOURCE MANAGEMENT
Agency: NATURAL RESOURCES DEPT

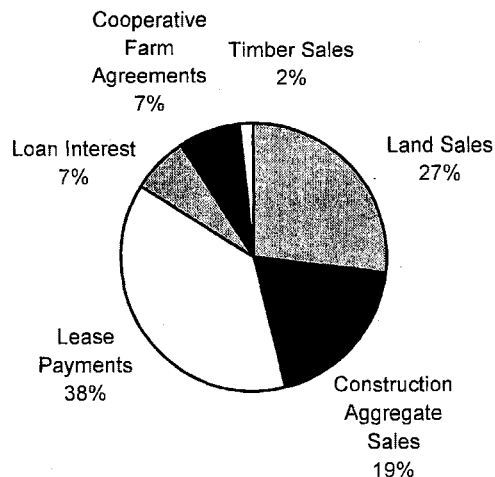
Cooperative farm agreements contributed the remaining 7%. The chart illustrates the types and levels of activity that produced revenue in FY 2000.

Minerals

Mineral revenue totaled \$6.5 million in FY 2000. The graph illustrates revenue generated from state mineral leases for the 10-year period through FY 2000. The revenues are depicted according to the account in which the revenue is deposited, i.e., Permanent School Fund, Permanent University Fund, Tax-forfeited land funds, and the Special Advanced Royalties Account. Other accounts include the Consolidated Conservation Land and the General Fund.

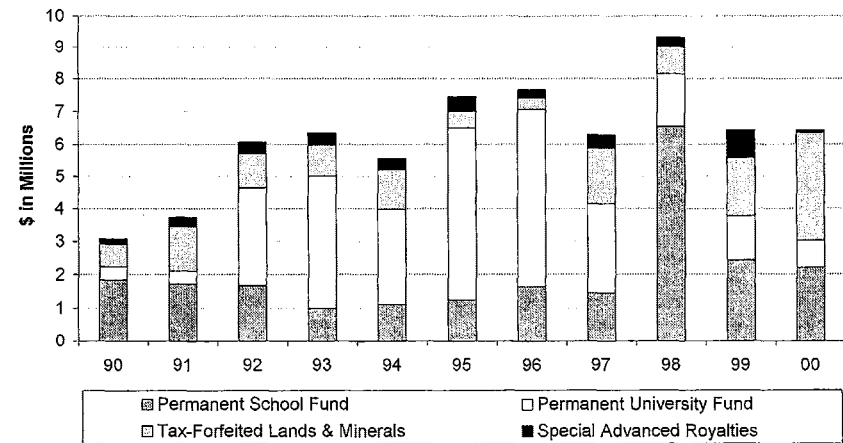
Land Revenue FY 2000

\$3.07 Million



State Mineral Lease Revenues

Fiscal Years 1991-2000



The FY 1998 revenues include a one-time transfer of \$4.2 million from the Taconite Iron Ore Special Advance Royalty Account to the Permanent School Fund due to state lease assignments between USX and Ontario Iron Company in the Kinney-Buhl area. This payment has been used as a credit against royalties due on several state leases and was depleted in April of 2000.

Under the provisions of M.S. 93.335, Subd. 4, the department annually distributes 80% of the mineral rents and royalties generated from the tax-forfeited lands, which are held in trust by the state for local taxing districts. FY 2000 reflected an increase in mining on tax forfeited land, with a projected revenue distribution of about \$2.65 million to local government.

Mineral revenue projections for the near term are weakening. The closure at LTV Steel Mining Co., which provided about 40% of FY2000 revenue, and the idling of an agglomerator line that represents about 12 percent annual output at USX will dramatically reduce revenue generated from tax forfeited lands and school trust fund lands. On the eastern Mesabi Iron Range, the LTV closure will abruptly end the mining revenue generated from tax forfeited lands, 80% of which is transferred to local government. Somewhat offsetting the reductions in taconite revenue is National Steel Pellet Co.'s recent mining on university trust lands, which will increase revenue to the Permanent University Fund.

PROGRAM SUMMARY (Continued)

Program: LAND AND MINERAL RESOURCE MANAGEMENT
Agency: NATURAL RESOURCES DEPT

BUDGET ISSUES:

The division's budget issues are fully integrated with the department's management principals outlined in *Directions 2000* and proposed department internal reallocations.

The broad division issues are 1) maintaining adequate staffing for real estate transactions, and 2) maintaining a healthy mining industry, associated revenues from state mineral rights, and supporting environmentally-sound mining practices that provide mineral commodities for societal needs. Specific issues for the forthcoming biennium include the following:

- *Maintaining staff positions for legislatively-mandated land exchanges and annual land sales.* Since 1998, two division positions have been funded by revenue from state lakeshore lot lease payments. The state will have mostly completed the exchange of these lakeshore lots with county governments by 12-31-2000, and the lease revenue will end.
- *Need for a new Land Records and Revenue System.* The department currently manages revenue of about \$100 million per year from state lands. The current land records system is outdated, reflecting technologies and business practices of the early 1980s, and does not have a GIS interface necessary to portray spatial information or provide accounting functions for state lands, such as for Con-Con land and PILT payments. In addition the system can not track legislatively mandated land policy changes or department land management practices. In order to provide accurate and timely information to customers, or to provide access to this information over the Internet, a new system needs to be developed. The primary beneficiaries of a new system would be local government, including county auditors, land use planners, tax assessors, and highway departments.
- *A vibrant state economy has increased demand for construction aggregates and has led to increased county requests for county aggregate mapping.* M.S. 84.94 mandates that the department identify potentially valuable publicly or privately owned aggregate resources for county government. Current funding levels allow the division to produce only one county map per year. The division has completed only six of 80 counties (the Minnesota Geological Survey is responsible for metropolitan counties). The division cannot currently respond to county requests for aggregate resource information in a timely manner; subsequently, county governments do not have a means to introduce aggregate resource protection into comprehensive planning or zoning decisions.

■ **Reallocation of Base Resources**

Proposals to reallocate monies within the department would alleviate some of the division's concerns relating to two of the budget issues described above. The first, "*Maintaining staff positions for legislatively-mandated land exchanges and land sales*" would cease to be an issue because internal reallocations would provide funding for that purpose. The second, "*Need for a new Land Records and Revenue System*" would be addressed, in part, by directing funding to "Software engineering services" described in the department's Change Item, Reallocation of Base Resources.

These reallocation proposals will result in reductions to Environmental Cooperative Research, Iron Ore Cooperative Research, Mineral Diversification activities and a small reduction to general fund program operations. (\$140,000 each year of internal reallocations within the Lands and Minerals Division will remain to continue support of the Land Exchange Program).

GOVERNOR'S RECOMMENDATION:

The Governor recommends the Lands and Minerals budget request, including the base budget reallocation.

Activity: LAND AND MINERAL RESOURCE MGMT
Program: LAND AND MINERAL RESOURCE MGMT
Agency: NATURAL RESOURCES DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Category:									
State Operations									
COMPENSATION	4,968	5,376	5,402	5,338	5,305	5,499	5,497	24	0.2%
OTHER OPERATING EXPENSES	2,877	1,909	3,887	2,282	2,259	2,284	2,261	(1,276)	(22.0%)
TRANSFERS	0	0	0	10,286	10,286	10,533	10,533	20,819	
Subtotal State Operations	7,845	7,285	9,289	17,906	17,850	18,316	18,291	19,567	118.1%
CAPITAL OUTLAY & REAL PROPERTY	257	51	50	50	50	50	50	(1)	(1.0%)
LOCAL ASSISTANCE	7,503	8,370	13,051	452	452	538	538	(20,431)	(95.4%)
Total Expenditures	15,605	15,706	22,390	18,408	18,352	18,904	18,879	(865)	(2.3%)

Change Items:	Fund				
(A) REALLOCATION OF BASE RESOURCES	GEN			(56)	(25)
Total Change Items				(56)	(25)

Financing by Fund:							
Direct Appropriations:							
ENVIRONMENT & NATURAL RESOURCE	0	300	450	0	0	0	0
GENERAL	6,097	5,884	6,805	6,556	6,500	6,704	6,679
MINNESOTA RESOURCES	0	8	92	0	0	0	0
NATURAL RESOURCES	141	142	151	152	152	156	156
GAME AND FISH (OPERATIONS)	1,297	408	418	427	427	438	438
PERMANENT SCHOOL	0	0	200	0	0	0	0
Open Appropriations:							
GENERAL	5,570	5,634	10,113	10,286	10,286	10,533	10,533
Statutory Appropriations:							
SPECIAL REVENUE	2,052	3,135	3,357	733	733	819	819
GAME AND FISH (OPERATIONS)	51	0	0	0	0	0	0
MISCELLANEOUS AGENCY	2	0	0	0	0	0	0
PERMANENT SCHOOL	395	195	804	254	254	254	254
Total Financing	15,605	15,706	22,390	18,408	18,352	18,904	18,879

Activity: LAND AND MINERAL RESOURCE MGMT
Program: LAND AND MINERAL RESOURCE MGMT
Agency: NATURAL RESOURCES DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003	
				Base	Governor Recomm.	Base	Governor Recomm.
Revenue Collected:							
Dedicated							
NATURAL RESOURCES	8	0	0	0	0	0	0
SPECIAL REVENUE	2,427	3,779	4,138	1,021	1,021	1,128	1,128
GAME AND FISH (OPERATIONS)	110	0	0	0	0	0	0
MISCELLANEOUS AGENCY	2,221	926	3,729	5,473	5,473	7,973	7,973
PERMANENT SCHOOL	4,856	4,491	6,275	5,990	5,990	5,990	5,990
Nondedicated							
GENERAL	20	14	15	286	286	286	286
CAMBRIDGE DEPOSIT FUND	230	200	271	0	0	0	0
GAME AND FISH (OPERATIONS)	93	224	91	91	91	91	91
Total Revenues Collected	9,965	9,634	14,519	12,861	12,861	15,468	15,468
FTE by Employment Type:							
FULL TIME	79.8	81.7	84.2	84.2	83.2	84.2	83.8
PART-TIME, SEASONAL, LABOR SER	8.3	8.3	5.7	5.7	5.7	5.7	5.7
OVERTIME PAY	0.1	0.1	0.0	0.0	0.0	0.0	0.0
Total Full-Time Equivalent	88.2	90.1	89.9	89.9	88.9	89.9	89.5

PROGRAM SUMMARY

Program: WATER RESOURCES MGMT
Agency: NATURAL RESOURCES DEPT

PROGRAM PROFILE:

DNR Waters plays a major role in the management of Minnesota's water resources and since all Minnesotans are dependent on water resources, wise management is critical for the state. DNR Waters monitors all phases of the hydrologic cycle (the mechanism by which water is delivered from the atmosphere to the landscape and back again) and manages human interactions with wetland, lake, river, and ground water phases of the hydrologic cycle.

The Waters Division also

- maintains an extensive precipitation reporting network of over 1,200 volunteers to collect information for analysis.
- The division monitors groundwater levels at over 700 observation wells, conducts technical studies, maps ground water aquifers, manages water appropriations from aquifers and analyzes ground water/surface water interaction.
- It inventories streams, lakes and wetlands; collects and analyzes information about water levels and flows at over 1,500 lake and stream gage sites; conducts technical studies of water budgets and flows; manages water appropriations and use; regulates the construction and operation of dams; helps people solve water related problems and conflicts; works with local governments to manage development in shoreland and floodplain areas to protect people from floods and high lake levels; and works with local, state and federal agencies to protect lakes, streams, wetlands from unwise construction activities.
- Waters' staff provide information, technical assistance and advice to citizens and over 500 local government zoning and watershed planning staff.
- It has a staff of water experts with a wide variety of skills located in offices throughout the state to help resolve complex water problems. These staff help people and local governments solve water resources problems and to strike a balance between the utilization and protection of water resources.

STRATEGIES AND PERFORMANCE:

Waters 1998 strategic plan identifies a goal of promoting water conservation and sustainability by working with others to develop a common understanding of water resources. Eight strategies to accomplish comprehensive water management in the beginning of the 21st century were also identified.

- Use social, economic, and environmental information to improve water resource decision-making.

- Increase regulatory effectiveness by simplifying the process and making regulations less prescriptive.
- Provide more information and technical assistance to help people solve their water related problems.
- Increase opportunities for environmental education so future generations will take better care of water resources and the environment.
- Improve services by clarifying and integrating responsibilities so people have a clear idea of who to contact when they need help.
- Enhance accountability by making timely decisions at the appropriate level of the organization.
- Enhance communication and outreach by listening to peoples concerns and helping them resolve problems.
- Expand partnerships to help develop trust and understanding among agencies at different levels of government.

Some of the division's recent successes are:

- Simplification of the permit process by using general permits. These general permits cover a class of permits that generally have minor impacts so Waters staff are able to spend time on more significant issues. Efforts are underway to further streamline wetland regulation by increasing local government authority.
- Since the 1997 floods, over 875 homes have been removed from floodplain areas through cooperative efforts of local, state and federal agencies.
- DNR Waters has added considerable information and access to data via an expanded web site. Updates are made as new county geologic atlas maps, current monitoring data, and technical studies and reports become available. (<http://www.dnr.state.mn.us/waters/>)
- Project WET, a water resources curriculum planning program, has been implemented for grades K-12. This has become a priority program because of its long-term benefits for the wise use of our water resources and provides training to more than 50 teachers annually.
- DNR Waters, in cooperation with local dam owners, has removed nine river dams to improve public safety and restore riverine ecosystems.

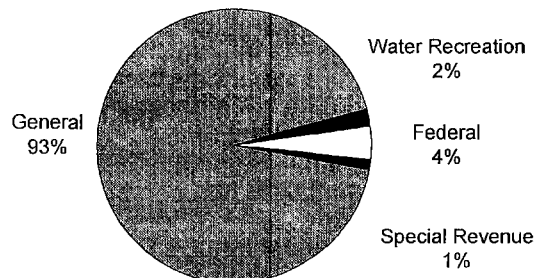
PROGRAM SUMMARY (Continued)

Program: WATER RESOURCES MGMT
Agency: NATURAL RESOURCES DEPT

FINANCING INFORMATION:

DNR Waters is primarily funded through the General Fund. Other funding sources include the Water Recreation Fund, Special Revenue, Federal Project funds, and the capital budget (not included with graph).

FY 2000 Funding Source



Funding has been essentially flat for the last ten years. New initiatives for water monitoring and flood damage reduction were funded in 1998 and 1999, but they came with new responsibilities and have not kept up with inflation.

REVENUE SUMMARY

- Non-dedicated fees collected for permit applications and annual water use fees totaling approximately \$3 million annually are deposited in the General Fund.
- The change in federal revenue from FY 2000 to FY 2001 on the fiscal page is attributable to increased funding in the Coastal Zone Management Program.

GRANTS SUMMARY

The budget for grants administered from all funding sources through the Waters Division is approximately \$3.1 million annually for the FY 2002-03 biennium. The primary types of grants the following:

- Flood damage reduction grants to assist local governments that demonstrate that they have flooding problems. These cost sharing grants are made on a 50% local match basis.
- Coastal Management Program grants will be used by local units of government, nonprofit organizations and agencies to do a variety of planning, education, construction, and acquisition projects in the coastal boundary area.
- Grants to facilitate the Red River Mediation Flood Damage Reduction work group efforts.
- Grant to be used to equally match funds with the United States Geological Survey (USGS) for hydrologic studies and water monitoring activities.

BUDGET ISSUES:

- Salary, and supply and expense inflation in excess of base adjustments, and other fixed cost increases continue to erode the spending power of DNR Water's budget. Budget increases have been for grants or new or expanded responsibilities. The division will continue to manage this cost by reallocating resources to the highest priority needs.
- Reallocation of Base Resources
Proposals to reallocate base resources within the Department will address a number of the Waters Resources Management Program and departmental concerns.

These reallocation proposals will also result in reductions to pass through grants (\$25,000/yr to Lewis and Clark Rural Water System, \$40,000/yr to Mississippi Headwaters Board and \$7,000/yr to Leach Lake Band). Red River Mediation grants would be reduced by \$150,000/yr and exploratory drilling and observation well programs would be cut back. (\$200,000 each year of internal reallocations within the Waters Division will remain to continue support for delivery of mandated activities).

LCMR RECOMMENDATIONS – DIRECT

- *Hydraulic Impacts of Quarries and Gravel Pits*
To research and evaluate the impact of aggregate extraction on groundwater quality and quantity (\$320,000 Environmental Trust Fund).

GOVERNOR'S RECOMMENDATION:

The Governor recommends the requested amount, including the base budget reallocation and the LCMR project.

Activity: WATER RESOURCES MGMT
Program: WATER RESOURCES MGMT
Agency: NATURAL RESOURCES DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Category:									
State Operations									
COMPENSATION	7,507	7,673	8,242	8,324	8,608	8,553	8,863	1,556	9.8%
OTHER OPERATING EXPENSES	2,271	2,211	3,999	2,556	2,578	2,565	2,599	(1,033)	(16.6%)
OTHER FINANCIAL TRANSACTIONS	0	1,100	38	2	2	2	2	(1,134)	(99.6%)
Subtotal State Operations	9,778	10,984	12,279	10,882	11,188	11,120	11,464	(611)	(2.6%)
CAPITAL OUTLAY & REAL PROPERTY	10	1	0	0	0	0	0	(1)	(100.0%)
LOCAL ASSISTANCE	2,003	4,132	3,221	3,067	2,845	3,067	2,845	(1,663)	(22.6%)
Total Expenditures	11,791	15,117	15,500	13,949	14,033	14,187	14,309	(2,275)	(7.4%)

Change Items:	Fund				
(A) REALLOCATION OF BASE RESOURCES	GEN			(76)	(38)
(B) WATERS LCMR ALLOCATIONS	EVT			160	160
Total Change Items				84	122

Financing by Fund:							
Direct Appropriations:							
ENVIRONMENT & NATURAL RESOURCE	0	0	0	0	160	0	160
GENERAL	11,003	13,102	13,466	12,248	12,172	12,480	12,442
MINNESOTA RESOURCES	0	80	0	0	0	0	0
NATURAL RESOURCES	268	210	320	274	274	280	280
Statutory Appropriations:							
SPECIAL REVENUE	127	1,217	97	41	41	41	41
FEDERAL	370	498	1,499	1,380	1,380	1,380	1,380
GIFT	23	10	118	6	6	6	6
Total Financing	11,791	15,117	15,500	13,949	14,033	14,187	14,309

Revenue Collected:							
Dedicated							
SPECIAL REVENUE	111	123	41	41	41	41	41
FEDERAL	372	526	1,457	1,380	1,380	1,380	1,380
GIFT	57	63	27	6	6	6	6
Nondedicated							
GENERAL	76	0	0	3,027	3,027	3,027	3,027
CAMBRIDGE DEPOSIT FUND	3,084	2,892	3,027	0	0	0	0
Total Revenues Collected	3,700	3,604	4,552	4,454	4,454	4,454	4,454

Activity: WATER RESOURCES MGMT
Program: WATER RESOURCES MGMT
Agency: NATURAL RESOURCES DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003	
				Base	Governor Recomm.	Base	Governor Recomm.
<u>FTE by Employment Type:</u>							
FULL TIME	123.6	121.1	136.6	131.6	135.1	131.6	135.1
PART-TIME, SEASONAL, LABOR SER	11.4	11.0	9.4	9.4	10.4	9.4	10.4
OVERTIME PAY	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Total Full-Time Equivalent	135.1	132.2	146.1	141.1	145.6	141.1	145.6

PROGRAM SUMMARY

Program: FOREST MANAGEMENT
Agency: NATURAL RESOURCES DEPT

PROGRAM PROFILE:

The Forest Management Program includes four budget activities. Each is discussed in a separate activity narrative:

- Forest Management budget activity addresses agency efforts to affect the sustainable management of forest lands in the state (including community forests) to meet long-term management objectives for multiple forest resources, including timber, wildlife habitat, recreation, and aesthetics.
- Fire Fighting budget activity addresses efforts to protect citizens, property, and natural resources from destructive wildfires.
- Minnesota Conservation Corps budget activity provides meaningful natural resource work and educational experience for unemployed youth and young adults while accomplishing significant natural resource conservation/management work.
- Sustainable Forest Resources Act Implementation (M.S. 89A) budget activity includes efforts to bring together the state's varied forest resource interests to develop and implement programs that promote sustainable site- and landscape-based forest management practices.

STRATEGIES AND PERFORMANCE:

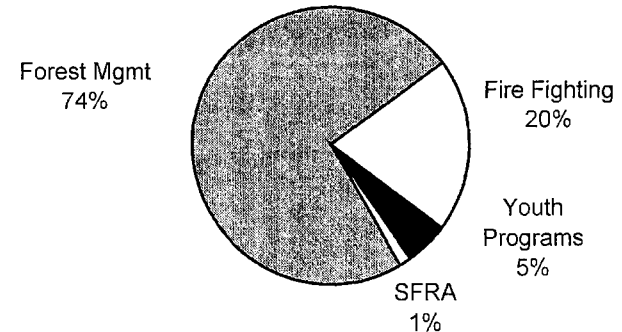
These are discussed at the activity level.

FINANCING INFORMATION:

Revenue summary: This program generates dedicated and non-dedicated revenue of approximately \$20 million each year from FY 1999-01.

Grants summary: This program distributes approximately \$4.0 million each year to other units of government, communities, local fire departments, education/research institutions, and non-government organizations.

**Forest Management Expenditures
By Budget Activities
FY 1999-01**



BUDGET ISSUES:

- **Reallocation of Base Resources**
Proposals to reallocate base resources within the Department will address two of the Division of Forestry's most immediate concerns:
 - continuation of the Minnesota Forest Resources Council at a reduced level (\$375,000/year);
 - development and implementation of the forestry information system (FORIST) by shifting \$400,000/yr from the Forest Management program to Operations Support for Management Information Systems to accomplish systems design and implementation.

Additional dollars will be transferred to address broader Forest Program and department concerns. Reallocation proposals will result in significant reductions in forest road maintenance (requiring additional seasonal closure of roads), forest campground and recreational facility operation, Youth Programs (approximately 20%), forest stand improvement and private landowner assistance.

- Transfer of \$150,000 per year for white pine research from the forest management program to the University of Minnesota.

PROGRAM SUMMARY (Continued)

Program: FOREST MANAGEMENT
Agency: NATURAL RESOURCES DEPT

LCMR RECOMMENDATIONS - DIRECT:

- **Forest and Prairie Stewardship of Private Lands:** In cooperation with the Minnesota Forestry Association and the Nature Conservancy, to develop stewardship plans for private prairie and forested lands and to implement natural resource projects by providing matching money to private landowners (\$545,000 Environmental and Natural Resources Trust Fund).

GOVERNOR'S RECOMMENDATION:

The Governor recommends Forestry's base budget, the reallocation of base resources and snowmobile fund budget reduction change items, and the LCMR project.

Program: FOREST MANAGEMENT
Agency: NATURAL RESOURCES DEPT

Program Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Activity:									
FOREST MANAGEMENT	36,954	36,232	40,667	35,547	35,092	36,254	35,782	(6,025)	(7.8%)
FIRE FIGHTING	8,116	14,056	14,594	14,944	14,944	14,744	14,744	1,038	3.6%
YOUTH PROGRAMS	3,170	2,770	3,361	3,142	2,834	3,173	2,865	(432)	(7.0%)
SUSTAIN RES ACT IMPLEMENTATION	1,318	537	723	0	375	0	375	(510)	(40.5%)
Total Expenditures	49,558	53,595	59,345	53,633	53,245	54,171	53,766	(5,929)	(5.2%)

Change Items:	Fund				
(A) REALLOCATION OF BASE RESOURCES	GEN			(653)	(669)
(A) SNOWMOBILE FUND BUDGET REDUCTION	NRF			(8)	(8)
(B) FORESTRY LCMR ALLOCATIONS	EVT			273	272
Total Change Items				(388)	(405)

Financing by Fund:							
Direct Appropriations:							
ENVIRONMENT & NATURAL RESOURCE	400	473	687	0	273	0	272
GENERAL	37,115	33,795	36,754	34,816	34,163	35,563	34,894
MINNESOTA RESOURCES	319	555	40	0	0	0	0
NATURAL RESOURCES	487	408	529	486	478	499	491
Open Appropriations:							
GENERAL	3,002	7,822	7,720	8,785	8,785	8,526	8,526
Statutory Appropriations:							
GENERAL	512	1,056	750	750	750	750	750
NATURAL RESOURCES	20	76	144	0	0	0	0
SPECIAL REVENUE	5,946	6,358	9,332	7,117	7,117	7,180	7,180
FEDERAL	1,678	2,836	2,993	1,417	1,417	1,417	1,417
MISCELLANEOUS AGENCY	46	84	116	106	106	80	80
GIFT	33	132	280	156	156	156	156
Total Financing	49,558	53,595	59,345	53,633	53,245	54,171	53,766

FTE by Employment Type:							
FULL TIME	497.7	485.8	470.6	454.0	445.5	454.0	445.5
PART-TIME, SEASONAL, LABOR SER	141.4	171.0	183.2	179.0	156.0	179.0	156.0
OVERTIME PAY	31.2	46.7	42.4	42.4	42.4	42.4	42.4
Total Full-Time Equivalent	670.3	703.5	696.2	675.4	643.9	675.4	643.9

BUDGET ACTIVITY SUMMARY
**** PERFORMANCE PILOT ****

Budget Activity: FOREST MANAGEMENT
Program: FOREST MANAGEMENT
Agency: NATURAL RESOURCES DEPT

ACTIVITY PROFILE:

This activity exists to sustain and enhance forest ecosystems; to provide a sustainable supply of forest products to meet human needs (material, economic, and social); and to provide income to the permanent school trust fund.

Specific activities and services:

- Managing 4.3 million acres of lands, including
 - forest vegetation management planning;
 - timber sales and harvesting;
 - reforestation;
 - timber stand improvement;
 - old growth and extended rotation forest management;
 - maintenance and operation of the 2,064 mile state forest road system primarily for public recreation use, travel and access to state lands;
 - maintenance and operation of 46 state forest campgrounds, 44 day use areas, and 1,200 miles of recreational trails;
 - enforcement of state forest rules and regulations.
- Forest stewardship planning, technical advice, and cost-share assistance for non-industrial private forest landowners.
- Technical urban forestry and cost-share assistance to Minnesota communities.
- Producing and selling tree and shrub seedlings for conservation planting on public and private lands.
- Monitoring the health, growth and composition of Minnesota forests.
- Technical assistance to counties.
- Developing, monitoring and evaluating evolving management concepts.
- Coordinating forestry related education programs in schools.

Our goals:

- Provide a long-term, sustainable yield of forest resources that includes timber and other forest crops, fish and wildlife habitat, clean water, rare flora and fauna, air, soil, educational opportunities, and aesthetic and historic values.

- Manage school trust lands to fulfill the fiduciary responsibilities to the permanent school trust.
- Improve the health and productivity of public and private (including community) forest lands.

The basic purposes for which these forestry programs were created are still valid:

- maintain the forest land base;
- encourage professional management of forest lands to meet public demand for products and uses;
- reforest and restore forest lands altered by harvesting, wildfires, insects and diseases, wind storms, and flooding.

Minnesota's growing population has intensified pressures on forest lands:

- Urban and lakeshore development is the major cause of forest land loss.
- Expanding development in forested areas increases the risks of wildfires, and reduces the quality of and ability to manage forest lands.
- Recreational use of forest lands and recreational facilities has increased.
- The list of recreational users has grown to include off-highway vehicles, horse-back riders, mountain biking, cross-country skiing, and snowmobiling.
- Timber harvesting demand has increased.

These pressures will continue to grow and challenge forest managers to achieve a proper balance between meeting human needs and protecting other values of the forest (wildlife habitat, biodiversity, clean water, aesthetics, cultural resources, soil productivity). Greater understanding of biological processes has helped with this challenge, but has also increased the complexity of forest management decision making.

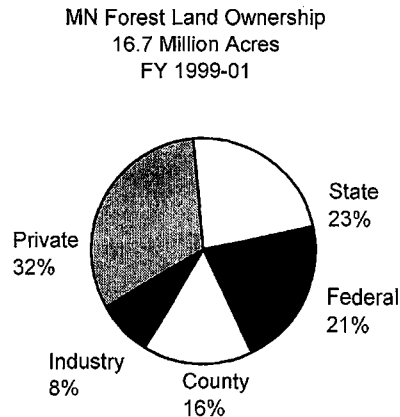
This activity serves a wide range of stakeholders:

- non-industrial private forest landowners,
- forest industries,
- environmental groups,
- outdoor recreationists,
- other state agencies and levels of government,
- consulting foresters and other forestry professionals.

Other units of government and the private sector are involved in the management of forest lands in Minnesota. This broad involvement is driven primarily by the diverse ownership of the state's forest lands. Each forest land owner has their

BUDGET ACTIVITY SUMMARY (Continued)
**** PERFORMANCE PILOT ****

Budget Activity: FOREST MANAGEMENT
Program: FOREST MANAGEMENT
Agency: NATURAL RESOURCES DEPT



own forest management objectives, that while often similar, are also sometimes unique.

STRATEGIES AND PERFORMANCE:

The DNR Division of Forestry embraces collaborative approaches in the management of Minnesota forests, including critical efforts supported by the 1995 Sustainable Forest Resources Act.

Program strategies include a mix of

- direct action;
- technical and cost-share assistance;
- enforcement;
- standard setting and monitoring;
- information and education.

Specific efforts to respond to evolving issues and scientific information:

- comprehensive site-level forest management guidelines are being implemented across all ownerships to address soil productivity, riparian area management, wildlife habitat, historical/cultural resources, water

quality, wetlands, and aesthetic quality. Efforts to monitor guideline implementation and effectiveness will be very important this biennium;

- forest stewardship plans to improve private forest management. Pursuing the ambitious goal of having 50% of the non-industrial private forest land (in parcels over 20 acres) under Forest Stewardship plans by the year 2005;
- DNR subsection forest resource management planning to provide an open, public process for directing vegetation management on DNR forest lands;
- old-growth forest evaluation and designation on state lands;
- extended rotation forest management on state lands;
- ecological classification system (ECS) to provide ecological, landscape-based information to guide planning and site-level management decisions;
- annual forest inventory updates, an important nation-wide change in the permanent plot inventory system to provide continual updates to the statewide inventories across all ownerships;
- white pine protection, planting, and research to increase white pine in the state;
- third party certification of public forest land management in Aitkin County that meets international standards for sustainable forest management;
- continuing logger education and training through the MN Logger Education Program (MLEP).

Performance Measures	FY 96	FY 97	FY 98	FY 99	FY 00
Cords of wood harvested state wide from all ownerships (millions)	3.7	3.7	3.7	3.8	3.8 (est.)
Cords of wood sold from DNR lands (000's)	750.0	603.7	575.8	539.8	619.0
Cords of wood harvested from DNR lands (000's)	549.8	635.1	605.6	642.5	672.3
Acres of reforestation on DNR administered land (000's)	26.5	31.4	27.3	31.2	32.4 (est.)
Tree and shrub seedlings sold by DNR nurseries (millions)	9.7	8.7	11.9	12.3	10.3

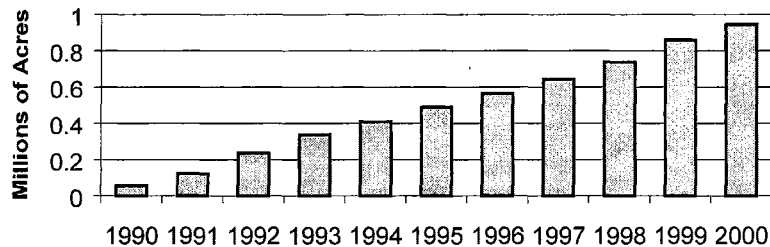
BUDGET ACTIVITY SUMMARY (Continued)
**** PERFORMANCE PILOT ****

Budget Activity: FOREST MANAGEMENT
Program: FOREST MANAGEMENT
Agency: NATURAL RESOURCES DEPT

Examples of selected indicators to measure progress toward achieving forest ecosystem goals and targets include:

DNR has established a target of having 50% of non-industrial private forest land (parcels over 20 acres) under Forest Stewardship plans by the year 2005.

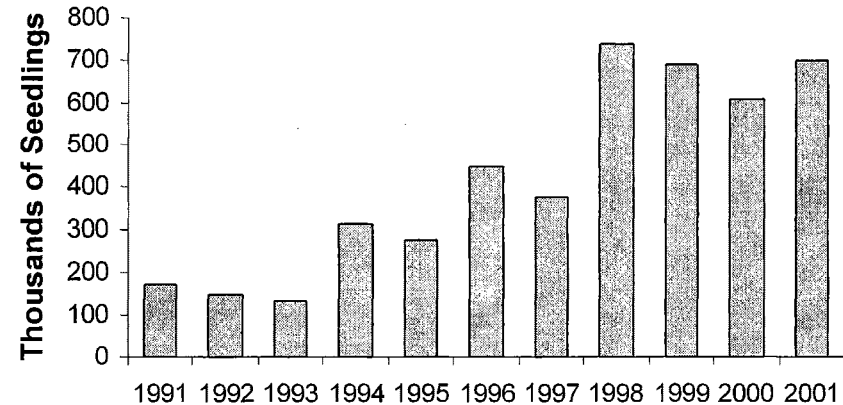
**Forest Stewardship Plan Acres
Cumulative since 1990**



The white pine initiative established in 1998 set a target to double the acreage of young white pine over the next seven years (i.e., 1998 - 2004).

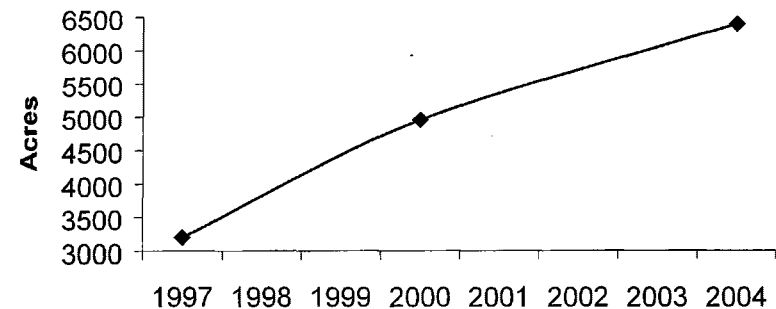
Applying this target to state lands, the number of white pine seedlings planted on state forest lands per year has already doubled compared to years prior to 1998. From 1991 to 1997, the average number of white pine planted per year was 267,000. Since the initiative began, an average of 684,000 white pine seedlings per year have been planted on state forest lands.

**White Pine Planting
DNR Forest Lands**



Using the white pine cover type acres as a measure, the amount of young white pine on DNR forest lands increased 57 percent since the initiative began in 1998, from 3163 acres in 1997 to 4957 acres in 2000. The target for doubling young white pine acres on DNR lands is 6400 acres by 2004.

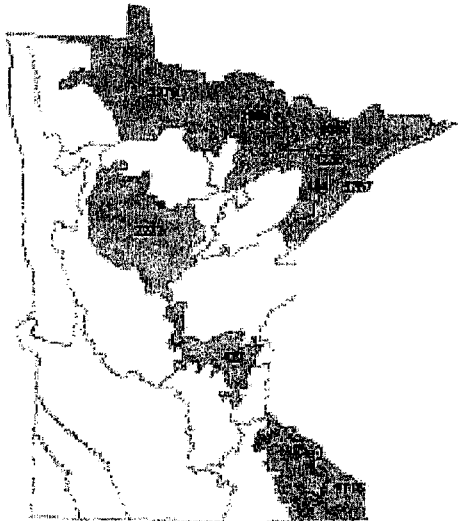
**Young White Pine Acres
DNR Forest Lands**



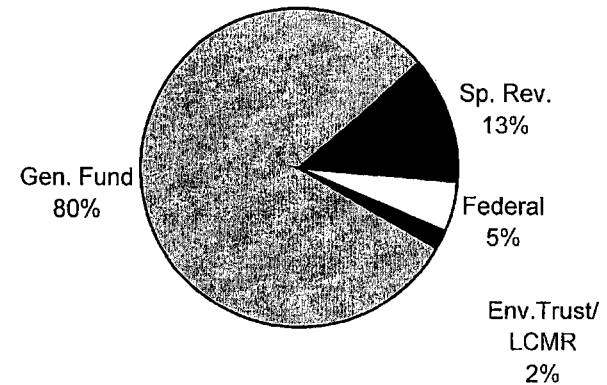
BUDGET ACTIVITY SUMMARY (Continued)
**** PERFORMANCE PILOT ****

Budget Activity: FOREST MANAGEMENT
Program: FOREST MANAGEMENT
Agency: NATURAL RESOURCES DEPT

The 1994 DNR Old-growth Forest Guideline established 27,000 acres as an old-growth forest protection target. The numbers in shaded ecological regions are acres of designated old-growth (totaling 23,000 acres). In unshaded regions evaluation is in progress with final designation to be complete by 2002.



Forest Management Activity
Funding by Source
FY 1999-01



FINANCING INFORMATION:

Revenue Summary: This activity generates dedicated and non-dedicated revenue of approximately \$19 million each year for FY 1999-01. The major sources of this income are:

- state land timber sales (\$12-15 million per year)
 - paid by loggers and forest products companies;
 - deposited in permanent school trust suspense, Cambridge bank General Fund, con-con lands, and various smaller dedicated accounts.
- tree seedling sales (\$1.8 million per year)
 - paid by individual private landowners, and state and county government;
 - deposited in dedicated nursery account to fund nursery operations DNR nurseries became self-supporting in 1989.

BUDGET ACTIVITY SUMMARY (Continued)**** PERFORMANCE PILOT ****

Budget Activity: FOREST MANAGEMENT
Program: FOREST MANAGEMENT
Agency: NATURAL RESOURCES DEPT

principles, including basic program services, integrated approaches, use of accurate information and technology, improved communication (i.e. ability to provide more timely information and reports), increase ability to track and report performance, and better integration of planning and budgeting throughout program operations.

- DNR is proposing to transfer \$150,000 per year for white pine blister rust research from the forest management program to the University of Minnesota agricultural experiment station budget.
- The base budget includes \$726,000 in FY 2002 and \$728,000 in FY 2003 to increase the presence of white pine in areas of Minnesota where it was previously in greater abundance (planting, seeding, and protection).

Grants summary - Significant items include:

\$(000s)	FY 2000	FY 2001	FY 2002	FY 2003
County Forest Roads (Gas Tax)	\$ 327	\$ 312	\$ 362	\$ 362
Federal Forest Health, Urban Forestry, and Stewardship	184	219	84	84
MN Re-Leaf & Community Forest Ecosystem Health	735	379	-0-	-0-
White Pine Restoration & Research	341	363	185	185
Consolidated Conservation Areas	1,579	1,561	1,610	1,660

BUDGET ISSUES:

- The department will reallocate \$375,000 in FY 2002 and FY 2003 from the Forest Management budget activity to the Sustainable Forest Resources Act Implementation budget activity. Another \$286,000 in FY 2002 and \$302,000 in FY 2003 will be reallocated from the Forest Management budget activity to fund high priority agency needs. This will result in a 10.5 FTE reduction in division field staffing and reduced efforts under the Forest Management budget activity, including an estimated 25-30% reduction in private land Forest Stewardship accomplishments by division staff, a substantial (30-50%) reduction in community forestry assistance efforts, reduced maintenance and increased seasonal closures of forest roads.
- Re-authorization of the 1995 Sustainable Forest Resources Act. If SFRA is not re-authorized, additional burden and expectations will be placed on the DNR.
- Reallocation will provide department resources to continue development and implementation of the Forestry Information System (FORIST) during the FY 2002-03 biennium. FORIST will integrate operational applications on a large scale with traditional and spatial data streams. It is a cornerstone project that will be critical in meeting future program information needs. FORIST will directly support DNR management

Activity: FOREST MANAGEMENT
Program: FOREST MANAGEMENT
Agency: NATURAL RESOURCES DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Category:									
State Operations									
COMPENSATION	19,477	21,363	21,782	22,037	21,576	22,676	22,199	630	1.5%
OTHER OPERATING EXPENSES	11,627	9,883	14,624	11,180	11,021	11,191	11,031	(2,455)	(10.0%)
Subtotal State Operations	31,104	31,246	36,406	33,217	32,597	33,867	33,230	(1,825)	(2.7%)
CAPITAL OUTLAY & REAL PROPERTY	2,613	1,487	985	44	209	44	209	(2,054)	(83.1%)
LOCAL ASSISTANCE	3,237	3,499	3,276	2,286	2,286	2,343	2,343	(2,146)	(31.7%)
Total Expenditures	36,954	36,232	40,667	35,547	35,092	36,254	35,782	(6,025)	(7.8%)
Change Items:	Fund								
(A) REALLOCATION OF BASE RESOURCES	GEN				(728)		(744)		
(B) FORESTRY LCMR ALLOCATIONS	EVT				273		272		
Total Change Items					(455)		(472)		
Financing by Fund:									
Direct Appropriations:									
ENVIRONMENT & NATURAL RESOURCE	400	473	687	0	273	0	272		
GENERAL	29,981	27,097	29,434	29,012	28,284	29,656	28,912		
MINNESOTA RESOURCES	319	555	40	0	0	0	0		
Statutory Appropriations:									
GENERAL	26	278	0	0	0	0	0		
NATURAL RESOURCES	20	76	144	0	0	0	0		
SPECIAL REVENUE	4,572	4,859	7,207	5,012	5,012	5,075	5,075		
FEDERAL	1,603	2,818	2,925	1,417	1,417	1,417	1,417		
GIFT	33	76	230	106	106	106	106		
Total Financing	36,954	36,232	40,667	35,547	35,092	36,254	35,782		

Activity: FOREST MANAGEMENT
Program: FOREST MANAGEMENT
Agency: NATURAL RESOURCES DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003	
				Base	Governor Recomm.	Base	Governor Recomm.
Revenue Collected:							
Dedicated							
NATURAL RESOURCES	42	80	0	0	0	0	0
SPECIAL REVENUE	6,158	5,006	5,729	5,829	5,829	5,930	5,930
FEDERAL	1,379	1,926	2,138	1,417	1,417	1,417	1,417
MISCELLANEOUS AGENCY	77	175	84	86	86	89	89
GIFT	75	104	106	106	106	106	106
PERMANENT SCHOOL	6,610	7,592	7,506	7,706	7,706	8,006	8,006
Nondedicated							
GENERAL	34	53	55	3,374	3,374	3,474	3,474
CAMBRIDGE DEPOSIT FUND	2,801	3,713	3,218	0	0	0	0
Total Revenues Collected	17,176	18,649	18,836	18,518	18,518	19,022	19,022
FTE by Employment Type:							
FULL TIME	357.3	351.4	350.1	350.1	339.6	350.1	339.6
PART-TIME, SEASONAL, LABOR SER	60.3	58.8	54.3	54.3	54.3	54.3	54.3
OVERTIME PAY	3.5	2.6	0.2	0.2	0.2	0.2	0.2
Total Full-Time Equivalent	421.1	412.8	404.6	404.6	394.1	404.6	394.1

BUDGET ACTIVITY SUMMARY

Budget Activity: FIRE FIGHTING
Program: FOREST MANAGEMENT
Agency: NATURAL RESOURCES DEPT

ACTIVITY PROFILE:

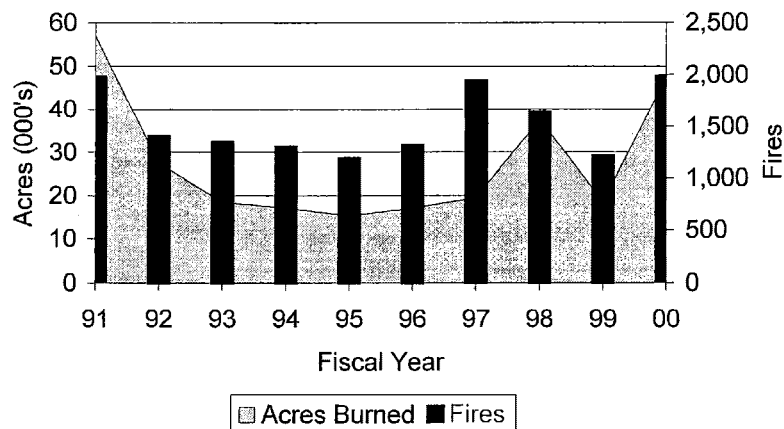
The Division of Forestry is charged with preventing and suppressing wildfires on 45.5 million acres of public and private land in Minnesota. Our goals are to:

- provide wildfire protection to avoid loss of life;
- minimize the loss of property and natural resources;
- provide emergency response in Minnesota and other states;
- use prescribed fire as an effective natural resource management tool.

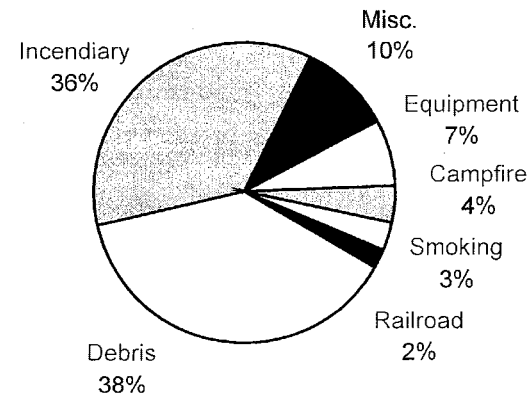
Wildfire control efforts under state authority originated in the early 1900's after a series of devastating wildfires that destroyed Hinckley, Baudette, Chisom, and Cloquet. After a severe wildfire season in 1976 the legislature created an open appropriation account to fund emergency fire suppression efforts. Since then, we've worked with the legislature to find the appropriate balance between direct and open appropriation.

Our aging workforce and reduced number of seasonal positions reduces our ability to effectively fight wildfires. This will potentially lead to a critical shortage in the number of trained and experienced firefighting leadership positions over the next 5-10 years. Staffing for wildfire and rural structural fire response is reaching a crisis nationally as well as in Minnesota.

Wildfires Suppressed



Causes of Wildfires FY 2000



To overcome the national shortage of wildfire response staff, the division will need to maintain strong reciprocal relationships with other state, federal and provincial wildfire agencies. This will impact other division programs through the expanded sharing of our experienced and skilled leadership staff.

STRATEGIES AND PERFORMANCE:

- Prevention activities include:
 - education (e.g., Smokey Bear, fire prevention week, school visits);
 - regulation of open burning (i.e., issuing open burning permits);
 - enforcement of state wildfire and open burning statutes.
- Presuppression activities include:
 - train firefighters and support personnel;
 - develop and maintain partnerships with other fire protection agencies;
 - operate the Minnesota Interagency Fire Center;
 - maintain a national interagency fire equipment cache;
 - contract for heavy ground and aerial suppression equipment;
 - maintain radio communications network;
 - develop mobilization and dispatch plan.
- Suppression is accomplished by a balanced force of trained firefighters, support personnel, and aerial and ground equipment. Activities include:
 - locating wildfires using aircraft and lookout towers (i.e., detection);
 - getting to wildfires quickly (i.e., initial attack);
 - controlling the spread and extinguish the fire (i.e., suppression);
- Emergency response assistance includes:

BUDGET ACTIVITY SUMMARY (Continued)

Budget Activity: FIRE FIGHTING
Program: FOREST MANAGEMENT
Agency: NATURAL RESOURCES DEPT

- maintaining expertise in the national Incident Command System (ICS);
- providing direct emergency response assistance with equipment and staff trained in ICS command, support, and other overhead functions.
- Prescribed burning helps prepare sites for seeding, control insects, diseases, and invasive weeds, improve wildlife habitat, maintain certain natural community types, reduce the risk and severity of wildfires, and provide valuable fire suppression training. Activities include:
 - prescribed fire planning;
 - conducting prescribed fires;
 - reporting, monitoring and evaluation;
 - training.
- Federal Excess Property Program: through grants, contracts, and cooperative agreements, this program enables federal excess personal property to be loaned to local fire forces via the state.

FINANCING INFORMATION:

Beginning in FY 1998, the legislature increased the direct appropriation for emergency fire fighting to \$3.5 million annually (inflation adjusted to \$3.7 million in FY 2001). This enabled the division to operate at a level that more closely approximates a normal years expense of \$9.4 million (includes all funding sources). However, the unique fire conditions created by the July 1999 windstorms in northeast Minnesota have resulted in long-term increases in wildfire preparedness costs.

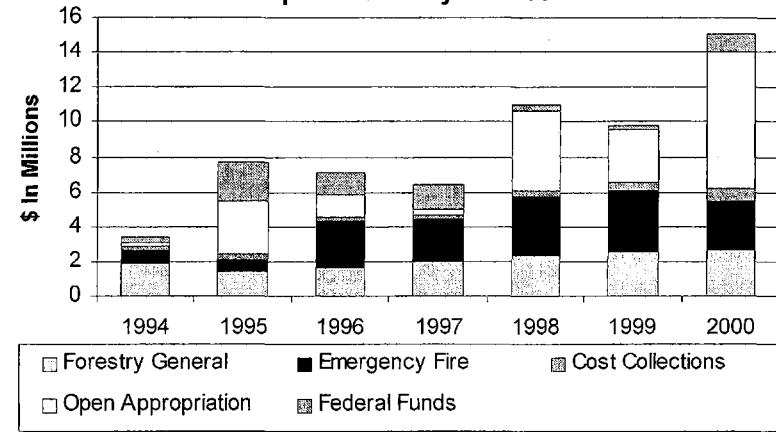
REVENUE SUMMARY

This activity generates dedicated and non-dedicated revenue in the amount of approximately \$1-2 million annually. The major source of this revenue is reimbursements from the U.S. Forest Service for assistance in fighting fires outside Minnesota.

GRANTS SUMMARY

The division activity distributes approximately \$85,000 per year to communities with populations under 10,000 to organize, train, and equip their fire departments for preventing and suppressing fires.

**Fire Fighting Activity
Expenditures by Source**



BUDGET ISSUES:

- Additional demands will continue to be placed on the emergency fire open appropriation in responding to the potentially catastrophic wildfire situation in northeast Minnesota. Nearly ½ million acres of forest land were damaged in July 1999 windstorms, leaving unprecedented levels of dead and downed trees.
- Expanded authority to use fire-fighting personnel for search and rescue will result in marginal increases in demands upon division resources.
- Reductions in federal grants and the availability of surplus equipment limit our ability to work with rural fire departments to help reduce wildlife suppression costs. Rural community fire departments' difficulties in recruiting and retaining experienced and trained personnel also limit their ability to respond to fires in the wildland/urban interface.

Activity: FIRE FIGHTING
Program: FOREST MANAGEMENT
Agency: NATURAL RESOURCES DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Category:									
State Operations									
COMPENSATION	4,475	6,685	7,049	7,105	7,105	7,163	7,163	534	3.9%
OTHER OPERATING EXPENSES	3,641	5,904	7,545	7,839	7,839	7,581	7,581	1,971	14.7%
Subtotal State Operations	8,116	12,589	14,594	14,944	14,944	14,744	14,744	2,505	9.2%
CAPITAL OUTLAY & REAL PROPERTY	0	8	0	0	0	0	0	(8)	(100.0%)
LOCAL ASSISTANCE	0	1,459	0	0	0	0	0	(1,459)	(100.0%)
Total Expenditures	8,116	14,056	14,594	14,944	14,944	14,744	14,744	1,038	3.6%

Financing by Fund:							
Direct Appropriations:							
GENERAL	3,525	4,296	4,450	3,744	3,744	3,803	3,803
Open Appropriations:							
GENERAL	3,002	7,822	7,720	8,785	8,785	8,526	8,526
Statutory Appropriations:							
GENERAL	486	778	750	750	750	750	750
SPECIAL REVENUE	1,103	1,160	1,674	1,665	1,665	1,665	1,665
Total Financing	8,116	14,056	14,594	14,944	14,944	14,744	14,744

Revenue Collected:							
Dedicated							
GENERAL	477	768	750	750	750	750	750
SPECIAL REVENUE	114	318	90	90	90	90	90
Total Revenues Collected	591	1,086	840	840	840	840	840

FTE by Employment Type:							
FULL TIME	18.7	24.3	24.6	13.6	13.6	13.6	13.6
PART-TIME, SEASONAL, LABOR SER	67.5	97.8	96.7	92.7	92.7	92.7	92.7
OVERTIME PAY	26.8	43.7	42.2	42.2	42.2	42.2	42.2
Total Full-Time Equivalent	113.0	165.8	163.5	148.5	148.5	148.5	148.5

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BUDGET ACTIVITY SUMMARY

Budget Activity: YOUTH PROGRAMS
Program: FOREST MANAGEMENT
Agency: NATURAL RESOURCES DEPT

ACTIVITY PROFILE:

The youth program budget activities includes: The Minnesota Conservation Corps and the Youth in Natural Resources programs.

The **Minnesota Conservation Corps (MCC)** will be celebrating its 20th anniversary in 2001. The program was created to engage Minnesota's young people in the stewardship of our state's natural resources while providing them with hands on training opportunities. That mission remains relevant to the needs of today's youth and young adults as they prepare to assume their roles as productive and informed citizens.

MCC provides

- work readiness and life skills development to youth and young adults;
- high quality, cost-effective natural resource conservation and related service projects.

MCC has two components:

- a residential summer youth component for 15-18 year olds;
- a non-residential year-round young adult component for 18-26 year olds.

Summer youth members receive a training wage of \$4.25 plus room and board. Entry level young adult members earn \$5.65 per hour, are covered by a major medical insurance policy, may qualify for student loan deferment and a post-service education award. Enrollment preference is given to protected classes and to those persons with economic, social, physical, or educational disadvantages.

Service projects include but are not limited to natural resource conservation; environmental education assistance to schools, and natural disaster/emergency response.

The **Youth in Natural Resources (YINR)** component, created in 1989, is a career exploration opportunity for protected-class youth, ages 15-18. YINR partners with several minority organizations to provide members with eight weeks of training in natural resource careers and educational options. YINR members earn \$5.25 per hour.

Greater Minnesota YINR youth work in teams and experience broad exposure to resource issues and management techniques. In the metro area, youth have individualized internships tailored to match their interests and abilities.

The demand to participate in Youth Programs greatly exceeds capacity. The MCC summer youth program has averaged 500 applications per season for 100 youth slots. The demand by resource agencies for MCC young adult crews has been steadily rising.

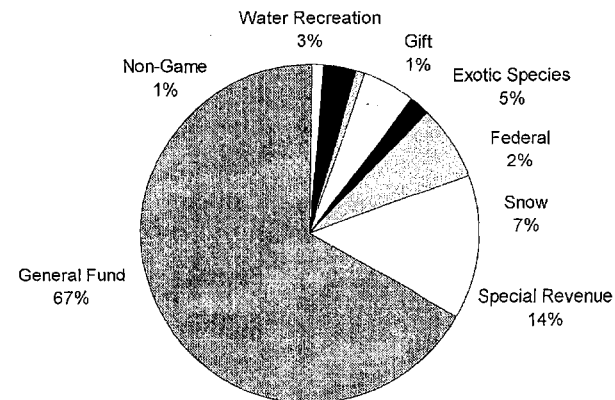
STRATEGIES AND PERFORMANCE:

Youth Programs provides direct service and an experiential learning model to teach youth and young adults work readiness and life skills, while completing high priority service projects statewide. The programs also encourage protected-class and other participants to consider natural resource career opportunities.

In FY 2001, the MCC summer youth component enrolled 125 persons; the YINR component enrolled 35 persons; the MCC young adult component will enroll 110 full-time and 34 seasonal persons. An estimated 260,000 hours of service and learning will occur in FY 2001.

Youth Programs use a variety of outcome based evaluation strategies including a computer driven Work Accomplishment Report. On-the-ground work accomplishments and member development initiatives are accounted for and regularly evaluated to ensure quality services are rendered.

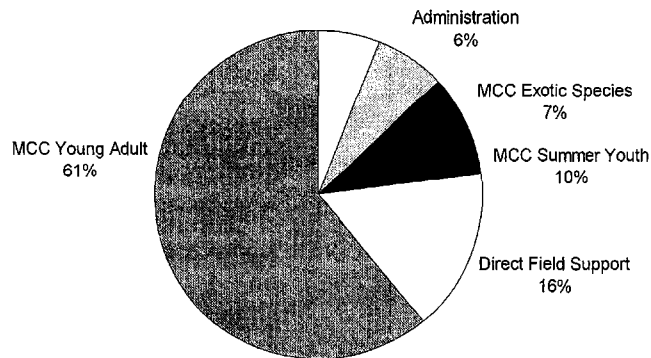
**Youth Programs Funding by Source
FY 1999-2001**



BUDGET ACTIVITY SUMMARY (Continued)

Budget Activity: YOUTH PROGRAMS
Program: FOREST MANAGEMENT
Agency: NATURAL RESOURCES DEPT

Youth Programs Expenditures Summary FY 1999-2001



Youth Programs has been recognized for leadership and accomplishment by the National Association of Service and Conservation Corps, the National Youth Leadership Council, Partnership Minnesota, and the Corporation for National Service.

FINANCING INFORMATION:

Youth Program's FY 2001 base budget is approximately \$2.5 million (see chart). Approximately 85% of the budget is devoted to member and staff wages. The balance of the budget covers fleet, equipment and supply expenses. Ninety-four percent of all funding is invested in field operations.

Additional Leveraged Funds:

MCC is an AmeriCorps affiliated program. MCC young adult members, who successfully complete their term of enrollment, are eligible to receive a post-service education award of up to \$4,725. In FY 2001, the federal National Service Trust will hold \$521,168 to be used by MCC members to retire existing student loans or help members pursue post-secondary education and training.

In FY 2001, MCC will receive a federal AmeriCorps operations grant of up to \$42,500. The Minnesota Commission on National and Community Service, the agency that oversees the state's AmeriCorps initiative, has granted MCC up to \$276,250 to cover young adult member costs (including a \$0.50 hourly wage increase to \$5.65). Both grants maybe renewed on an annual basis contingent upon selection of MCC as an AmeriCorps program and fund availability. MCC develops "fee-for-service" agreements with other government and non-profit agencies. These agreements cover all costs and provide increased program funding while offering quality, cost-effective project assistance. MCC is projecting up to \$280,000 in fee-for-service revenues in FY 2001.

The Friends of MCC, a private non-profit agency, was successful in raising \$60,000 from U.S. Bancorp-Piper Jaffray in support of the 2000 summer youth component.

BUDGET ISSUES:

Inflation will impact the base budget by an estimated \$63,000 in FY 2002 and \$125,000 in FY 2003. The impact will be off-set by curtailing purchases of supplies and services.

The Youth Programs activity will realize annual reductions of \$8,000 from the Snowmobile Trails and Enforcement Account. This will result in reduced employment opportunities for youth corps members.

The proposed increase in the federal minimum wage would adversely impact the base budget by an estimated \$120,000 in FY 2002 and \$216,000 in FY 2003. Fewer youth and young adults will be enrolled in Youth Programs. Staff layoffs are likely.

The department will reallocate \$300,000 in General Funds from the Youth Programs' budget activity to fund higher priority agency needs. The effect of this reallocation on Youth Programs' activities will be an estimated 18-20% reduction in the number of full-time young adults enrolled in the program with a corresponding reduction in conservation project accomplishments. One full-time equivalent staff position will also be eliminated.

Activity: YOUTH PROGRAMS
Program: FOREST MANAGEMENT
Agency: NATURAL RESOURCES DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Category:									
State Operations									
COMPENSATION	2,121	2,018	2,254	2,028	1,720	2,084	1,776	(776)	(18.2%)
OTHER OPERATING EXPENSES	877	610	1,014	1,030	1,030	1,005	1,005	411	25.3%
Subtotal State Operations	2,998	2,628	3,268	3,058	2,750	3,089	2,781	(365)	(6.2%)
PAYMENTS TO INDIVIDUALS	146	142	76	67	67	67	67	(84)	(38.5%)
LOCAL ASSISTANCE	26	0	17	17	17	17	17	17	100.0%
Total Expenditures	3,170	2,770	3,361	3,142	2,834	3,173	2,865	(432)	(7.0%)
Change Items:	Fund								
(A) REALLOCATION OF BASE RESOURCES	GEN				(300)		(300)		
(A) SNOWMOBILE FUND BUDGET REDUCTION	NRF				(8)		(8)		
Total Change Items					(308)		(308)		
Financing by Fund:									
Direct Appropriations:									
GENERAL	2,291	1,865	2,147	2,060	1,760	2,104	1,804		
NATURAL RESOURCES	487	408	529	486	478	499	491		
Statutory Appropriations:									
SPECIAL REVENUE	271	339	451	440	440	440	440		
FEDERAL	75	18	68	0	0	0	0		
MISCELLANEOUS AGENCY	46	84	116	106	106	80	80		
GIFT	0	56	50	50	50	50	50		
Total Financing	3,170	2,770	3,361	3,142	2,834	3,173	2,865		
Revenue Collected:									
Dedicated									
SPECIAL REVENUE	333	281	440	440	440	440	440		
FEDERAL	24	13	43	0	0	0	0		
MISCELLANEOUS AGENCY	100	97	80	80	80	80	80		
GIFT	0	57	51	51	51	51	51		
Total Revenues Collected	457	448	614	571	571	571	571		

Activity: YOUTH PROGRAMS
Program: FOREST MANAGEMENT
Agency: NATURAL RESOURCES DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003	
				Base	Governor Recomm.	Base	Governor Recomm.
<u>FTE by Employment Type:</u>							
FULL TIME	113.0	104.6	90.3	90.3	89.3	90.3	89.3
PART-TIME, SEASONAL, LABOR SER	13.2	14.2	32.0	32.0	9.0	32.0	9.0
OVERTIME PAY	0.9	0.4	0.0	0.0	0.0	0.0	0.0
Total Full-Time Equivalent	127.1	119.2	122.3	122.3	98.3	122.3	98.3

BUDGET ACTIVITY SUMMARY

Budget Activity: SUSTAIN RES ACT IMPLEMENTATION
Program: FOREST MANAGEMENT
Agency: NATURAL RESOURCES DEPT

ACTIVITY PROFILE:

This budget activity supports implementation of the Sustainable Forest Resources Act (SFRA), M.S. 89A. The SFRA was identified by a broad cross-section of the state's forest resource interests as the most effective way to implement the major recommendations contained in the Timber Harvesting GEIS. The Timber Harvesting GEIS was commissioned by the Minnesota Environmental Quality Board to analyze the effects expanded timber harvesting might have on the state's forest resources.

The public goal to be achieved through the SFRA is promoting the sustainable management of Minnesota's forest resources. The SFRA does so by bringing together the state's forest resource interests to develop and implement programs that promote sustainable site and landscape-based forest management practices. It also provides the information needed to support sustainable forest management through research, monitoring, and information management initiatives. With the likelihood that forests will be increasingly looked to for their commodity, ecological, and amenity values, the SFRA provides a framework by which varying perspectives can work collaboratively to determine how best to use, manage, and protect Minnesota's forest resources.

STRATEGIES AND PERFORMANCE:

Strategies for achieving sustainable forest resources management through the SFRA:

- Addressing important state forest resource issues. The Minnesota Forest Resources Council (MFRC), representing a wide range of interests in the state's forest resources, serves as a forum for developing recommendations to address important state forest resource issues. The MFRC also coordinates implementation of the SFRA.
- Encouraging the use of appropriate site-based forest management practices. The MFRC has developed voluntary timber harvesting and forest management guidelines. These guidelines identify recommended practices for managing forested riparian areas, for enhancing forest wildlife habitat and visual quality, and for protecting forest soil productivity, historic/cultural resources, water quality, and forest wetlands.
- Promoting the sustainability of large forest landscapes. Through the landscape planning and coordination program, forest sustainability is promoted by 1) encouraging better coordination among the state's resource managers in carrying out forest management activities; 2)

developing comprehensive regional (substate) forest resource assessments; and 3) promoting the discussion and resolution of locally-based forest resource issues.

- Addressing forest resources research needs. Through its research advisory committee, the MFRC has prepared an assessment of important forest resources research needs, and it's sponsoring research to evaluate the effectiveness of alternative forest management practices on riparian areas, wildlife habitat, and soil productivity.
- Monitoring the application and effectiveness of timber harvesting practices, and forest resource conditions and trends. The DNR, with oversight and program direction from the MFRC, is annually monitoring the application of Minnesota's voluntary timber harvesting and forest management practices, changes occurring in the state's forest resources (with special emphasis on riparian forest systems), and the effectiveness of various forest management practices. The MFRC has established a process for gathering information on negligent timber harvesting and forest management practices reported by the public.
- Managing forest resources information. An interagency information cooperative has been established to coordinate the development and increase the availability of forest resource data to forest managers and the public.
- Developing tools to assess changes in forest landscapes. The MFRC is working collaboratively with several public and non-profit organizations to develop better tools for assessing forest conditions across large areas (landscapes). The project will assess historical landscape patterns of Minnesota's forests and develop tools for predicting and assessing future forest landscape conditions resulting from alternative forest management strategies.
- Promoting continuing education for Minnesota's loggers and natural resource professionals. Support the education and training efforts of the Minnesota Logger Education Program and the College of Natural Resources' Institute for Sustainable Resource Management Education to promote sustainable timber harvesting and forest management practices.

SFRA implementation performance will ultimately be judged by the degree to which its initiatives contribute to the state's goal of sustainable forest management. Information on the extent and condition of Minnesota's forest resources will be generated through both regional forest resource assessments as well as monitoring overall forest health conditions. Use of voluntary forest practice guidelines will be evaluated and compared to desired use rates established by the MFRC. Field evaluations of forest practices will also evaluate the effectiveness of various forest management practices, as will forest resources research initiatives

BUDGET ACTIVITY SUMMARY (Continued)

Budget Activity: SUSTAIN RES ACT IMPLEMENTATION
Program: FOREST MANAGEMENT
Agency: NATURAL RESOURCES DEPT

sponsored by the MFRC. The sustainability of Minnesota's forests will be enhanced through the MFRC's landscape planning and coordination initiatives.

Financing Information:

Program Financing:

	Dollars in Thousands			
	FY 2000	FY 2001	FY 2002	FY 2003
General Fund	\$500	\$500	\$375	\$375

BUDGET ISSUES:

The SFRA contains a repealer that sunsets the entire act effective 6-30-01. The repealer was included with the reauthorization of the act in 1999, as a continuing mechanism for evaluating SFRA usefulness and implementation progress. Elimination of the repealer is needed if this program activity is to be continued.

Because of the repealer clause, no FY 2002-03 base appropriations for this activity were provided. The department will reallocate \$375,000 in FY 2002 and FY 2003 from the Forest Management budget activity to the Sustainable Forest Resources Act Implementation budget activity to continue only a few of the critical sustainable forest management efforts currently under this program activity.

Activity: SUSTAIN RES ACT IMPLEMENTATION
Program: FOREST MANAGEMENT
Agency: NATURAL RESOURCES DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Category:									
State Operations									
COMPENSATION	511	358	375	0	375	0	375	17	2.3%
OTHER OPERATING EXPENSES	435	179	348	0	0	0	0	(527)	(100.0%)
Subtotal State Operations	946	537	723	0	375	0	375	(510)	(40.5%)
LOCAL ASSISTANCE	372	0	0	0	0	0	0	0	
Total Expenditures	1,318	537	723	0	375	0	375	(510)	(40.5%)
Change Items:	Fund								
(A) REALLOCATION OF BASE RESOURCES	GEN				375		375		
Total Change Items					375		375		
Financing by Fund:									
Direct Appropriations:									
GENERAL	1,318	537	723	0	375	0	375		
Total Financing	1,318	537	723	0	375	0	375		
FTE by Employment Type:									
FULL TIME	8.7	5.5	5.6	0.0	3.0	0.0	3.0		
PART-TIME, SEASONAL, LABOR SER	0.4	0.2	0.2	0.0	0.0	0.0	0.0		
Total Full-Time Equivalent	9.1	5.7	5.8	0.0	3.0	0.0	3.0		

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PROGRAM SUMMARY

Program: PARKS & RECREATION MGMT
Agency: NATURAL RESOURCES DEPT

PROGRAM PROFILE:

The mission of the Minnesota State Park System is to provide a state park system which preserves and manages Minnesota's natural, scenic, and cultural resources for present and future generations, while providing appropriate recreational and educational opportunities.

Minnesota State Parks are the spectacular natural gems in Minnesota's tourism package. This program provides management, maintenance, operation, planning and development of 248,000 acres of outstanding natural resources that comprise 66 parks, 6 recreation areas, 9 waysides and 1 state trail. The 235 permanent staff are assisted by approximately 500 seasonal and part-time employees and 50 people employed under contract with Greenview, Incorporated. The staff

- maintains and operates the park systems diverse recreational facilities;
- manages natural and cultural resources;
- enforces state laws and rules;
- operates and leases concessions;
- provides night security; and
- conducts environmental education and interpretative programs.

Issues associated with these activities:

- providing adequate funding to ensure quality public service;
- implementing sustainable management practices to preserve our natural, cultural, archeological, and historical resources;
- providing appropriate recreational opportunities;
- fostering a sense of citizen stewardship through interpretive services.

State parks provide personal, social, economic and environmental benefits for Minnesota citizens, and visitors. State parks pay for approximately one third of their operating cost through fees. The remainder comes from the General Fund and in-lieu of sales tax proceeds on lottery ticket sales. State parks generate additional income by attracting out-of-state visitors that spend their money in Minnesota. A 1991 study found that the out-of-state revenue state parks generate, was greater than the appropriation not covered by collected fees. ("Do State Parks Pay for Themselves?" Dr. Tim Kelly 1992.)

STRATEGIES AND PERFORMANCE:

The citizens of Minnesota and visitors will help direct the future of Minnesota State Parks. State parks have a long history of involving the public in decision making and all park specific management plans and statewide plans will include extensive public involvement opportunities.

The division will continue to increase the amount of state park lands maintained in their desired future condition. Detailed inventories and community assessments are needed to adequately measure the potential of the existing communities and identify their desired future condition. Resource inventories are proceeding, and have been modestly accelerated with FY 2000 funding.

The state park system preserves and manages the uniqueness and diversity of Minnesota's natural, scenic, and cultural resources for current and future generations. State park natural and cultural resource preservation efforts are often endangered by private in-holdings of land within a state park. Private in-holdings within state parks create numerous constraints for effective park operations. The division will work to acquire the remaining 26,800 acres of private land within the statutory boundaries of state parks by 2020. The division will seek funding to complete acquisition of 2,000 acres of land within state park statutory boundaries by the end of FY 2001.

Division managers must continually balance the amount of effort invested in resource management and customer service. Both of these activities are necessary to continue to satisfy our customers. Each visitor has a different idea of what the mix should be. Division management will decide as each budget is distributed what staff hours can be dedicate to providing public service as compared to managing park resources. The divisions goal is to ensure that 94% or more of state park customers are satisfied with services provided. Visitor research is needed to help determine these funding priorities and measure results.

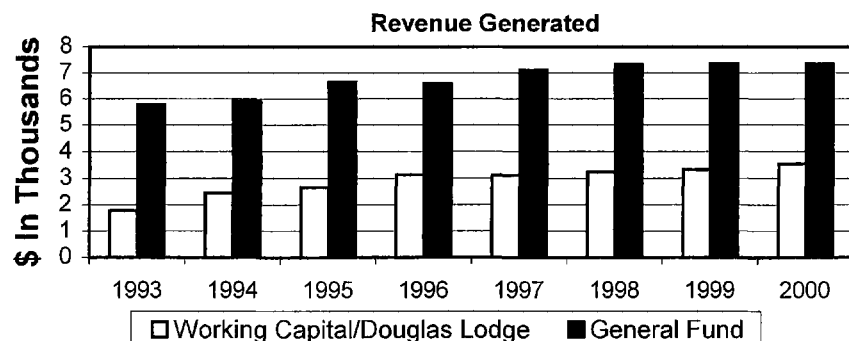
We will continue to have a positive effect on the environmental awareness of park visitors, and increase the number of people participating in formal environmental learning opportunities in state parks if sufficient funding is available.

The State Park Management Program Evaluation Report by the Office of the Legislative Auditor in January of 2000 supported state park management and minimum operating standards budgeting process. The division's management staff will continue to seek efficiency measures and to reevaluate the minimum operating standards to assure a viable state park system for future generations.

PROGRAM SUMMARY (Continued)

Program: PARKS & RECREATION MGMT
Agency: NATURAL RESOURCES DEPT

FINANCING INFORMATION:



REVENUE SUMMARY:

State parks generated \$7.376 million of General Fund revenue in FY 2000. These revenues have increased by 27.7% over the past seven years. Further revenue growth is expected in the FY 2002-03 biennium.

GRANTS SUMMARY:

Included in this program are 2 grants to the Metropolitan Council for metropolitan area regional parks and trails maintenance and operations: \$3.0 million each year from the General Fund, and \$4.717 million each year from the lottery in-lieu of sales tax proceeds.

BUDGET ISSUES:

- In 1990, the division established minimum standards of maintenance and operations. This system provides a responsible means to establish budgets, allocate funds, communicate expectations, and hold people accountable. In FY 2000 the division was approximately \$8.0 million dollars short of division wide standards. Funding was provided from the lottery-in-lieu of sales tax in FY 2001 (\$4.537 million) to fund critical public service and facility protection activities. This funding
 - restored camping to 30 parks, opening all campgrounds for the entire operating season;
 - extended open hours for park interpretive centers to accommodate user demands;
 - provided day use activities and revenue collection for spring, summer and fall at all parks;

- provided partial funding for winter public use activities;
- accelerated natural and cultural resource management and protection;
- accelerated facility maintenance and emergency maintenance.

- The lottery-in-lieu of sales tax funding for FY 2001 was a one-time appropriation and therefore requires a budget change request to be considered by the 2001 Legislative Session. The change request includes \$3.865 million for FY 2002 and \$3.865 million for FY 2003 and is needed to maintain the critical public service, facility and resource protection activities listed above.
- Reallocation of Base Resources
Proposals to reallocate base resources within the Department will address a number of the Parks Program and Departmental concerns. These reallocation proposals will result in reductions in park maintenance (two full-time positions and some seasonal labor) and park naturalist activities (two naturalists), and postpone the implementation of the second half of the Campground Management Program.
- In 2000, the capital budget provided \$2.017 million for the development of the Big Bog State Recreation Area in Beltrami County and \$1.0 million for the development of the Red River State Recreation Area in Polk County. No operational funding for these two new units to the state park system was appropriated.

LCMR RECOMMENDATIONS - DIRECT

- *Preserving Grey Cloud Island as a Public Resource*
To acquire land on Grey Cloud Island in Washington County (\$3.185 million Environmental Trust Fund).
- *Gitchi- Gami Trail*
In cooperation with the Gitchi-Gami Trail Association, for the second biennium to acquire and develop approximately 4 miles of the Gitchi-Gami Trail between Gooseberry Falls State Park and the Split Rock River (\$910,000 Environmental Trust Fund).
- *State Park Acquisition*
For acquisition of in-holdings for state park and recreation areas (\$616,000 Mn Future Resources Fund).

(see the LCMR section of the Environmental Budget for more information)

GOVERNOR'S RECOMMENDATIONS:

The Governor recommends the Parks division's base budget, the reallocation of base resources and lottery-in-Lieu change items, and the LCMR projects.

Activity: PARKS & RECREATION MGMT
Program: PARKS & RECREATION MGMT
Agency: NATURAL RESOURCES DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Category:									
State Operations									
COMPENSATION	19,161	20,149	24,651	21,269	23,208	21,865	23,760	2,168	4.8%
OTHER OPERATING EXPENSES	9,135	8,933	13,041	10,207	11,573	10,186	11,495	1,094	5.0%
Subtotal State Operations	28,296	29,082	37,692	31,476	34,781	32,051	35,255	3,262	4.9%
CAPITAL OUTLAY & REAL PROPERTY	1,864	832	1,649	408	2,925	363	2,355	2,799	112.8%
PAYMENTS TO INDIVIDUALS	2	0	0	0	0	0	0	0	
LOCAL ASSISTANCE	3,138	4,550	10,037	3,000	7,717	3,000	7,717	847	5.8%
Total Expenditures	33,300	34,464	49,378	34,884	45,423	35,414	45,327	6,908	8.2%

Change Items:	Fund				
(A) REALLOCATION OF BASE RESOURCES	GEN			(707)	(716)
(A) LOTTERY IN-LIEU SALES TAX	LIL			8,582	8,582
(B) PARKS LCMR ALLOCATIONS	EVT			2,048	2,047
(B) PARKS LCMR ALLOCATIONS	MNR			616	
Total Change Items				10,539	9,913

Financing by Fund:							
Direct Appropriations:							
ENVIRONMENT & NATURAL RESOURCE	1,680	522	1,347	0	2,048	0	2,047
GENERAL	27,275	29,328	30,383	29,287	28,580	29,882	29,166
MINNESOTA RESOURCES	143	0	0	0	616	0	0
NATURAL RESOURCES	729	617	10,727	638	9,220	640	9,222
Statutory Appropriations:							
NATURAL RESOURCES	93	50	83	0	0	0	0
SPECIAL REVENUE	3,321	3,876	6,382	4,782	4,782	4,782	4,782
FEDERAL	2	0	39	45	45	0	0
ENVIRONMENTAL	0	3	48	0	0	0	0
GIFT	57	68	369	132	132	110	110
Total Financing	33,300	34,464	49,378	34,884	45,423	35,414	45,327

Activity: PARKS & RECREATION MGMT
Program: PARKS & RECREATION MGMT
Agency: NATURAL RESOURCES DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003	
				Base	Governor Recomm.	Base	Governor Recomm.
Revenue Collected:							
Dedicated							
NATURAL RESOURCES	35	23	0	0	0	0	0
SPECIAL REVENUE	3,519	4,434	4,850	4,850	4,850	4,850	4,850
FEDERAL	4	0	30	45	45	0	0
GIFT	72	187	110	110	110	110	110
Nondedicated							
GENERAL	605	621	673	7,629	7,629	7,644	7,644
NATURAL RESOURCES	0	0	10,423	9,405	8,583	9,405	8,583
CAMBRIDGE DEPOSIT FUND	6,793	6,808	7,052	0	0	0	0
Total Revenues Collected	11,028	12,073	23,138	22,039	21,217	22,009	21,187
FTE by Employment Type:							
FULL TIME	223.9	225.0	224.5	224.5	225.5	224.5	225.5
PART-TIME, SEASONAL, LABOR SER	190.0	198.3	166.7	166.7	223.3	166.7	222.0
OVERTIME PAY	3.6	3.8	3.0	3.0	3.0	3.0	3.0
Total Full-Time Equivalent	417.5	427.1	394.2	394.2	451.8	394.2	450.5

PROGRAM SUMMARY

Program: TRAILS & WATERWAYS MGMT
Agency: NATURAL RESOURCES DEPT

PROGRAM PROFILE:

Trails and Waterways' (T&W) mission is "to create recreation opportunities through a system of trail and water recreation facilities that contributes to a sustainable quality of life."

Major program activities include providing

- access to lakes, streams, river corridors and designated canoe and boat routes for boaters, anglers, and other users;
- trails that accommodate a variety of motorized and non-motorized recreational activities.

The Trails and Waterways program seeks to attain the following long-term goals:

- Satisfy public demand for additional recreational trail miles.
- Secure safe and adequate public access to Minnesota's lakes and rivers.

STRATEGIES AND PERFORMANCE:

Since Trails and Waterways began in 1979, this system of recreational facilities has grown in popularity and demand. Communities all across the state now look to T&W for help in meeting their outdoor recreation objectives. The division responds with innovative ideas that highlight cooperation, partnership, volunteerism, community service, and environmental stewardship. Trails and Waterways serves as a catalyst for local recreation initiatives, bringing together the people and resources needed to achieve common goals. This flexibility has led to the development of innovative services and facilities funded through the capital budget process and through the funding recommended by the Legislative Commission on Minnesota Resources (LCMR).

It has also led to cooperative ventures wherein T&W provides financial or technical assistance to local governments or organized interest groups. Examples of cooperative projects include the following:

- the construction of boat accesses and fishing piers;
- the acquisition of shore fishing sites;
- Lake Superior Safe Harbors Program;
- administration of the Cooperative Trail Grant Program, the Trail Grants-in-Aid (GIA) Program; and
- administration of the Adopt-A-River Stewardship Program.

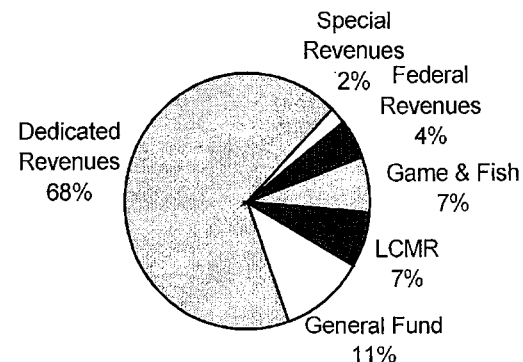
FINANCING INFORMATION:

Trails and Waterways' budget is comprised of General funds, Game and Fish funds, LCMR appropriations, TEA-21 (FHWA) funds, special revenues, cooperative projects, gifts, and dedicated revenues generated through vehicle and watercraft registration fees and unrefunded gas tax receipts. Dedicated receipts are deposited into six accounts:

- Water Recreation
- Snowmobile
- All-Terrain Vehicle (ATV)
- Off-Highway Motorcycle (OHM)
- Off-Road Vehicle (ORV or 4x4 trucks)
- Cross Country Ski.

The following chart shows the percentage of expenditures from these dedicated accounts in relation to the total expenditures for the Trails and Waters Program for FY 2000-01.

Trails & Waterways Expenditures
2000-2001 Expenditure by Funding Source



PROGRAM SUMMARY (Continued)

Program: TRAILS & WATERWAYS MGMT
Agency: NATURAL RESOURCES DEPT

BUDGET ISSUES:

Major budget issues facing T&W include the following:

- The Snowmobile Program must be reduced through the year 2005 in order to maintain a positive account balance. This will be accomplished by reducing grants by \$325,000 per fiscal year and reducing DNR snowmobile activities by \$160,000 per year.
- The portion of the Water Access Program financed from the Game and Fish Fund must be reduced by \$713,000 for FY 2002 and \$299,000 for FY 2003 to properly align the level of state funding with the mandated federal 15% apportionment of the Wallop Breaux Act.
- Additional funding is being requested from the lottery-in-lieu for Cooperative Trail Grant Program \$629,000 in FY 2002 and \$629,000 in FY 2003 and also for the State Trail Program \$852,000 in FY 2002 and \$852,000 in FY 2003.
- Reallocation of Base Resources
Proposals to reallocate base resources within the Department will address a number of the Trails and Waterways Program and Departmental concerns.

These reallocation proposals will have a small negative impact on Trails and Waterways Program activities.

LCMR RECOMMENDATIONS – DIRECT

- *Gateway Trail Bridge*
For a trail bridge over State Highway 96 and expanded parking (\$530,000 MN Future Resources Fund).
- *State Trail Projects*
To provide matching funds for state trail projects eligible to receive federal TEA-21 funds (\$910,000 MN Future Resources Fund).
- *Regional and Local Trail Grants*
For matching trail grants to local units of government under MS 85.019 for trail linkages between communities, trails, and parks, and for locally funded trails of regional significance outside the metropolitan area under MS 473.12 (\$1.0 million Mn Future Resources Fund).
- *Grays Bay, Lake Minnetonka Public Water Access*
In cooperation with the city of Minnetonka to acquire approximately five acres for a multi-use water access site on Grays Bay, Lake Minnetonka (\$2.0 million Mn Future Resources Fund).

- *Water Recreation: Boat Access, Fishing Piers and Shorefishing*
To acquire and develop public water access sites statewide, to construct shorefishing and pier sites, and to restore shorelands at existing public accesses (\$910,000 Environmental Trust Fund).
- *McQuade Public Access*
In cooperation with the McQuade Joint Powers Board, U.S. Army Corps of Engineers, and local units of government to develop a public access for Lake Superior (\$500,000 Mn Future Resources Fund).

(See the LCMR section of the Environmental Budget for more information.)

GOVERNOR'S RECOMMENDATION:

The Governor recommends the program budget, and the following change items:

In the Trails and Waterways Management activity, the Governor recommends \$1.482 million each year from the lottery-in-lieu funds for state trails and local trail grants, and a reduction of \$69,000 in FY 2002 and \$75,000 in FY 2003 as part of the base reallocation change item.

In the Water Access and Recreation activity, a \$713,000 reduction in FY 2002 and a \$299,000 reduction in FY 2003 for the federal Wallop/Breaux change item. The Governor also recommends the LCMR projects.

In Trails Recreation, the Governor recommends a reduction of \$441,000 each year as part of the snowmobile fund budget reduction change item, and the LCMR projects.

Program: TRAILS & WATERWAYS MGMT
Agency: NATURAL RESOURCES DEPT

Program Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Activity:									
TRAILS & WATERWAYS MGMT	2,513	4,130	6,723	2,943	4,355	2,976	4,382	(2,116)	(19.5%)
WATER ACCESS & RECREATION	9,664	7,010	8,717	6,977	9,219	7,075	7,231	723	4.6%
TRAILS RECREATION	9,419	9,104	13,772	10,381	12,380	10,445	10,004	(492)	(2.2%)
Total Expenditures	21,596	20,244	29,212	20,301	25,954	20,496	21,617	(1,885)	(3.8%)

Change Items:	Fund				
(A) REALLOCATION OF BASE RESOURCES	GEN			(69)	(75)
(A) SNOWMOBILE FUND BUDGET REDUCTION	NRF			(441)	(441)
(A) LOTTERY IN-LIEU SALES TAX	LIL			1,481	1,481
(B) WATER ACCESS - FEDERAL WALLOP/BREAUX	G&F			(713)	(299)
(B) WATER ACCESS LCMR ALLOCATIONS	EVT			455	455
(B) WATER ACCESS LCMR ALLOCATIONS	MNR			2,500	
(B) TRAILS LCMR ALLOCATIONS	MNR			2,207	
(B) TRAILS LCMR ALLOCATIONS	SGS			233	
Total Change Items				5,653	1,121

Financing by Fund:							
Direct Appropriations:							
ENVIRONMENT & NATURAL RESOURCE	206	423	727	0	455	0	455
GENERAL	3,062	3,045	3,267	2,122	2,053	2,158	2,083
MINNESOTA RESOURCES	1,477	966	1,317	0	4,707	0	0
STATE GOVERNMENT SPECIAL REVENUE	0	0	0	0	233	0	0
NATURAL RESOURCES	12,498	12,331	18,200	14,070	15,110	14,228	15,268
GAME AND FISH (OPERATIONS)	1,123	1,381	2,124	1,608	895	1,609	1,310
IRON RANGE RESOURCES & REHAB	1	749	0	0	0	0	0
Open Appropriations:							
NATURAL RESOURCES	214	278	326	326	326	326	326
Statutory Appropriations:							
NATURAL RESOURCES	132	11	864	500	500	500	500
SPECIAL REVENUE	1,346	232	830	420	420	420	420
FEDERAL	1,227	819	1,369	1,225	1,225	1,225	1,225
GIFT	310	9	188	30	30	30	30
Total Financing	21,596	20,244	29,212	20,301	25,954	20,496	21,617

Program: TRAILS & WATERWAYS MGMT
Agency: NATURAL RESOURCES DEPT

Program Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003	
				Base	Governor Recomm.	Base	Governor Recomm.
FTE by Employment Type:							
FULL TIME	84.9	84.6	80.1	80.1	80.1	80.1	80.1
PART-TIME, SEASONAL, LABOR SER	41.7	40.0	38.7	38.7	45.7	38.7	45.7
OVERTIME PAY	0.6	0.4	0.2	0.2	0.2	0.2	0.2
Total Full-Time Equivalent	127.2	125.0	119.0	119.0	126.0	119.0	126.0

BUDGET ACTIVITY SUMMARY

Budget Activity: TRAILS AND WATERWAYS MANAGEMENT
Program: TRAILS AND WATERWAYS MANAGEMENT
Agency: NATURAL RESOURCES DEPT.

ACTIVITY PROFILE:

This activity provides trail recreation for state residents and tourists. It supports Department of Natural Resources (DNR) trail related activities not supported through dedicated funding accounts. Our major functions include the following:

- administration of the State Trail Program;
- trail planning and surveying work;
- management of capital budget acquisition and development projects;
- management of LCMR projects;
- administration of the Adopt-a-River project;
- administration of the Cooperative Trails Grant Program (local trail connections, regional trails, and national recreation trail grants (TEA-21));
- administration of the National Recreation Trail Grant Program;
- development of interpretive and vegetation management projects;
- development of trail amenities (e.g., parking, picnic areas, drinking water);
- maintenance of non-motorized state trails; and
- development and distribution of public information materials (e.g., maps, brochures, etc.) for non-dedicated account activities.

STRATEGIES AND PERFORMANCE:

This activity administers the 1,072-mile State Trail System. State trails appeal not only to bicyclists, in-line skaters, joggers, walkers, and those who simply enjoy the out-of-doors, they also appeal to local business and commercial interests. Trail user associations and advocacy groups have actively promoted trail extensions and connections to recreation sites, population centers, and other destinations.

State Trail / Unit Trail Mileages

	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
State Trails	1,067	1,072	1,082	1,102
DNR Division Trails	2,287	2,287	2,287	2,287
State Trails (Bike)	330	335	345	365
TOTAL	3,684	3,694	3,714	3,754

The Adopt-a-River Program enlists volunteers to remove rubbish along sections of Minnesota's rivers, lakes, wetlands, and ravines. Some 250 groups have now adopted over 900 miles of shoreline. This restores the health and natural beauty of these rivers and improves fish and wildlife habitat.

Number of Volunteer Groups and Miles of Shoreline Adopted

	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
Groups	255	270	285	300
Miles	922	1,000	1,050	1,100

FINANCING INFORMATION:

This budget activity is primarily funded with General Funds and also provides for the administration of other programs through a variety of funding sources including federal, capital bonding, LCMR, and the Lottery in-Lieu of Sales Tax.

GRANTS SUMMARY

The Cooperative Trail Grant Program provides for grants to local units of government in one of the following categories:

- *National Recreational Trails Program (NRTTP).* Under direction of DNR, the NRTTP provides federal funding to local sponsors for various motorized and non-motorized trail projects in Minnesota and is advised by the Minnesota Recreation Trail Users Association (MRTUA).
- *Local Trail Connections (LTC).* This program helps local units of government to complete trail connections to cities, towns, recreation areas, and other points of interest. Fifty percent state reimbursement is available for trail acquisition and development.
- *Regional Trail (RT).* The primary purpose is to promote development of regionally significant trails funded with local or federal funding. Fifty percent state reimbursement is available for trail acquisition and development.

Summary of Grant Dollars (In thousands)

	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
NRTTP	\$630	981	\$1,000	\$1,000
LTC	49	-0-	-0-	-0-
RT	373	-0-	-0-	-0-
Local Grants	-0-	843	629	629
LCMR	335	-0-	-0-	-0-
Other	1,090	15	15	15
TOTAL	\$2,477	\$1,839	\$1,644	\$1,644

BUDGET ACTIVITY SUMMARY (Continued)

Budget Activity: TRAILS AND WATERWAYS MANAGEMENT
Program: TRAILS AND WATERWAYS MANAGEMENT
Agency: NATURAL RESOURCES DEPT.

BUDGET ISSUES:

- As new miles of trail are added, proportional increases in the maintenance budget are needed to avoid compounding current statewide problems in providing adequate maintenance for the trail system.
- The budget change item of \$629,000 per year from the lottery-in-lieu for the Cooperative Trail Grant Program would establish permanent base level funding for this program.
- The requested increase in FY 2002 of \$852,000 and in FY 2003 of \$852,000 from the lottery-in-lieu would provide for increased funding for operations, maintenance and customer service for non-motorized activities on state trails.

Activity: TRAILS & WATERWAYS MGMT
Program: TRAILS & WATERWAYS MGMT
Agency: NATURAL RESOURCES DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Category:									
State Operations									
COMPENSATION	1,073	1,045	1,725	1,308	1,728	1,340	1,774	732	26.4%
OTHER OPERATING EXPENSES	591	502	3,084	581	944	582	925	(1,717)	(47.9%)
Subtotal State Operations	1,664	1,547	4,809	1,889	2,672	1,922	2,699	(985)	(15.5%)
CAPITAL OUTLAY & REAL PROPERTY	323	106	75	39	39	39	39	(103)	(56.9%)
LOCAL ASSISTANCE	526	2,477	1,839	1,015	1,644	1,015	1,644	(1,028)	(23.8%)
Total Expenditures	2,513	4,130	6,723	2,943	4,355	2,976	4,382	(2,116)	(19.5%)

Change Items:	Fund				
(A) REALLOCATION OF BASE RESOURCES	GEN			(69)	(75)
(A) LOTTERY IN-LIEU SALES TAX	LIL			1,481	1,481
Total Change Items				1,412	1,406

Financing by Fund:							
Direct Appropriations:							
ENVIRONMENT & NATURAL RESOURCE	205	33	117	0	0	0	0
GENERAL	2,148	2,639	2,501	1,913	1,844	1,946	1,871
MINNESOTA RESOURCES	38	757	1,216	0	0	0	0
NATURAL RESOURCES	0	0	1,738	0	1,481	0	1,481
Statutory Appropriations:							
NATURAL RESOURCES	15	2	31	0	0	0	0
FEDERAL	107	698	1,000	1,000	1,000	1,000	1,000
GIFT	0	1	120	30	30	30	30
Total Financing	2,513	4,130	6,723	2,943	4,355	2,976	4,382

Revenue Collected:							
Dedicated							
NATURAL RESOURCES	4	0	0	0	0	0	0
SPECIAL REVENUE	201	228	308	308	308	308	308
FEDERAL	54	0	0	0	0	0	0
GIFT	94	0	0	0	0	0	0
Nondedicated							
NATURAL RESOURCES	0	1	0	0	0	0	0
GAME AND FISH (OPERATIONS)	0	19	0	0	0	0	0
Total Revenues Collected	353	248	308	308	308	308	308

Activity: TRAILS & WATERWAYS MGMT
 Program: TRAILS & WATERWAYS MGMT
 Agency: NATURAL RESOURCES DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003	
				Base	Governor Recomm.	Base	Governor Recomm.
<u>FTE by Employment Type:</u>							
FULL TIME	13.4	13.8	11.0	11.0	14.5	11.0	14.5
PART-TIME, SEASONAL, LABOR SER	9.8	7.8	7.5	7.5	14.5	7.5	14.5
OVERTIME PAY	0.2	0.1	0.1	0.1	0.1	0.1	0.1
Total Full-Time Equivalent	23.4	21.7	18.6	18.6	29.1	18.6	29.1

BUDGET ACTIVITY SUMMARY

Budget Activity: WATER ACCESS AND RECREATION
Program: TRAILS AND WATERWAY MANAGEMENT
Agency: NATURAL RESOURCES DEPT.

ACTIVITY PROFILE:

The purpose of the Water Access and Recreation activity is to provide the public with water-based recreational opportunities and services.

Minnesotans rely heavily on public water access sites. A survey conducted by the University of Minnesota showed that three-fourths of state boat owners launch at public boat access sites at least once a year.

Minnesota ranks fourth in the nation for total boats registered (793,000) and first in the nation in the number of boats per capita (one boat for every six people). Major responsibilities of the activity:

- **Boat Access Sites**
Sites are 1-7 acres in size, contain a boat launch ramp, a parking lot, an entrance road, and amenities such as toilets, docks, security lights, and information kiosks. When we build or upgrade access sites, we look for partnerships where we provide the capital investment and the local community maintains and operates the facility.

In the 1996 Metro and 1998 Brainerd boating studies, boat access users gave high marks to the quality of boat access.

In the Brainerd study, boat accesses were identified as becoming an asset to lakeside homeowners and resorts, who accounted for nearly 40% of access use. Public accesses are becoming a necessity for all boaters, especially since boat size has increased and rendered many small private accesses useless.

- **River Recreation**
Provide facilities and services on 23 designated rivers, including primitive campsites, rest areas, portage trails, and launch sites. Services include river cleanup, snag removal, printing of maps and information guides, water level reports, and marking and signing of hazards. New access sites are acquired and developed according to management objectives and demonstrated need.
- **Fishing Piers and Shore Fishing Sites**
Piers are a very popular part of the program and are constructed in cooperation with local units of government. Priorities are determined based on a ranking system that considers the site characteristics, fisheries resource, local initiatives, and proximity to population centers. Piers and

shore fishing sites are designed to be accessible to children, persons with disabilities, and the elderly. We currently have over 250 sites in operation.

- **Lake Superior Safe Harbors**
Implementation of the North Shore Harbors Plan and subsequent legislation establishing safe harbors began in 1999 with the completion of the Silver Bay safe harbor and marina. Taconite Harbor, a boat access and safe harbor only, will be completed in spring 2001. State and federal funds have been appropriated for additional harbors and accesses at Two Harbors and McQuade Road (Duluth) which are in land acquisition and design phase. All of the sites have active local participation. The facilities will provide boat access and protection from storms, and some will provide gas, dockage, sewage pumpouts, and other services related to boating and fishing.

STRATEGIES AND PERFORMANCE:

The goal of this activity is to increase the number of boat access sites, fishing piers, and other water recreation facilities and improve the quality of existing sites through regular maintenance and periodic rehabilitation.

Performance Statistics:

- Increased the number of boat launch sites by 10 in FY 1999 and 2000.
- Increased the number of fishing piers/shore accesses sites by 20 in FY 1999 and 2000.
- Constructed two safe harbors on Lake Superior; one at Silver Bay with full marina facilities and one at Taconite Harbor with a boat access.
- Constructed a shore fishing site on Ringo Lake near Willmar, which has received very heavy use.
- Constructed numerous boat access sites in cooperation with local units of government. High profile examples include an extensive rehabilitation and enlargement of the public access at Warroad on Lake of the Woods. Another example is Lake Vermillion, where the department worked with St. Louis County to rehabilitate several county accesses.
- Completed a feasibility study for the Mississippi River Whitewater Trail in Minneapolis.

FINANCING INFORMATION:

Almost 58% of the current funding for this budget activity is appropriated from the Water Recreation Fund. This fund has two revenue sources: unrefunded highway gas tax collected on gasoline used in boats; and watercraft registration fees. We also receive federal Wallop/Breaux funds for boat access from the following two sources: 1) the Game and Fish Fund, based on a federal law requiring 15% of

BUDGET ACTIVITY SUMMARY (Continued)

Budget Activity: WATER ACCESS AND RECREATION
Program: TRAILS AND WATERWAYS MANAGEMENT
Agency: DEPT.

federal receipts from the Sport Fish Restoration Program be spent on public access facilities (75% reimbursement); and 2) the Boat Safety Account administered by the U.S. Coast Guard (50% match).

BUDGET ISSUES:

- *Acquisition:*
Because lakeshore is a high demand commodity and the cost of lakeshore rises faster than any other land type, our primary emphasis has been on acquiring good access sites when land becomes available. Purchasing now will reduce acquisition costs as land prices continue to escalate. We believe this strategy will maximize public interest and funding over the long run. We are committed to retaining this as our highest priority. Acquisition funding is provided from LCMR and bond funds.
- *Development:*
With the existing state and federal capital funds, we are upgrading and expanding existing boat access sites. The trend of larger boats and bigger motors impacts facility size, design, and cost.
- *Maintenance:*
The continued addition of new and expanded boat access sites, fishing piers, and more miles of designated canoe routes require additional maintenance. The number of boat access sites has increased by nearly 150 over the last 10 years. Current budget resources will be used to address increased maintenance demands by prioritizing the most critical repairs.

Activity: WATER ACCESS & RECREATION
Program: TRAILS & WATERWAYS MGMT
Agency: NATURAL RESOURCES DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Category:									
State Operations									
COMPENSATION	2,831	3,069	3,380	3,485	3,485	3,583	3,583	619	9.6%
OTHER OPERATING EXPENSES	2,522	2,346	3,647	2,287	2,074	2,287	1,988	(1,931)	(32.2%)
Subtotal State Operations	5,353	5,415	7,027	5,772	5,559	5,870	5,571	(1,312)	(10.5%)
CAPITAL OUTLAY & REAL PROPERTY	4,152	1,312	1,690	1,205	3,570	1,205	1,660	2,228	74.2%
LOCAL ASSISTANCE	159	283	0	0	90	0	0	(193)	(68.2%)
Total Expenditures	9,664	7,010	8,717	6,977	9,219	7,075	7,231	723	4.6%

Change Items:	Fund				
(B) WATER ACCESS - FEDERAL WALLOP/BREAUX	G&F			(713)	(299)
(B) WATER ACCESS LCMR ALLOCATIONS	EVT			455	455
(B) WATER ACCESS LCMR ALLOCATIONS	MNR			2,500	
Total Change Items				2,242	156

Financing by Fund:							
Direct Appropriations:							
ENVIRONMENT & NATURAL RESOURCE	1	390	610	0	455	0	455
GENERAL	253	161	103	0	0	0	0
MINNESOTA RESOURCES	913	209	101	0	2,500	0	0
NATURAL RESOURCES	4,637	4,540	5,039	4,929	4,929	5,026	5,026
GAME AND FISH (OPERATIONS)	1,123	1,381	2,124	1,608	895	1,609	1,310
Open Appropriations:							
NATURAL RESOURCES	131	169	195	195	195	195	195
Statutory Appropriations:							
NATURAL RESOURCES	117	0	3	0	0	0	0
SPECIAL REVENUE	1,059	31	105	20	20	20	20
FEDERAL	1,120	121	369	225	225	225	225
GIFT	310	8	68	0	0	0	0
Total Financing	9,664	7,010	8,717	6,977	9,219	7,075	7,231

Revenue Collected:							
Dedicated							
SPECIAL REVENUE	521	0	20	20	20	20	20
FEDERAL	0	25	200	100	100	100	100
GIFT	0	63	30	30	30	30	30
Total Revenues Collected	521	88	250	150	150	150	150

Activity: WATER ACCESS & RECREATION
 Program: TRAILS & WATERWAYS MGMT
 Agency: NATURAL RESOURCES DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003	
				Base	Governor Recomm.	Base	Governor Recomm.
FTE by Employment Type:							
FULL TIME	39.9	41.0	39.8	39.8	39.8	39.8	39.8
PART-TIME, SEASONAL, LABOR SER	22.5	21.3	21.3	21.3	21.3	21.3	21.3
OVERTIME PAY	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Total Full-Time Equivalent	62.5	62.3	61.1	61.1	61.1	61.1	61.1

BUDGET CHANGE ITEM (52755)**Budget Activity: WATER ACCESS & RECREATION****Program: TRAILS & WATERWAYS MGMT****Agency: NATURAL RESOURCES DEPT****Item Title: FEDERAL WALLOP/BREAUX****OUTCOMES:**

The Federal Wallop/Breaux Funds are used to improve the quality of public access by providing additional boating opportunities through the land acquisition and development of new boat access sites and expansion and renovation of existing boat access sites throughout the state. This budget change item is necessary to align the level of state funds with the required federal apportionment and will reduce the number of new boat access sites acquired and developed.

	<u>2002-03 Biennium</u>		<u>2004-05 Biennium</u>	
	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Expenditures: (\$000s)				
Game and Fish Fund				
-State Operations	\$(713)	\$(299)	\$(299)	\$(299)
Revenues: (\$000s)				
Game and Fish Fund	\$-0-	\$-0-	\$-0-	\$-0-
Statutory Change? Yes _____ No <u> X </u>				
If yes, statute(s) affected:				
_____ New Activity	_____ Supplemental Funding	<u> X </u> Reallocation		

GOVERNOR'S RECOMMENDATION:

The Governor recommends reductions in the level of state resources that will be needed in the next biennium from the Game and Fish Fund to meet the mandates of the Federal Sport Fish Restoration Program. The budget reductions are \$713,000 for FY 2002, which includes a one-time adjustment for prior years and \$299,000 for FY 2003.

RATIONALE:

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 for each fiscal year for the payment of up to 75% of the costs of acquisition, development, renovation or improvement of public access facilities for recreational boating purposes. This budget change item is necessary to align the level of state funds with the required federal 15% apportionment.

FINANCING:

The base level funding from the Game and Fish Fund for this program is \$1.608 million for FY 2002 and \$1.609 million for FY 2003.

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BUDGET ACTIVITY SUMMARY

Budget Activity: TRAILS RECREATION
Program: TRAILS AND WATERWAYS MANAGEMENT
Agency: NATURAL RESOURCES DEPT.

Miles of Grant-In-Aid Trails

	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
GIA – Snowmobile	15,000	15,200	15,400	15,600
GIA – Cross-Country Ski	1,003	1,003	1,003	1,003
GIA – ATV	468	700	1,200	1,500
GIA – OHM	88	250	450	600
GIA – ORV	0	45	100	150
TOTAL	16,559	17,198	18,153	18,853

ACTIVITY PROFILE:

This activity provides Minnesotans and visitors the opportunity to access and enjoy the outdoors in a safe, responsible manner while protecting sensitive resources and fostering local economic development. It helps with the maintenance of those trails within, or managed by other DNR divisions, (parks, forestry), the maintenance of the State Trail System, and the maintenance, planning, grant administration, and public information dissemination activities required for cross-country ski, all-terrain vehicle (ATV), off-highway motorcycle (OHM), off-road vehicle (ORV) and snowmobile trails.

The Grant-in-Aid (GIA) Program makes up a significant portion of this activity. The DNR has been directed by the state legislature to administer a cost-sharing program for the acquisition, development and maintenance of public trails. The program's goal is to spur the development of local trails at the initiative of clubs or organizations acting through their local units of government. State financial assistance ensures that locally controlled facilities may exist where none otherwise would without such support. The first priority is to maintain the existing GIA system. Grants are provided for snowmobile, ATV, ORV, OHM, and cross-country ski trails.

STRATEGIES AND PERFORMANCE:

Objective: Acquire and develop additional trail miles to meet growing demand for recreational trails.

Miles of State Trails

	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
DNR Snowmobile	2,135	2,135	2,135	2,135
DNR Trail Cross-Country Ski	789	789	789	789
DNR Trail – ATV	250	500	800	1,300
DNR Trail – OHM	238	600	800	1,000
DNR Trail – ORV	11	100	250	500
TOTAL	3,423	4,124	4,774	5,724

Objective: Administer a trail system that anticipates and responds to changing public demand through local trail grants.

FINANCING INFORMATION:

This activity is funded primarily through dedicated revenues and with supplemental funding from the General Fund for cross-country ski. Revenues generated for the OHM, ORV, ATV, and snowmobile funds come from vehicle registrations and unrefunded gas tax. The Cross-Country Ski Account is funded from the sale of the ski pass. Unrefunded gas taxes are those tax dollars attributed to fuel consumed using public lands and trails. The percentages, .75% for snowmobiles; .15% for ATVs; .164% for ORVs; and .046% for OHMs, were determined by studies undertaken by the Department of Administration, DNR, and Minnesota Department of Transportation (MN/DOT) and approved by the state legislature. In FY 2002 revenue from the unrefunded gas taxes is estimated at \$5.6 million.

REVENUE

Non-dedicated revenues listed are from registrations. Dedicated revenues include the cross-country ski permit and issuing fee.

Revenue Dollars (In Thousands)

	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
NON-DEDICATED				
Snowmobile	4,369	4,370	4,370	4,370
ATV	951	900	900	900
OHM	56	50	50	50
ORV	11	9	9	9
DEDICATED				
Cross Country Ski	228	384	384	384
TOTAL	\$5,615	\$5,713	\$5,713	\$5,713

GRANTS

Trail Grants-In-Aid (GIA) Program: The GIA Program pays 65% of the costs for corridor acquisition, trail development, maintenance and administration, with the local sponsor providing the remaining 35%. State funds pay for 90% of trail grooming costs. Allowable costs and reimbursement rates are established and

BUDGET ACTIVITY SUMMARY (Continued)

Budget Activity: TRAILS RECREATION
Program: TRAILS AND WATERWAYS MANAGEMENT
Agency: NATURAL RESOURCES DEPT.

administered through a formal GIA system. A new system of performance-based snowmobile grants is currently available. Although the basic system is built upon past reimbursement, disbursements are made based upon various performance-based criteria. Grants are also made available to local units of government to repair damage to trails caused by the use of snowmobile traction devices on surfaced recreational trails.

Summary of Grants Dollars (In Thousands)

	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
Snowmobile	\$3,678	\$3,899	\$4,574	\$4,574
ATV	228	482	482	482
Cross-Country Ski	173	33	33	33
OHM	32	129	129	129
ORV	-0-	235	235	235
TOTAL	<u>\$4,111</u>	<u>\$4,778</u>	<u>\$5,453</u>	<u>\$5,453</u>

BUDGET ISSUES:

- The GIA snowmobile grant reduction of \$325,000 per fiscal year would result in approximately a 7% reduction of funding available to the local units of government and local snowmobile clubs.
- The \$160,000 per fiscal year snowmobile reduction for Trails and Waterways Operations would primarily impact the quantity and quality of grooming on DNR trails.

Activity: TRAILS RECREATION
Program: TRAILS & WATERWAYS MGMT
Agency: NATURAL RESOURCES DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Category:									
State Operations									
COMPENSATION	2,005	2,055	2,441	2,458	2,381	2,522	2,445	330	7.3%
OTHER OPERATING EXPENSES	1,864	1,513	6,352	1,944	3,245	1,944	1,805	(2,815)	(35.8%)
Subtotal State Operations	3,869	3,568	8,793	4,402	5,626	4,466	4,250	(2,485)	(20.1%)
CAPITAL OUTLAY & REAL PROPERTY	54	1,425	201	201	201	201	201	(1,224)	(75.3%)
LOCAL ASSISTANCE	5,496	4,111	4,778	5,778	6,553	5,778	5,553	3,217	36.2%
Total Expenditures	9,419	9,104	13,772	10,381	12,380	10,445	10,004	(492)	(2.2%)

Change Items:	Fund				
(A) SNOWMOBILE FUND BUDGET REDUCTION	NRF			(441)	(441)
(B) TRAILS LCMR ALLOCATIONS	MNR			2,207	
(B) TRAILS LCMR ALLOCATIONS	SGS			233	
Total Change Items				1,999	(441)

Financing by Fund:							
Direct Appropriations:							
GENERAL	661	245	663	209	209	212	212
MINNESOTA RESOURCES	526	0	0	0	2,207	0	0
STATE GOVERNMENT SPECIAL REVENUE	0	0	0	0	233	0	0
NATURAL RESOURCES	7,861	7,791	11,423	9,141	8,700	9,202	8,761
IRON RANGE RESOURCES & REHAB	1	749	0	0	0	0	0
Open Appropriations:							
NATURAL RESOURCES	83	109	131	131	131	131	131
Statutory Appropriations:							
NATURAL RESOURCES	0	9	830	500	500	500	500
SPECIAL REVENUE	287	201	725	400	400	400	400
Total Financing	9,419	9,104	13,772	10,381	12,380	10,445	10,004

Revenue Collected:							
Dedicated							
NATURAL RESOURCES	1,102	339	500	500	500	500	500
SPECIAL REVENUE	40	131	90	80	80	80	80
FEDERAL	107	698	1,000	1,000	1,000	1,000	1,000
Nondedicated							
NATURAL RESOURCES	5,573	5,833	7,502	7,326	7,184	7,326	7,184
Total Revenues Collected	6,822	7,001	9,092	8,906	8,764	8,906	8,764

Activity: TRAILS RECREATION
Program: TRAILS & WATERWAYS MGMT
Agency: NATURAL RESOURCES DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003	
				Base	Governor Recomm.	Base	Governor Recomm.
FTE by Employment Type:							
FULL TIME	31.6	29.8	29.3	29.3	25.8	29.3	25.8
PART-TIME, SEASONAL, LABOR SER	9.4	10.9	9.9	9.9	9.9	9.9	9.9
OVERTIME PAY	0.3	0.3	0.1	0.1	0.1	0.1	0.1
Total Full-Time Equivalent	41.3	41.0	39.3	39.3	35.8	39.3	35.8

PROGRAM SUMMARY
**** PERFORMANCE PILOT ****

Program: FISH MANAGEMENT
Agency: NATURAL RESOURCES DEPT

PROGRAM PROFILE:

The Fish Management Program protects, maintains, and enhances Minnesota's fishery resources and aquatic communities for recreational, ecological, and economic benefits to the state.

- The Division of Fisheries manages recreational and commercial fisheries and aquatic habitat on approximately 5,400 lakes and 16,000 miles of fishable streams and rivers.
- Over 35 million pounds of fish are harvested annually in Minnesota.
- Over 27 million person-days are spent each year on recreational angling in Minnesota.
- Fishing related activity generates about \$1.9 billion each year in direct expenditures to the state's economy.

The Division of Fisheries services and goals are to

- maintain and enhance game fish populations for the state's anglers and businesses that depend on fishing;
- protect and improve aquatic habitat;
- monitor the status of fish populations and aquatic habitat for management purposes and public information;
- develop fisheries management plans for individual lakes and streams;
- provide opportunities for citizen participation in fisheries management planning and decision-making; and
- provide informational and educational materials to the public to increase understanding of the aquatic environment and encourage people to participate in recreational fishing.

The Division of Fisheries is the sole entity responsible for managing the state's public fisheries resources. In addition to other units in the DNR, state environmental agencies, such as Agriculture, Health, Pollution Control, and the Board of Soil and Water Resources, have responsibility for environmental regulation and management that impact water quality and aquatic habitat. Local units of government also have regulatory authority that impacts aquatic resources.

Major fisheries issues include increasing fishing pressure and harvest, and most important, the continual degradation of fish habitat from shoreline and watershed developments and non-point source pollution.

STRATEGIES AND PERFORMANCE:

Fisheries management strategies:

- Improve habitat in lakes and streams to increase the number of fish available for anglers.
- Prevent or limit the destruction of fish habitat through various permitting and environmental review processes.
- Propagate and stock desirable species of fish.
- Regulate and allocate fish harvest.
- Collect information on fish populations, aquatic habitat, and anglers.
- Conduct fisheries-related research.
- Provide information on fishing and fisheries resources.
- Conduct aquatic education programs.
- Develop fisheries management plans for individual waters.
- Coordinate and cooperate with internal and external constituents to manage aquatic resources for long-term sustainability.

Primary outcomes for the fish management program:

- Game fish abundance and average size as measured by net catches and other sampling from the survey and assessment program.
- Angler catch rates and average size of various fish species as measured by creel surveys.
- Angler satisfaction as measured by attitude surveys.
- Fisheries management plans developed with constituent input for each managed water.
- Regulations that protect the fisheries resource and provide sustainable quality angling opportunities.
- Aquatic habitat capable of sustaining recreational and commercial fisheries.
- A public knowledgeable of the fisheries resource and the ecology, conservation, and ethics of fishing.

PROGRAM SUMMARY (Continued)
**** PERFORMANCE PILOT ****

Program: FISH MANAGEMENT
Agency: NATURAL RESOURCES DEPT

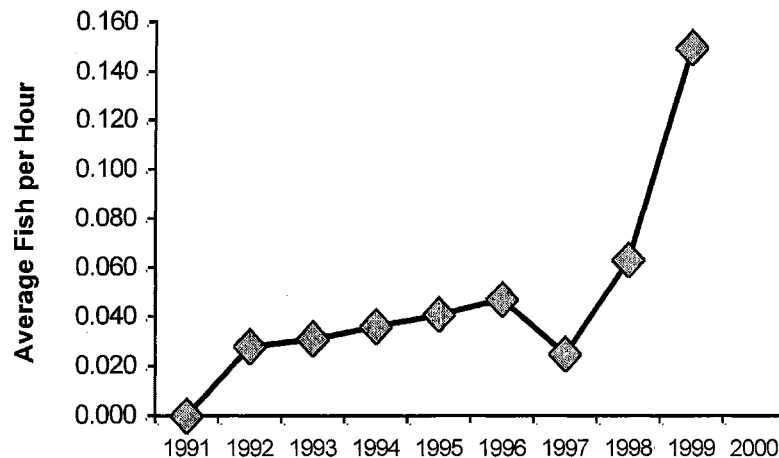
Examples of current performance:

The walleye stocking program provides fish for approximately 900 lakes where natural reproduction is thought to be insufficient to provide good fishing. Due to more effective stocking, walleye populations as measured by survey gill net catches have been increasing on average since 1977. The goal of the accelerated walleye program is to further increase the average gill net catch on stocked lakes, which will improve fishing success.

The muskellunge stocking program has increased the percentage of muskie fishing trips that occur on stocked waters from 29% in 1986 to 74% in 1997. This has greatly enhanced statewide opportunities to fish for muskies.

Steelhead catch rates (fish/angler-hour) on tributaries to Lake Superior have

Steelhead Catch Rate

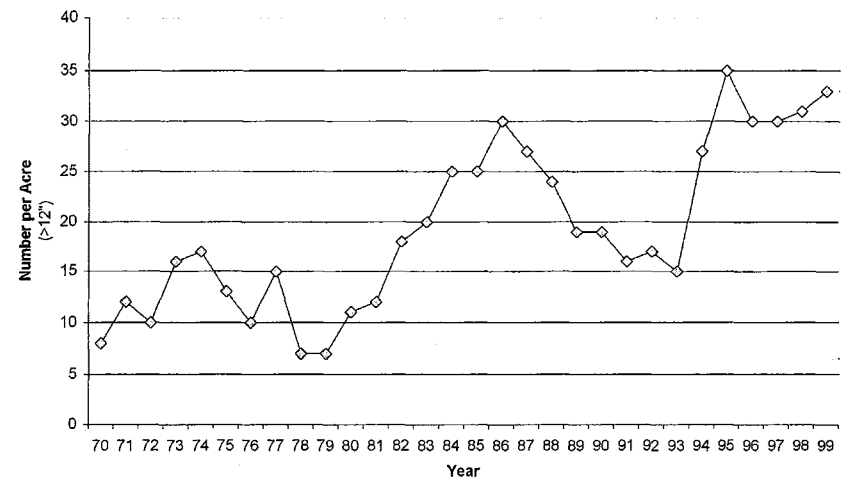


increased throughout the 1990's after development of a Lake Superior Steelhead plan and implementation of restrictive harvest regulations in 1992.

Brown trout abundance in southeast Minnesota has increased dramatically since the 1970's due to a combination of improved watershed practices, habitat improvement, and better stocking practices.

Primary outputs for the Fish Management Program:

Brown Trout Populations 12" and Larger



- Surveys and assessments – approximately 900 surveys and assessments and 370 management plans are completed annually.
- Fish culture and stocking - over 1,200 lakes and 125 streams currently have stocking programs.
- Habitat improvement - miles and acres improved varies annually depending on the number of projects and funding. In FY 2000, 30 lakes (73,335 acres) and 43 miles of stream were improved.
- Aquatic education/information - over 25,000 people are reached by education programs and hundreds of thousands of inquiries are answered each year.

In general, fisheries for many of Minnesota's important game fish species are in good condition including largemouth and smallmouth bass, muskellunge, brook and brown trout, and lake trout in Lake Superior. Walleye numbers in lakes with natural reproduction are generally good to excellent. There is some concern that

PROGRAM SUMMARY (Continued)
**** PERFORMANCE PILOT ****

Program: FISH MANAGEMENT
Agency: NATURAL RESOURCES DEPT

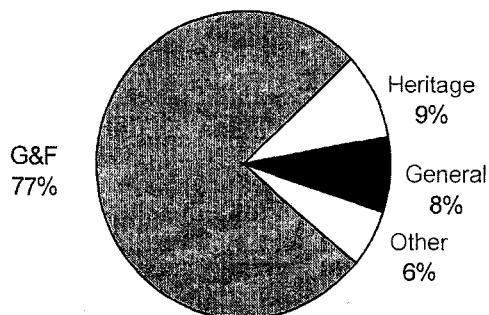
stocking reductions over the past decade have caused declining numbers of walleye on some waters that depend on stocking. An accelerated walleye program has been funded and is being implemented to address these concerns. Bluegill and black crappie numbers remain high, but decreasing average size is a major concern. The same is true of northern pike and yellow perch. Fisheries managers are working with the public and legislature to address these issues.

FINANCING INFORMATION:

The Division of Fisheries is supported by several funding sources, primarily relying on allocations from the Game and Fish Fund. The 2000 Legislature expanded the Game and Fish Fund by including lottery in-lieu of sales tax proceeds and allocating a portion of this to the fisheries program.

Budgets and activities are developed at the field stations and coordinated at the regional and central office levels. Fisheries field stations have local budget authority and responsibility and are allocated base budgets each fiscal year. Annual budget meetings are held to prioritize project funding that is outside base.

2000-2001 Expenditures by Funding Source



REVENUE SUMMARY:

This program generates revenue from the sale of fishing licenses and from reimbursement under the Federal Aid to Sport Fish Restoration Program. These

revenues are deposited in the dedicated Game and Fish Fund to support the program. In addition, the division generates dedicated revenue from cooperative agreements, sales of publications, and gifts.

GRANTS SUMMARY:

The FY 2002-03 grants budget is \$7.5 million annually. This amount includes payments required under the Leech Lake and 1854 Treaty Area agreements and \$60,000 annually for aquatic plant restoration. The treaty payments have been included in the Fish Management Program budget, but actually cover obligations for the entire department. The aquatic plant restoration grants are cost-share grants awarded to external cooperators who are establishing buffer zone demonstration sites on highly visible shoreline areas.

BUDGET ISSUES:

The Fish Management Program budget reflects base increases resulting from license fee increases and a General Fund match passed by the 2000 legislature. In FY 2001, the base increase included \$521,000 in fee increase dollars and \$500,000 in General Fund dollars. The General Fund dollars were allocated for the accelerated walleye program and fee increase dollars were used to restore base budgets at field stations and hatcheries, and to fund 4 field positions that had been left vacant during all or part of FY 2000. These base increases are reflected in the Fish Management Program budget and include \$527,000 in FY 2002 and \$533,000 in FY 2003 from the fee increase and \$500,000 each year in Heritage Enhancement dollars for the accelerated walleye stocking program.

The Division of Fisheries is requesting \$3.9 million annually in Heritage Enhancement dollars. This includes \$500,000 annually, which is a base adjustment for the accelerated walleye program, as described above. The remaining \$3.4 million annual amount is a budget change item of which \$1.1 million is a replacement for the one-time General Fund appropriation Fisheries received as part of the fee increase and match package for FY 2001.

The budget change item would be used for statewide field projects, expansion of the urban fishing program in the metro region, expansion of the aquatic plant management program, fish hatchery maintenance and improvement, walleye stocking research, expansion of the aquatic education program, and increased access and management for small lakes in north central Minnesota. Failure to fund this initiative would result in a reduction to base increases that the division was able to secure in FY 2001.

PROGRAM SUMMARY (Continued)

**** PERFORMANCE PILOT ****

Program: FISH MANAGEMENT

Agency: NATURAL RESOURCES DEPT

- **Reallocation of Base Resources**
Proposals to reallocate General Fund base resources within the department will address a number of the Fish Management Program and departmental concerns.

These reallocations will result in small reductions to General Fund appropriations to lake aeration systems, fishing piers, lake and stream habitat improvement, spawning area development, shoreline stabilization, creel surveys and hatchery maintenance and improvement.

LCMR RECOMMENDATIONS – DIRECT:

- *State Fish Hatchery Rehabilitation*
To accelerate hatchery rehabilitation (\$145,000 MN Future Resources Fund).
- *Restoring Minnesota's Fish and Wildlife Habitat Corridors*
For acceleration of agency programs and cooperative agreements with the Minnesota Waterfowl Association and 11 other organizations, to restore and acquire fragmented landscape corridors that connect areas of quality habitat to sustain fish, wildlife, and plants (\$2.250 million Environmental Trust Fund).

(See the LCMR section of the Environmental Budget for more information.)

GOVERNOR'S RECOMMENDATION:

The Governor recommends the Fish Management base budget, the reallocation of base resources and lottery-in-lieu change items, and the LCMR allocations.

Activity: FISH MANAGEMENT
Program: FISH MANAGEMENT
Agency: NATURAL RESOURCES DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Category:									
State Operations									
COMPENSATION	16,174	16,799	19,347	19,029	20,259	19,561	20,791	4,904	13.6%
OTHER OPERATING EXPENSES	6,499	9,505	9,865	5,623	6,942	5,623	6,945	(5,483)	(28.3%)
Subtotal State Operations	22,673	26,304	29,212	24,652	27,201	25,184	27,736	(579)	(1.0%)
CAPITAL OUTLAY & REAL PROPERTY	963	487	3,204	19	2,002	19	1,871	182	4.9%
LOCAL ASSISTANCE	6,251	6,932	7,680	7,223	7,223	7,751	7,751	362	2.5%
Total Expenditures	29,887	33,723	40,096	31,894	36,426	32,954	37,358	(35)	0.0%

Change Items:	Fund				
(A) REALLOCATION OF BASE RESOURCES	GEN			(138)	(121)
(A) LOTTERY IN-LIEU SALES TAX	G&F			3,400	3,400
(B) FISHERIES LCMR ALLOCATIONS	EVT			1,125	1,125
(B) FISHERIES LCMR ALLOCATIONS	MNR			145	
Total Change Items				4,532	4,404

Financing by Fund:							
Direct Appropriations:							
ENVIRONMENT & NATURAL RESOURCE	182	177	331	0	1,125	0	1,125
GENERAL	928	5,423	2,600	646	508	660	539
MINNESOTA RESOURCES	0	0	0	0	145	0	0
NATURAL RESOURCES	175	172	194	191	191	197	197
GAME AND FISH (OPERATIONS)	21,830	19,625	27,428	22,575	25,975	23,087	26,487
Open Appropriations:							
GENERAL	6,036	6,941	7,551	7,163	7,163	7,691	7,691
GAME AND FISH (OPERATIONS)	735	897	1,112	1,112	1,112	1,112	1,112
Statutory Appropriations:							
NATURAL RESOURCES	3	2	7	0	0	0	0
SPECIAL REVENUE	0	426	459	100	100	100	100
FEDERAL	(1)	0	122	12	12	12	12
REINVEST IN MINNESOTA	0	0	23	0	0	0	0
GIFT	(1)	60	269	95	95	95	95
Total Financing	29,887	33,723	40,096	31,894	36,426	32,954	37,358

Activity: FISH MANAGEMENT
Program: FISH MANAGEMENT
Agency: NATURAL RESOURCES DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003	
				Base	Governor Recomm.	Base	Governor Recomm.
Revenue Collected:							
Dedicated							
NATURAL RESOURCES	0	0	1	0	0	0	0
SPECIAL REVENUE	157	492	195	195	195	195	195
FEDERAL	22	25	43	12	12	12	12
GIFT	83	89	95	95	95	95	95
Nondedicated							
GAME AND FISH (OPERATIONS)	27,941	37,192	37,501	38,881	38,503	38,881	38,503
Total Revenues Collected	28,203	37,798	37,835	39,183	38,805	39,183	38,805
FTE by Employment Type:							
FULL TIME	291.3	293.4	288.8	288.8	300.8	288.8	300.8
PART-TIME, SEASONAL, LABOR SER	49.5	47.5	37.9	37.9	64.9	37.9	64.9
OVERTIME PAY	1.1	0.3	0.3	0.3	0.3	0.3	0.3
Total Full-Time Equivalent	341.9	341.2	327.0	327.0	366.0	327.0	366.0

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PROGRAM SUMMARY

Program: WILDLIFE MANAGEMENT
Agency: NATURAL RESOURCES DEPT

PROGRAM PROFILE:

The Wildlife Management Program exists to provide management, protection, use, understanding, and enjoyment of the state's wildlife. It contributes to smart growth objectives, including using land and natural resources wisely to sustain them in the future, protecting the environment that supports outdoor recreation, and supporting tourism and natural resource based industries.

The Wildlife Management Program is the primary responsible authority in Minnesota for wildlife population management and harvest regulation, providing healthy wildlife populations for hunting and viewing activities, as well as resolving conflicts between humans and wildlife.

Because of the critical role of habitat in maintaining healthy and diverse wildlife populations, this program is also the primary lead for other programs that deal with acquiring, managing, and restoring wildlife habitats on public and private lands, and some public waters, and will contribute to conservation connections objectives by protecting and connecting natural resources and by enhancing the department's ability to partner with public and private landowners, other agencies, all levels of government, nonprofit organizations, and citizens.

The Wildlife Management Program also improves the state's ability to support sustainable forests by helping to integrate timber and wildlife goals through landscape level planning and coordination and implementation of site-level guidelines. It supports sustainable agricultural environments by providing technical assistance and cost-share to farmers, supporting agricultural conservation programs, and managing wildlife populations to be compatible with agriculture.

Primary clientele include 600,000 hunters and trappers and 1.3 million wildlife viewers/photographers.

The activity has four major goals:

- to provide sustainable wildlife populations;
- to provide sustainable recreational opportunities for users;
- to effectively resolve problems or conflict caused by wildlife;
- to increase the public's understanding of Minnesota wildlife and habitats.

STRATEGIES AND PERFORMANCE:

The Wildlife Management Program has eight primary strategies:

- Acquire, develop, and maintain Wildlife Management Areas (WMAs) for wildlife habitat, public hunting, and wildlife observation.
- Inventory and monitor the state's wildlife populations and habitats.
- Provide technical assistance to land owners and land managers to improve wildlife habitat.
- Improve the quality of Minnesota's shallow lakes.
- Provide technical assistance and cost-sharing to resolve wildlife problems.
- Conduct applied research on management-related wildlife topics.
- Provide customer service through regulated harvesting seasons, wildlife information, and education.
- Partner with organizations, individuals, and agencies to accomplish mutual objectives.

Wildlife management performance can be measured in terms of quantities of public lands and waters administered, populations of wildlife species, and public recreation and information.

- **Wildlife Management Areas.** This program manages an extensive system of over 1,300 Wildlife Management Areas totaling over 730,000 acres, with another 370,000 acres of cooperatively managed lands. Minnesota pioneered wetland protection efforts in the early 1950s with the "Save the Wetlands" program of acquiring shallow wetlands and managing them for wildlife - a program that has since become the model for other federal and state programs. The Minnesota WMA system is one of the largest in the country.
- **Wildlife Populations.** Populations of many species are at or near all-time highs, including wild turkeys, bald eagles, black bears, and locally breeding Canada geese. Minnesota also has some of the best ruffed grouse populations in the country, is a major waterfowl production state, and has successful programs of trumpeter swan and peregrine falcon restoration. However, some species are not doing well and considerable efforts are devoted to addressing the needs of rare or declining species. Conversely, abundant populations of wildlife such as deer, bears, and geese can also cause conflicts with humans so the Division of Wildlife also maintains programs to address wildlife damage and nuisance problems.

Basic population inventory, monitoring and research is essential to responsible management of populations, including the management of quota systems, setting hunting seasons, and investigating applied population and

PROGRAM SUMMARY (Continued)

Program: WILDLIFE MANAGEMENT
Agency: NATURAL RESOURCES DEPT

habitat management needs. For example, current projects are investigating issues as diverse as the causes of long-term moose population declines in northwestern Minnesota, the effects of logging practices on winter deer habitat, sources of mortality and movements of deer in agricultural environments; the conservation benefits of lands retired in CRP, the effects of fish or bait rearing on wildlife productivity of shallow wetlands, and the current distribution and abundance of gray wolves in the state.

- **Wildlife Habitat.** In addition to direct management of WMAs, the program provides technical assistance for wildlife habitat management and improvement on other public as well as private lands by consulting with forest managers, providing wildlife expertise for agricultural land conservation programs such as CRP, CREP, and RIM Reserve, assessing and managing shallow lakes with high wildlife production potential, and providing technical assistance to private individuals and organizations on improving their lands for wildlife.
- **Public Recreation and Information.** Minnesota has a rich and diverse wildlife component of great importance to the state's citizens. The state's many types of prairie, wetland, forest and other plant communities support 403 migratory and resident bird species, 240 nesting bird species that breed in the state, 80 species of mammals, and 48 species of amphibians, reptiles, and mussels. In addition to providing areas for wildlife recreation and managing hunting and trapping seasons for over 100 game species, the Wildlife Management Program provides public information and education about wildlife through publications, mass media, and personal presentations.

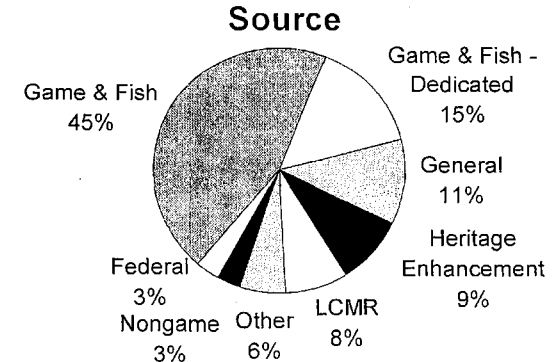
FINANCING INFORMATION:

The Wildlife Division receives funding from many sources with the bulk of funding from the Game and Fish Fund (60%). The 2000 Legislature expanded the Game and Fish Fund by including lottery in-lieu of sales tax proceeds and allocated a portion of this to the wildlife program. Effective January 2001, the Nongame Wildlife Management program will be transferred to the Division of Ecological Services. The revenue and budget for FY 2000-01 is shown in the Division of Wildlife and is shifted to the Division of Ecological Services starting in FY 2002.

REVENUE SUMMARY

This program generates revenue from the sale of hunting licenses and from reimbursement under the Federal Aid in Wildlife Restoration Act. These revenues are deposited in the dedicated Game and Fish Fund to support the program. In addition, the division generates dedicated revenue from cooperative agreements, sales of publications and gifts.

2000-2001 Expenditures by Funding



GRANTS SUMMARY

The FY 2000-01 grants budget was \$2.8 million annually. This amount included the payment in-lieu of taxes made to the counties for public hunting grounds. Under the provisions of Laws 2000, Chapter 490, the budget and responsibility for processing these payments will be transferred to the Department of Revenue beginning in FY 2002. The calculation for these payments will continue to be made by the DNR Division of Lands and Minerals. Other grants include the wildlife habitat cost share agreements, research projects, and LCMR projects.

BUDGET ISSUES:

Restoration of Services

Services restored by the 2000 Legislature will be continued. These include:

- Improved maintenance, restoration, and management of Wildlife Management Area (WMA) habitats and facilities; completion of WMA GIS inventory and mapping; increased habitat enhancement projects on public lands and waters; accelerated management of shallow lakes for wildlife benefits with emphasis on large lake restorations and wild rice lake management; grassland renovation and habitat management on WMAs to improve nesting, migration, and wintering habitats and reduce the need for annual noxious weed control; and restoration of base fleet and office budgets.
- More wildlife technical assistance in decisions affecting wildlife habitat and populations on public and private forest and agricultural lands; improve wildlife involvement with programs involving wildlife habitat, including Forest Resource Council landscape planning, the DNR Division of Forestry, the U.S. Forest Service, counties, the Conservation Reserve Program, the

PROGRAM SUMMARY (Continued)

Program: WILDLIFE MANAGEMENT
Agency: NATURAL RESOURCES DEPT

Conservation Reserve Enhancement Program, and the Reinvest In Minnesota Reserve land retirement program; expand wildlife damage management assistance to maintain good landowner relations and tolerance for healthy wildlife populations.

- Enhanced surveys of public and stakeholders and improved efficiency of wildlife population and habitat surveys and inventories and investigations on population estimation, trend monitoring, mortality, and habitat needs (especially for wintering wildlife); improved population management and monitoring for deer, bear, moose, furbearers, and other wildlife; expanded wetland wildlife/migratory bird habitat and population inventory and management-related investigations; continued wildlife population model verification and enhancement for improved population and harvest models to refine setting hunting and trapping harvest quotas and population management.
- Enhanced WMA facilities and public land access; improved information availability through the internet; increased publications and maps, brochures, direct mailings, and publicity; and enhanced management and accessibility of wildlife databases and budgets to improve access to information, efficiency, and accountability.

Heritage Enhancement Account

Wildlife habitat and population management has been expanded through the Heritage Enhancement account. Expenditures from this account began in FY 2001 with the first appropriation authorized in Laws of 2000, Chapter 463, Section 23.

First-year expenditures were to: enhance wildlife habitat conservation on private lands; provide food plots; increase prescribed burning; improve brushland habitats; restore and improve wetlands and prairie grasslands; improve forest habitats; and acquire high priority sites and inholdings for WMAs.

Planned expenditures for FY 2002 and FY 2003 include: increased Con-Con PILT and boundary surveys, posting, management, record keeping, and public use promotion for new WMAs; wolf management and population monitoring; improved wildlife population monitoring; prescribed burning; brushland habitat shearing and burning; restoration and improvement of prairie grasslands; forest habitat improvement; forest wildlife landscape level planning and coordination; wetland restoration and development; increased support for waterfowl habitat management in Canada; private land wildlife management technical assistance and cost-share; habitat development on newly acquired WMA lands; and matching funds to continue prairie chicken restoration efforts.

Office consolidation and more efficient staff administrative support

The Division of Wildlife will continue to consolidate Wildlife offices to reduce the overall number of areas and budget locations, and to increase administrative efficiency. This will allow professionals to spend more time on wildlife projects, and less time doing routine administrative tasks.

This consolidation was begun in 1994 when four areas were combined into two. Since then, four more areas were consolidated. This strategy will continue as vacancies and retirements create opportunities. Consolidations will not reduce the overall number of professional managers at the area/field level. Resulting savings and reallocation of existing operating dollars will be used to provide administrative assistance at all field area offices. At the conclusion of this process, the net result will be an increase in secretarial staff at area offices statewide. This will relieve professional staff of many routine administrative duties.

- **Reallocation of Base Resources** The proposal to reallocate General Fund base resources within the Department will address a number of the Wildlife Management Program and Departmental concerns. These reallocation proposals will result in small reductions to General Fund appropriations to the Private Land Wildlife Habitat technical Assistance (eliminate two temporary positions), brush land and open land habitat enhancement (approximately 1000 acres/year reduction) and wildlife population inventory and survey work.

LCMR RECOMMENDATION – DIRECT:

- *Restoring Minnesota's Fish and Wildlife Habitat Corridors*
For acceleration of agency programs and cooperative agreements with Minnesota Waterfowl Association and 11 other organizations, to restore and acquire fragmented landscape corridors that connect areas of quality habitat to sustain fish, wildlife, and plants (\$910,000 Environmental Trust Fund).

(See the LCMR section of the Environmental Budget for more information.)

GOVERNOR'S RECOMMENDATION:

The Governor recommends the Wildlife Management base budget, the reallocation of base resources and lottery in-lieu change items, and the LCMR allocations.

Activity: WILDLIFE MANAGEMENT
Program: WILDLIFE MANAGEMENT
Agency: NATURAL RESOURCES DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Category:									
State Operations									
COMPENSATION	10,859	11,549	14,387	13,229	14,710	13,598	14,978	3,752	14.5%
OTHER OPERATING EXPENSES	4,891	3,669	13,160	7,460	8,382	7,474	8,589	142	0.8%
TRANSFERS	0	0	60	10	10	10	10	(40)	(66.7%)
Subtotal State Operations	15,750	15,218	27,607	20,699	23,102	21,082	23,577	3,854	9.0%
CAPITAL OUTLAY & REAL PROPERTY	3,152	3,509	4,080	1,004	1,004	1,004	1,004	(5,581)	(73.5%)
PAYMENTS TO INDIVIDUALS	15	18	4	4	4	4	4	(14)	(63.6%)
LOCAL ASSISTANCE	3,110	2,844	2,682	442	777	442	777	(3,972)	(71.9%)
Total Expenditures	22,027	21,589	34,373	22,149	24,887	22,532	25,362	(5,713)	(10.2%)

Change Items:	Fund				
(A) REALLOCATION OF BASE RESOURCES	GEN			(117)	(125)
(A) LOTTERY IN-LIEU SALES TAX	G&F			2,400	2,500
(B) WILDLIFE LCMR ALLOCATIONS	EVT			455	455
Total Change Items				2,738	2,830

Financing by Fund:							
Direct Appropriations:							
ENVIRONMENT & NATURAL RESOURCE	1,472	805	1,071	0	455	0	455
GENERAL	2,371	2,228	2,281	1,707	1,590	1,731	1,606
MINNESOTA RESOURCES	76	546	1,594	0	0	0	0
NATURAL RESOURCES	645	636	739	0	0	0	0
GAME AND FISH (OPERATIONS)	13,968	12,678	24,268	18,236	20,636	18,585	21,085
Open Appropriations:							
GENERAL	1,378	1,383	10	10	10	10	10
NATURAL RESOURCES	2	4	4	0	0	0	0
Statutory Appropriations:							
GENERAL	2	1	297	50	50	50	50
NATURAL RESOURCES	58	3	386	0	0	0	0
SPECIAL REVENUE	293	278	895	240	240	250	250
GAME AND FISH (OPERATIONS)	20	20	21	20	20	20	20
FEDERAL	798	425	1,138	620	620	620	620
REINVEST IN MINNESOTA	698	1,369	1,093	1,036	1,036	1,036	1,036
GIFT	246	1,213	576	230	230	230	230
Total Financing	22,027	21,589	34,373	22,149	24,887	22,532	25,362

Activity: WILDLIFE MANAGEMENT
Program: WILDLIFE MANAGEMENT
Agency: NATURAL RESOURCES DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003	
				Base	Governor Recomm.	Base	Governor Recomm.
Revenue Collected:							
Dedicated							
GENERAL	107	0	106	50	50	50	50
NATURAL RESOURCES	891	981	0	0	0	0	0
SPECIAL REVENUE	416	377	355	340	340	350	350
GAME AND FISH (OPERATIONS)	289	293	308	316	316	321	321
FEDERAL	870	228	881	620	620	620	620
REINVEST IN MINNESOTA	142	94	165	165	165	165	165
GIFT	274	1,203	281	230	230	230	230
Nondedicated							
NATURAL RESOURCES	97	39	1,025	0	0	0	0
GAME AND FISH (OPERATIONS)	29,132	31,133	34,321	35,551	35,314	35,787	35,550
Total Revenues Collected	32,218	34,348	37,442	37,272	37,035	37,523	37,286
FTE by Employment Type:							
FULL TIME	160.2	165.5	147.5	137.7	153.7	137.7	158.7
PART-TIME, SEASONAL, LABOR SER	58.3	52.7	44.6	39.3	58.3	39.3	45.8
OVERTIME PAY	0.7	0.6	0.0	0.0	0.0	0.0	0.0
Total Full-Time Equivalent	219.2	218.8	192.1	177.0	212.0	177.0	204.5

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PROGRAM SUMMARY

Program: ECOLOGICAL SERVICES
Agency: NATURAL RESOURCES DEPT

PROGRAM PROFILE:

Ecological Services works with many others inside and outside the DNR to help ensure that present and future Minnesotans receive the benefits of healthy, resilient ecosystems.

The benefits of healthy, resilient ecosystems include the following: high quality outdoor recreation (such as hunting, fishing, wildlife viewing); sustainable renewable resources (such as timber resources); vital ecosystem services (such as flood control and stable soils); enriched human settlements (such as beautiful open space); and diverse and abundant native plant and animal populations and communities (such as wet sedge meadows and forest songbirds).

Ecological Services has five overarching goals that focus our collaborative management of Minnesota's ecosystems:

- Goal 1. Opportunities to enjoy, research, and understand Minnesota's ecosystems will be enhanced.
- Goal 2. Native plants, animals, and natural communities will be sustained in Minnesota ecosystems.
- Goal 3. Key ecological structures, functions, and processes will be sustained in Minnesota ecosystems.
- Goal 4. Rare species and communities will not diminish further or disappear from Minnesota ecosystems.
- Goal 5. Key rare species populations will be enhanced.

STRATEGIES AND PERFORMANCE:

Ecological Services employs state-of-the-art strategies to achieve its goals by:

- collecting data on native species, communities, and ecosystems;
- analyzing data and transforming it into meaningful information;
- delivering meaningful information and helping people use it;
- educating various audiences about ecosystems and biological diversity;
- regulating activities that impact listed species;
- working with others to regulate activities that impact aquatic plants;
- working with others to restore ecological processes critical for desired biological diversity;
- creating opportunities to enjoy and research Minnesota's biodiversity;

- creating and managing integrated information systems; and
- providing financial assistance to combat exotic species infestations.

Outputs

Ecological Service's outputs result from the successful implementation of these strategies. The following are some example measures of Ecological Services' performance over the past several years:

Collection of Ecological Data

- recorded over 11,000 new locations of rare features and entered data from over 6,300 vegetation plots in the Heritage Rare Features Database (see figure);
- intensively surveyed all or portions of 64 Minnesota counties (41 completed; 23 underway) for locations of rare plant and animal species, remaining native plant communities, and rare landscape features.

Delivery of Ecological Information

- Created maps displaying rare features information for 23 counties that are available for use by citizens, agencies, business leaders, and public officials;
- Inspected over 40,000 boats annually at public accesses for the presence of exotic species and informed those boaters about threats posed by exotic species in Minnesota waters; responded to over 500 environmental review requests per year with information on listed species, natural communities, effects on other local resources, and alternative development options;
- Responded to over 500 environmental review requests per year with information on listed species, natural communities, effects on other local resources, and alternative development options;
- Organized over 25 workshops reaching at least 1,000 citizens and resource managers with information on lakescaping, keeping nature in your neighborhood, forest bird management, and stream classification and restoration;

Enhancement of Ecosystem Health and Resilience

- Maintained and restored rare species, communities, and natural systems on the 132 Scientific and Natural Areas located around the state. Provided appropriate research, education, and recreation (including some hunting, fishing, and trail use) on SNAs;
- Completed the restoration of 3.5 miles of the Whitewater River channel to a naturally meandering condition, reducing sediment deposition in the Weaver Bottoms - a valuable backwater habitat of the Mississippi River;

PROGRAM SUMMARY (Continued)

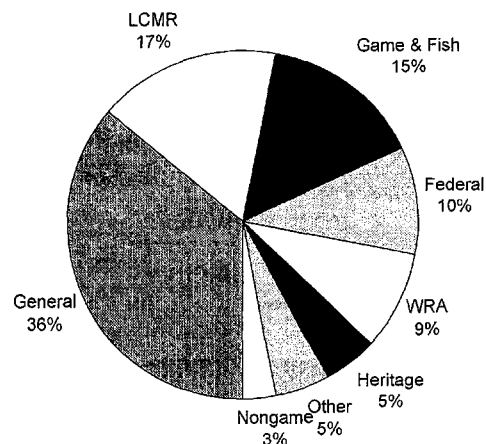
Program: ECOLOGICAL SERVICES
Agency: NATURAL RESOURCES DEPT

- Reduced the threats posed by purple loosestrife (an invasive exotic species) to biological diversity in Minnesota wetlands through the release of several insects that act as biological control agents.

FINANCING INFORMATION:

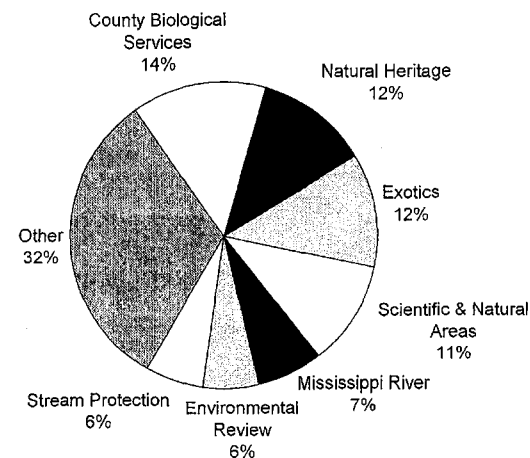
Ecological Services is supported by a diversity of funding sources. During the FY 2000-01 biennium, the relative proportion of these sources is shown under expenditures by funding source.

2000-2001 Expenditures by Funding Source



The relative proportion of the division budget allocated to its major programs is shown in the second chart labeled major program expenditures:

2000-01 Major Program Expenditures



REVENUE SUMMARY

The Division generates dedicated and non-dedicated revenue. Examples include the following funds:

- Game & Fish Fund**—revenues from aquatic nuisance permits. The Division also contributes to the Department's earning of PR/DJ federal aid reimbursement dollars.
- Special Revenue Funds**—includes revenue from cooperative agreements, sales of publications, and seminars/workshop fees.
- Federal Funds**—includes proceeds from various federal agencies.

GRANTS SUMMARY

The grants budget administered by Ecological Services was \$1.3 million for the FY 2000-01 biennium. This amount included grants for the following activities: milfoil control, mussel study, birding trails, wild rice weed control, native vegetation restoration, exotic species, Lake Superior, and critical habitat for native amphibians.

PROGRAM SUMMARY (Continued)

Program: ECOLOGICAL SERVICES
Agency: NATURAL RESOURCES DEPT

BUDGET ISSUES:

- The department is requesting \$1.655 million for FY 2002 and \$1.555 million for FY 2003 from the Heritage Enhancement Account in the Game & Fish Fund, as a new investment initiative, to improve the Ecological Services Division's ability to collect and provide vital ecological information to citizens, governments and local communities. Providing ecological information is a key strategy to reach the following DNR goal, as outlined in Directions 2000, "Local communities will have the information, expertise and resources to plan for and manage natural resources."
- Included in the Division's Heritage Enhancement Investment Initiative is a request for \$457,000 that was allocated to the Division in FY 2001 to expand game and fish projects and cover the increased salary costs of a classification study. The 2000 legislature approved increased hunting and fishing license fees, and an increased appropriation from the Game and Fish Fund (\$3.591 million) to the former Division of Fish and Wildlife. The appropriation was matched with a one-time General Fund appropriation of \$1.565 million. Ecological Services' portion of the fee increase was allocated from the General Fund match. Beginning in FY 2002, the Department is proposing that these General Fund dollars become part of the base budget allocated from the Heritage Enhancement Account.
- **Reallocating of Base Resources**
Proposals to reallocate General Fund base resources within the Department will address a number of the Ecological Services program and Departmental concerns. The reallocation proposal will result in the need to leave one position vacant in the Environmental Review activity, to eliminate the analytical chemistry work that supports lake surveys, and a few smaller program adjustments that impact the collection and delivery of ecological information.
- In January 2001, the Nongame Wildlife Program will be transferred from the Division of Wildlife into the Division of Ecological Services. The transfer will enhance the DNR's ability to deliver important information on native nongame resources to citizens, government, and local communities. In FY 2001, the program includes 14 FTE and a budget of about \$1 million.

LCMR RECOMMENDATIONS – DIRECT:

- **Restoring Minnesota's Fish and Wildlife Habitat Corridors**
For acceleration of agency programs and cooperative agreements with Minnesota Waterfowl Association and 11 other organizations, to restore and

acquire fragmented landscape corridors that connect areas of quality habitat to sustain fish, wildlife, and plants (\$625,000 Environmental Trust Fund).

- **Biological Control of Eurasian Watermilfoil and Purple Loosestrife - Continuation**
To develop and implement biological controls for Eurasian watermilfoil and purple loosestrife (\$90,000 Environmental Trust Fund).
- **Acquisition of Lands as Scientific and Natural Areas**
To acquire land with natural features of statewide significance in the Scientific and Natural Area Long Range Plan (\$455,000 Environmental Trust Fund).
- **Minnesota County Biological Survey-Continuation**
Provides for the 8th biennium of a 12 biennium project to accelerate the survey that identifies significant natural areas and systematically collects and interprets data on the distribution and ecology of natural communities, rare plants and animals (\$800,000 Mn Future Resources Fund).

(see the LCMR section of the Environmental Budget for more information)

GOVERNOR'S RECOMMENDATION:

The Governor recommends Ecological Services base budget, the lottery in-lieu change item, and the LCMR projects. In addition, the Governor recommends \$225 thousand in FY 2002 and \$225 thousand in FY 2003 from the environmental trust fund for the Forest Bird Diversity project, and \$123 thousand in FY 2002 and \$122 thousand in FY 2003 from the environmental trust fund, and \$205 thousand in FY 2002 from the future resources fund for the Mussel Resource Survey project. See the Governor's recommendation in the LCMR section for more information on these projects.

Activity: ECOLOGICAL SERVICES
Program: ECOLOGICAL SERVICES
Agency: NATURAL RESOURCES DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Category:									
State Operations									
COMPENSATION	4,558	5,597	6,566	5,979	8,381	6,125	7,513	3,731	30.7%
OTHER OPERATING EXPENSES	4,034	2,362	5,409	2,860	4,009	2,861	3,883	121	1.6%
Subtotal State Operations	8,592	7,959	11,975	8,839	12,390	8,986	11,396	3,852	19.3%
CAPITAL OUTLAY & REAL PROPERTY	183	9	458	50	377	50	406	316	67.7%
PAYMENTS TO INDIVIDUALS	43	53	0	0	0	0	0	(53)	(100.0%)
LOCAL ASSISTANCE	727	940	396	175	175	175	175	(986)	(73.8%)
Total Expenditures	9,545	8,961	12,829	9,064	12,942	9,211	11,977	3,129	14.4%

Change Items:	Fund				
(A) REALLOCATION OF BASE RESOURCES	GEN			284	280
(A) LOTTERY IN-LIEU SALES TAX	G&F			1,655	1,555
(B) ECOLOGICAL SERVICES LCMR ALLOCATIONS	EVT			586	584
(B) ECOLOGICAL SERVICES LCMR ALLOCATIONS	MNR			800	
(B) FOREST BIRD DIVERSITY - GOV'S LCMR RECS	EVT			225	225
(B) MUSSEL RESOURCE SURVEY - GOV'S LCMR	EVT			123	122
(B) MUSSEL RESOURCE SURVEY - GOV'S LCMR	MNR			205	
Total Change Items				3,878	2,766

Financing by Fund:							
Direct Appropriations:							
ENVIRONMENT & NATURAL RESOURCE	1,162	1,659	1,718	0	934	0	931
GENERAL	4,287	3,096	4,715	3,758	4,042	3,831	4,111
MINNESOTA RESOURCES	306	464	0	0	1,005	0	0
NATURAL RESOURCES	1,203	1,131	1,351	1,979	1,979	2,013	2,013
GAME AND FISH (OPERATIONS)	1,811	1,497	2,818	1,787	3,442	1,827	3,382
Open Appropriations:							
NATURAL RESOURCES	0	0	0	4	4	4	4
Statutory Appropriations:							
NATURAL RESOURCES	149	9	108	0	0	0	0
SPECIAL REVENUE	17	66	738	325	325	325	325
FEDERAL	610	956	1,188	850	850	850	850
ENVIRONMENTAL	0	0	0	260	260	260	260
GIFT	0	83	193	101	101	101	101
Total Financing	9,545	8,961	12,829	9,064	12,942	9,211	11,977

Activity: ECOLOGICAL SERVICES
Program: ECOLOGICAL SERVICES
Agency: NATURAL RESOURCES DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003	
				Base	Governor Recomm.	Base	Governor Recomm.
Revenue Collected:							
Dedicated							
NATURAL RESOURCES	51	47	0	0	0	0	0
SPECIAL REVENUE	110	125	110	130	130	130	130
FEDERAL	577	920	935	850	850	850	850
GIFT	32	53	50	101	101	101	101
Nondedicated							
NATURAL RESOURCES	0	0	0	1,025	1,025	1,025	1,025
GAME AND FISH (OPERATIONS)	98	133	1,150	1,980	1,817	1,980	1,817
Total Revenues Collected	868	1,278	2,245	4,086	3,923	4,086	3,923
FTE by Employment Type:							
FULL TIME	81.5	95.0	85.0	87.1	116.7	79.1	97.9
PART-TIME, SEASONAL, LABOR SER	12.4	15.1	13.5	12.9	20.4	12.9	19.9
OVERTIME PAY	0.5	1.1	1.1	0.6	0.6	0.6	0.6
Total Full-Time Equivalent	94.4	111.2	99.6	100.6	137.7	92.6	118.4

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PROGRAM SUMMARY

Program: ENFORCEMENT--NR LAWS&RULES
Agency: NATURAL RESOURCES DEPT

PROGRAM PROFILE:

The Enforcement Division is responsible for ensuring compliance with state game, fish, and recreational vehicle laws. Major responsibilities include enforcement of the rules and regulations related to

- hunting and fishing seasons, methods of taking animals and fish, bag and possession limits;
- public safety, especially where it concerns alcohol consumption while hunting or operating recreational vehicles;
- commercial use and possession of natural resources and products;
- the protection of the state's land, air, and water.

In addition, the Enforcement Division provides educational training programs in firearms safety, hunter and trapper education, youth and adult snowmobile safety, all terrain vehicle safety, and off-highway motorcycle safety. These activities ensure that natural resources will be available for future generations to enjoy and that citizens will be safe in their recreational pursuits.

All Minnesotans and tourists use natural resources and this program serves them by protecting natural resources and ensuring public safety. The Enforcement Division administers two pass-through grants. Boat and Water Safety grants provide \$1.082 million to sheriffs' offices each year. Snowmobile grants provide \$400,000 to sheriffs' offices and local law enforcement agencies each year.

STRATEGIES AND PERFORMANCE:

Our strategic plan identifies 5 primary strategies to accomplish Division responsibilities within the existing budget:

- Continue to involve staff at all levels in the Division decision making.
- Continue our traditional game and fish role of law enforcement services.
- Increase voluntary compliance through education.
- Remain responsive to emerging trends and new responsibilities.
- Increase recreational vehicle and alcohol enforcement.

The Enforcement Division uses a variety of approaches to protect natural resources:

- Saturate problem areas with specialized task force.
- Use CO work plans to communicate workload priorities.
- Require CO's to perform training activities.

- Use media to highlight new laws and regulations.
- Provide boat and water safety grants to local law enforcement.

These approaches have proven to be effective in enhancing public safety. This can be seen in the reduction in the number of hunting fatalities in comparison to states with similar regulatory schemes. The Enforcement Division attributes this success to the Youth Firearm Safety and Advanced Hunter Education programs. An average of 20,000 students take the hunting safety and education courses each year and approximately 200,000 students have completed them over the past 10 years.

	Accident Rate/100,000 Licenses Sold					
	<u>1990</u>	<u>1992</u>	<u>1994</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>
Total Licenses Sold	890,000	835,000	866,000	865,000	864,225	896,276
Cumulative Students Certified	691,000	732,000	779,000	849,553	866,014	888,313
Accident Rate	.007%	.005%	.003%	.004%	.004%	.004%
Total Accidents	63	41	28	35	42	39

An average of 12,000 students take the Division's adult and youth snowmobile safety and education courses each year, and approximately 91,321 students have completed them over the past 10 years.

Increased snowmobile law enforcement activity has decreased the number of fatalities and snowmobile accidents. The table below compares accidents and fatalities for the last five winter seasons. The trend of increasing number of accidents and fatalities was reversed in the 1997-1998 season, in large measure because of high profile enforcement efforts during the 1996-1997 season by conservation officers.

<u>Season</u>	<u>Fatal</u>	<u>Non-Fatal</u>
1995-96	26	582
1996-97	32	615
1997-98	19	275
1998-99	18	336
1999-00	11	238

PROGRAM SUMMARY (Continued)

Program: ENFORCEMENT--NR LAWS&RULES
Agency: NATURAL RESOURCES DEPT

During the 1998-99 and 1999-2000 winter seasons Michigan had 33/40 and Wisconsin 20/38 snowmobile fatalities under very similar snow conditions.

FINANCING INFORMATION:

The Enforcement Division has a very complex funding mechanism. The following table shows the direct appropriations for the FY 2000-01 biennium and the relative proportion of each funding source, not including grants:

<u>Fund/Account</u>	<u>Percent</u>	<u>\$(000's)</u>
Game and Fish	60.4	26,464
General	15.8	6,905
Water Recreation	7.6	3,310
Snowmobile	5.0	2,176
Police State Aid	4.9	2,145
Heritage Enhancement	4.0	1,744
ATV	1.3	587
Solid Waste	.5	200
Off-Highway M/C	.3	137
Off-Road Vehicle	.2	106

The funding mix is changed to reflect actual changes in conservation officer activities based on a three-year average. The most recent changes resulted from an increase in recreational usage, and legislatively assigned responsibilities.

REVENUE:

The Enforcement Division generates revenues from criminal and civil fines, restitution penalties from criminal prosecutions, the sale of confiscated property, and safety training fees. A statutory change made during the last legislative session now annually appropriates the safety training fees to the Enforcement Division for administration of the snowmobile, all-terrain vehicle (ATV), firearms, and hunter and trapper education courses.

GRANTS:

The Enforcement Division annually provides grants to counties for boat and water safety, and to local law enforcement agencies for snowmobile enforcement activities above and beyond current levels of local law enforcement activities. Also included in FY 2002 is a \$910,000 cost-share grant project recommended

by the LCMR for the Development and Rehabilitation of Recreational Shooting Ranges.

BUDGET ISSUES:

Over the past 10 years, the Enforcement Division's budget base has been diminished by increased costs of salary and fringe benefits that have exceeded allowable salary supplement adjustments, the implementation of a Hay Study, and increased vehicle and fleet costs.

The 2000 legislative session provided the Enforcement Division with \$825,000 per year from the Game and Fish Fund license fee increase. These funds have enabled the division to begin the process of hiring and training seven new officers to fill vacant stations.

Also, for FY 2001 the Enforcement Division received one-time funding from the new Heritage Enhancement Account in the Game & Fish Fund to hire 20 new officers to fill vacant enforcement stations and to begin replacing needed equipment. Screening and hiring of new officer candidates has been conducted and training is ongoing. It is anticipated that the first new officers will be assigned to their stations by February 2001. Replacement of equipment is ongoing.

Continued funding from the Heritage Enhancement Account is being requested in the amount of \$2.298 million for FY 2002 and \$2.361 million for FY 2003. These funds will allow the division to meet the following needs:

- \$1.2 million each year to retain the new officers that were hired to fill vacant stations, through the initial FY 2001 appropriation. Many of these officers have just received their station assignments, and the 20 officers going through the academy beginning in 2001 will complete their field training and be assigned to their stations in approximately August of 2001.
- \$664,000 per year to implement an equipment replacement program. Prior to FY 2001, the Enforcement Division was unable to fund the purchase of replacement equipment (snowmobiles, all-terrain vehicles, small outboard motors, small boats, and other equipment). The one-time funding provided in FY 2001 will allow us to catch up on the backlog of equipment needed.
- \$264,000 for FY 2002 and \$317,000 for FY 2003 to cover the significant increase in retiree insurance costs along with providing coverage to a larger number of retirees. The Division anticipates additional conservation officer retirements of six in FY 2002 and seven in FY 2003.

PROGRAM SUMMARY (Continued)

Program: ENFORCEMENT--NR LAWS&RULES

Agency: NATURAL RESOURCES DEPT

- \$170,000 for FY 2002 and \$180,000 for FY 2003 to provide for higher vehicle/fuel operational costs. This change request will enable the division to restore the prior enforcement patrol and response capabilities for existing stations with officers and stations to be filled with new hires.
- Reallocation of Base Reduction. A proposal to reallocate General Fund base resources within the department will address a number of the broader Enforcement Program and Department mental concerns. This will result in a restructuring of work responsibilities within the central office, not filling certain support positions vacated through retirement, and extending leases on computer equipment.
- An annual budget reduction of \$126,000 in the Snowmobile Trails and Enforcement Account in order to maintain a positive balance in the account through the FY 2004-05 biennium. Snowmobile grants to local law enforcement agencies will be reduced each year by \$63,000 or 16%. The Enforcement Division's operating budget will be reduced each year by \$63,000 which will result in the loss of approximately 2,600 hours of snowmobile enforcement activities.

LCMR RECOMMENDATIONS – DIRECT:

- *Development and Rehabilitation of Recreational Shooting Ranges*
To provide cost-share grants to local recreational shooting clubs for the purpose of developing or rehabilitating shooting sports facilities for public use (\$910,000 Mn Future Resources Fund).

(See the LCMR section of the Environmental Budget for more information.)

GOVERNOR'S RECOMMENDATION:

The Governor recommends the program's base budget, the reallocation of the General Fund base budget, the snowmobile fund budget reduction and lottery in-lieu change items, and the LCMR recommendations.

Activity: ENFORCEMENT--NR LAWS&RULES
Program: ENFORCEMENT--NR LAWS&RULES
Agency: NATURAL RESOURCES DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Category:									
State Operations									
COMPENSATION	14,728	15,159	16,504	16,597	17,462	17,093	18,010	3,809	12.0%
OTHER OPERATING EXPENSES	4,741	4,223	8,100	5,536	6,515	5,538	6,517	709	5.8%
Subtotal State Operations	19,469	19,382	24,604	22,133	23,977	22,631	24,527	4,518	10.3%
LOCAL ASSISTANCE	1,503	1,709	1,518	1,482	2,307	1,482	1,397	477	14.8%
Total Expenditures	20,972	21,091	26,122	23,615	26,284	24,113	25,924	4,995	10.6%

Change Items:	Fund				
(A) REALLOCATION OF BASE RESOURCES	GEN			(369)	(380)
(A) SNOWMOBILE FUND BUDGET REDUCTION	NRF			(170)	(170)
(A) LOTTERY IN-LIEU SALES TAX	G&F			2,298	2,361
(A) PCA ENVIRONMENTAL TAX REFORM	ENV			100	100
(A) PCA ENVIRONMENTAL TAX REFORM	SW			(100)	(100)
(B) ENFORCEMENT LCMR ALLOCATIONS	MNR			910	
Total Change Items				2,669	1,811

Financing by Fund:							
Direct Appropriations:							
GENERAL	3,588	3,390	4,131	3,741	3,372	3,836	3,456
MINNESOTA RESOURCES	0	315	35	0	910	0	0
NATURAL RESOURCES	4,374	4,414	4,769	4,691	4,521	4,736	4,566
GAME AND FISH (OPERATIONS)	12,805	12,772	16,702	14,782	17,080	15,145	17,506
ENVIRONMENTAL	0	0	0	0	100	0	100
SOLID WASTE	100	100	100	100	0	100	0
Statutory Appropriations:							
NATURAL RESOURCES	66	64	73	71	71	71	71
SPECIAL REVENUE	37	3	32	10	10	10	10
GAME AND FISH (OPERATIONS)	0	0	146	146	146	146	146
FEDERAL	0	25	120	70	70	65	65
GIFT	2	8	14	4	4	4	4
Total Financing	20,972	21,091	26,122	23,615	26,284	24,113	25,924

Activity: ENFORCEMENT--NR LAWS&RULES
Program: ENFORCEMENT--NR LAWS&RULES
Agency: NATURAL RESOURCES DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003	
				Base	Governor Recomm.	Base	Governor Recomm.
Revenue Collected:							
Dedicated							
NATURAL RESOURCES	66	66	71	71	71	71	71
SPECIAL REVENUE	9	13	10	10	10	10	10
GAME AND FISH (OPERATIONS)	0	0	146	146	146	146	146
FEDERAL	0	25	120	70	70	65	65
GIFT	1	8	4	4	4	4	4
Nondedicated							
GENERAL	0	1	0	0	0	0	0
NATURAL RESOURCES	107	115	86	94	94	94	94
GAME AND FISH (OPERATIONS)	540	681	2,213	3,002	2,775	3,002	2,775
Total Revenues Collected	723	909	2,650	3,397	3,170	3,392	3,165
FTE by Employment Type:							
FULL TIME	207.1	206.5	206.5	206.5	215.0	206.5	215.0
PART-TIME, SEASONAL, LABOR SER	9.6	4.1	1.6	1.6	1.6	1.6	1.6
OVERTIME PAY	22.7	22.1	22.1	22.1	22.1	22.1	22.1
Total Full-Time Equivalent	239.4	232.7	230.2	230.2	238.7	230.2	238.7

PROGRAM SUMMARY

Program: OPERATIONS SUPPORT
Agency: NATURAL RESOURCES DEPT

PROGRAM PROFILE:

This program provides the administrative support to all other DNR programs, as well as direct services to the general public. The program is comprised of four separate budget activities. Each of these activities will be discussed in more detail on the following pages. The four budget activities and their sub-units are the following:

- Field Operations Support
 - Field Services Bureau
 - Engineering Bureau
- Regional Operations Support
- Administrative Management
 - Office of Affirmative Action and Diversity
 - Commissioner's Office
 - Human Resources Bureau
 - Bureau of Information, Education and Licensing
 - Management Information Services Bureau
 - Office of Management and Budget Services
- Recreation and Local Initiative Grants

STRATEGIES AND PERFORMANCE:

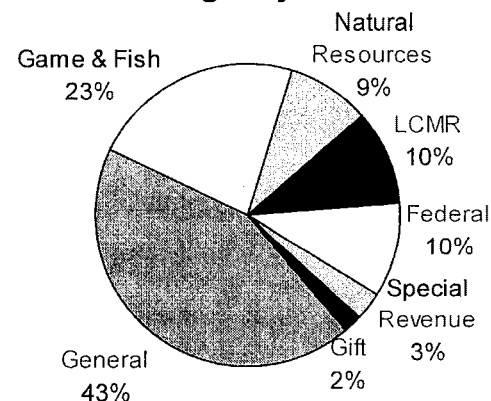
The Operations Support program uses the following strategies:

- Constantly monitor and modify our business practices to deliver a high quality of service at the lowest possible cost.
- Assess the financial impact to support services when considering new budget initiatives.
- Develop partnerships with local units of government and other natural resource organizations on resource issues and management objectives.
- Improve communication with, and services for, stakeholders and citizens.
- Provide leadership in establishing standards for evaluating ecosystem health.
- Provide leadership in evaluating the effectiveness of ecosystem-based management efforts.

- Improve the integration of support services, including budgeting and planning.

FINANCING INFORMATION:

Operations Support Expenditures/Budget by Fund FY 2000-01



BUDGET ISSUES:

The single greatest budget issue for the Operations Support program is securing funding for the proper level of administrative support that field programs require. Often with dedicated funding, there is tendency to underfund administrative support activity. Thus, operations support expenditures have not kept pace with programmatic expenditures.

- Reallocation of Base Resources

The following proposals to reallocate base resources within the Department will add resources to activities within Operations Support to address a number of departmental concerns:

 - Put department resources toward working with local units of government to ensure the preservation of open space through DNR's Conservation Connections program.
 - Add staff to DNR's Human Resources Bureau to enhance turnaround time so that personnel hires and transactions are handled in a timely manner.

PROGRAM SUMMARY (Continued)

Program: OPERATIONS SUPPORT
Agency: NATURAL RESOURCES DEPT

- Convert LCMR funded Environmental Indicators staff to develop a departmental formal program evaluation function for improved operations.
- Shift resources to improve inter-disciplinary resource management and community assistance at the department's six regional offices.
- Add resources to the department's Management Information Systems unit to contract for or add staff contract to address systems development needs (includes the forest information system, FORIST, Revenue Management System and an integrated Land Management System) and to continue efforts to connect area offices to the Department's computer network. Connecting area offices will allow data to be available at local level and improve coordination.

The primary financial challenge is finding how to provide an increased level of support services in a more efficient manner.

External factors that impact the cost of providing support services:

- Changes in technology.
- Increased public desire for natural resource information.
- Changes in mandates-federal and state law, regulation and policy.

Internal factors impacting the cost of support services:

- An increased need to collect data and make it available to stakeholders.
- Integrated services and improved efficiency.

LCMR RECOMMENDATIONS – DIRECT

Metro Greenways

For the Metro Greenways Program to provide assistance for planning, improving, and protecting important natural areas in the metropolitan region through grants, conservation easements and fee acquisition (\$2.73 million Environmental Trust Fund).

Neighborhood Wilds Program

For the Neighborhood Wilds Program to assist neighborhoods adjacent to public lands and natural areas in restoration and management of habitat through demonstration projects (\$135,000 Mn Future Resources Fund).

Pass-Through Administration

To the commissioner of natural resources for contract administration activities assigned to the commissioner in the Minnesota Resources Section (\$110,000 Environmental Trust Fund; \$40,000 Mn Future Resources Fund).

Local Grants Initiative Program: Outdoor Recreation Grants

(\$3.4 million Environmental Trust Fund; \$605,000 Mn Future Resources Fund).

1. For regional parks outside the metropolitan area under MS 473.121, for recreation areas and natural and scenic areas under MS 85.019.
2. For local parks, outdoor recreation areas, and natural and scenic areas under MS 85.019.
3. For statewide conservation partners grants of up to \$20,000 each to encourage private organizations and local governments to cost share improvements of fish, wildlife, and native plant habitats and research and surveys of fish and wildlife.
4. For environmental partnerships program grants of up to \$20,000 each for environmental service projects and related education activities through public and private partnerships.

Grants under clause (1) may provide up to 60% of the nonfederal share of the project cost. Grants under clauses (2) to (4) may provide up to 50% of the nonfederal share of the project cost.

LCMR RECOMMENDATIONS – PASS THROUGH:

Enhancing Canada Goose Hunting and Management

An agreement with the Minnesota Waterfowl Association to acquire leases on private farmlands for foraging sites and public hunting opportunities and to provide technical assistance to local units of government in developing controlled hunts for nuisance geese (\$340,000 Mn Future Resources Fund).

Restoring Minnesota's Fish and Wildlife Habitat Corridors

For acceleration of agency programs and cooperative agreements with Minnesota Waterfowl Association and 11 other organizations, to restore and acquire fragmented landscape corridors that connect areas of quality habitat to sustain fish, wildlife, and plants (\$7.960 million Environmental Trust Fund).

Engineering Support for Public Lands Waterfowl Projects

For an agreement with Ducks Unlimited to provide survey and engineering support to natural resources agencies for waterfowl projects on public lands (\$275,000 Mn Future Resources Fund).

PROGRAM SUMMARY (Continued)

Program: OPERATIONS SUPPORT
Agency: NATURAL RESOURCES DEPT

Big Rivers Partnership: Helping Communities to Restore Habitat

For an agreement with Great River Greening to implement private and public habitat projects on a cost share basis in the Mississippi and Minnesota River Valleys (\$910,000 Environmental Trust Fund).

Acquisition and Restoration of Eagle Creek's Last Private Land

An agreement with the city of Savage to acquire a buffer strip along Eagle Creek as an aquatic management area (\$910,000 Mn Future Resources Fund).

Metropolitan Regional Parks Acquisition, Rehabilitation, and Development

For an agreement with the Metropolitan Council for sub-grants for acquisition, development, and rehabilitation in the Metropolitan Regional Park System, consistent with the Metropolitan Council Regional Recreation Open Space Capital Improvement Plan (\$5.645 million Environmental Trust Fund).

Outdoors For Everyone: Accessing Recreational Trails and Facilities

An agreement with Wilderness Inquiry to provide technical assistance to local units of government for development of publicly funded trails and outdoor recreation facilities to ensure that new federal standards for accessibility for persons with disabilities are met (\$230,000 Environmental Trust Fund).

Development of Mesabi Trail Facility

An agreement with the St. Louis and Lake Counties Regional Rail Authority to acquire land and design a Mesabi Trail Center Building (\$190,000 Mn Future Resources Fund).

Regional Trailhead Building

An agreement with the Itasca County Land Department to complete construction of a trailhead building at Itasca County Fairgrounds to serve regional trail users (\$135,000 Mn Future Resources Fund).

Itasca County Fairground Conservation Building

An agreement with the Itasca County Agricultural Association to renovate a 1934 WPA log building at the Itasca County Fairgrounds as an environmental learning facility, and to develop curricula and exhibits on lakes and fishing (\$45,000 Mn Future Resources Fund).

Alternative Storm Water Systems

An agreement with the Metropolitan Council to provide incentives in Metropolitan Council grants to communities and land developers for alternative storm water conveyance systems that minimize the runoff quantity and improve runoff quality (\$180,000 Mn Future Resources Fund).

Mississippi Headwaters Board: Environmental Economic Assessments

For an agreement with Mississippi Headwaters Board to accelerate the River Watch Watershed Monitoring Program and integrate economic and water data analysis into decision-making tools for landowners and local units of government (\$100,000 Mn Future Resources Fund).

GIS Management in Koochiching County

An agreement with Koochiching County to develop parcel-based GIS capability for Koochiching County for land use, natural resource, and fiscal data (\$70,000 Mn Future Resources Fund).

Environmental Practices on Dairy Farms

An agreement with Minnesota Milk Producers Association to assist dairy producers in complying with environmental quality regulations (\$245,000 Mn Future Resources Fund).

Sustainable Inner-City Communities Through Environmental Literacy

An agreement with Sabathani Community Center for collaborative community environmental education and youth outreach (\$545,000 Mn Future Resources Fund).

Project Green Start: Environmental Education

An agreement with the Minnesota Children's Museum to construct habitat exhibits for environmental education activities (\$340,000 Mn Future Resources Fund).

Raptor Propagation: Student Education

An agreement with Stillwater Area High School to build a captive breeding facility for raptors and develop associated education activities (\$35,000 Mn Future Resources Fund).

Hennepin Parks Farm Education

An agreement with suburban Hennepin Regional Park District to develop and implement a coordinated farm education program at Gale's Woods Special Recreation Area and North Mississippi Regional Park (\$100,000 Mn Future Resources Fund).

Residential Environmental Education For Youth and Community Leaders

An agreement with Camp Courage for student scholarships and marketing for the Residential Environmental Education Program (\$90,000 Mn Future Resources Fund).

(See the LCMR section of the Environmental Budget for more information.)

PROGRAM SUMMARY (Continued)

Program: OPERATIONS SUPPORT
Agency: NATURAL RESOURCES DEPT

GOVERNOR'S RECOMMENDATIONS:

The Governor recommends the Operations Support program's base budget, and the reallocation of base resources, snowmobile fund budget reduction, and lottery in-lieu sales tax change items.

The Governor also recommends that funding for the following LCMR projects be reallocated to other projects the administration considers higher priorities. A discussion of this recommendation is included in the LCMR section of the Environmental Budget. The following projects are recommended for reallocation:

- the Development of Messabi Trail Facility,
- the Regional Trailhead Building,
- GIS Management in Koochiching County,
- Sustainable Inner City Communities Through Environmental Literacy,
- the Itasca County Fairground Conservation Building,
- the Alternative Storm Water Systems project, and
- the Big Rivers Partnership projects

Funds from this reallocation are recommended as follows: \$500,000 from the Future Resources Fund in FY 2002 for Conservation Connections, and \$335,000 in FY 2002 and \$335,000 in FY 2003 from the Environmental Trust fund for the Minnesota Land Use Census.

The Governor recommends all other projects recommended by the LCMR in the Operations Support program.

Program: OPERATIONS SUPPORT
Agency: NATURAL RESOURCES DEPT

Program Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Activity:									
FIELD OPERATIONS SUPPORT	8,938	9,520	11,338	9,642	9,508	9,824	9,684	(1,666)	(8.0%)
REGIONAL OPERATIONS SUPPORT	4,938	4,641	5,278	5,051	6,936	4,557	6,401	3,418	34.5%
ADMINISTRATIVE MANAGEMENT	20,003	18,336	27,284	24,394	26,108	24,751	26,305	6,793	14.9%
REC & LOCAL INITIATIVE GRANTS	1,299	5,373	3,976	1,834	15,401	1,500	10,871	16,923	181.0%
Total Expenditures	35,178	37,870	47,876	40,921	57,953	40,632	53,261	25,468	29.7%

Change Items:	Fund				
(A) REALLOCATION OF BASE RESOURCES	GEN			1,901	1,869
(A) SNOWMOBILE FUND BUDGET REDUCTION	NRF			(31)	(31)
(A) LOTTERY IN-LIEU SALES TAX	LIL			419	419
(B) REGIONAL OPS SUPPORT LCMR PROJECTS	EVT			1,365	1,365
(B) REGIONAL OPS SUPPORT LCMR PROJECTS	MNR			135	
(B) ADMINISTRATIVE MGMT LCMR ALLOCATIONS	EVT			55	55
(B) ADMINISTRATIVE MGMT LCMR ALLOCATIONS	MNR			40	
(B) CONSERVATION CONNECTIONS - GOV'S LCMR	MNR			500	
(B) MN LAND USE CENSUS - GOV'S LCMR RECS	EVT			335	335
(B) REC & LOCAL GRANTS LCMR ALLOCATIONS	EVT			8,618	8,617
(B) REC & LOCAL GRANTS LCMR ALLOCATIONS	MNR			3,695	
Total Change Items				17,032	12,629

Financing by Fund:							
Direct Appropriations:							
ENVIRONMENT & NATURAL RESOURCE	735	2,589	2,236	0	10,373	0	10,372
GENERAL	21,571	17,186	19,913	18,016	19,917	18,414	20,283
MINNESOTA RESOURCES	688	3,473	135	0	4,370	0	0
NATURAL RESOURCES	3,534	3,361	4,035	3,654	4,042	3,726	4,114
GAME AND FISH (OPERATIONS)	5,944	7,636	8,959	8,479	8,479	8,656	8,656
Statutory Appropriations:							
GENERAL	73	83	77	26	26	1	1
SPECIAL REVENUE	597	704	1,591	812	812	812	812
GAME AND FISH (OPERATIONS)	76	911	2,200	1,900	1,900	1,900	1,900
FEDERAL	1,408	1,398	7,286	7,367	7,367	6,456	6,456
GIFT	552	529	1,444	667	667	667	667
Total Financing	35,178	37,870	47,876	40,921	57,953	40,632	53,261

Program: OPERATIONS SUPPORT
 Agency: NATURAL RESOURCES DEPT

Program Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003	
				Base	Governor Recomm.	Base	Governor Recomm.
<u>FTE by Employment Type:</u>							
FULL TIME	348.5	343.9	338.2	336.6	346.8	336.6	346.5
PART-TIME, SEASONAL, LABOR SER	30.8	30.7	22.2	19.3	17.8	19.3	17.8
OVERTIME PAY	1.6	1.5	0.8	0.8	0.8	0.8	0.8
Total Full-Time Equivalent	380.9	376.1	361.2	356.7	365.4	356.7	365.1

BUDGET ACTIVITY SUMMARY

Budget Activity: FIELD OPERATIONS SUPPORT
Program: OPERATIONS SUPPORT
Agency: NATURAL RESOURCES DEPT

ACTIVITY PROFILE:

This activity provides professional support services to the entire agency. The services are managed on a department-wide basis to minimize duplication of costs while providing the maximum flexibility to address department-wide priorities. This budget activity includes three bureaus.

Bureau of Field Services (BFS). Provides centralized management of facilities, equipment, safety and health, and materials. Primary activities:

- Manage, maintain, and repair 2,000+ buildings and facilities.
- Maintain, repair and replace 4,000+ pieces of fleet and radio equipment.
- Provide safety training and services to all DNR divisions and the PCA.
- Provide procurement, inventory, warehousing, signs, uniforms and surplus services to all DNR divisions.
- Provide a complete loss control program for all the DNR staff. This includes accident prevention, safety training, and workers' compensation claims management.

Bureau of Engineering (BOE). Provides professional architectural, engineering, surveying, and landscape architecture services that

- design and build recreational facilities such as trails, campgrounds, fishing piers and public access sites for public use;
- design resource facilities, such as water control structures and stream realignments that restore wetlands, improve habitat, control erosion, and enhance hunting and fishing opportunities;
- provide land surveying expertise for acquisition and development, and to assist resource managers in protecting critical habitat and being "good neighbors";
- provide design and oversight for new building construction, major remodeling, and rehabilitation projects.

STRATEGIES AND PERFORMANCE:

The Field Services Bureau uses the following strategies to achieve its goals:

- Establishes incentives to encourage divisions to share equipment and other resources in order to maximize use and minimize cost.

- Establish maintenance, repair, and replacement schedules that stress preventative maintenance to minimize downtime and expensive repairs.
- Minimize workplace injuries, employee lost-time, and workers compensation costs by proactive delivery of safety and health programs.
- Actively explore opportunities to streamline the procurement process and acquire goods and services in the most cost effective manner.
- Reduction in the number of accidents and the severity of job-related injuries in the past years due to the Department's safety program activities. The department is working to reduce its current rate of over 250 injury-producing accidents and more than \$1.0 million in workers' compensation costs annually.

The Bureau of Engineering's strategies:

- Maintain a complex cost accounting and project tracking system to equitably balance one-time versus ongoing projects and charge both fairly.
- Maintain a department project priority list so that the time limits on capital budget and LCMR projects are honored without abandoning base level responsibilities to ongoing division programs.
- Blend in-house professional staff time with the use of consultants to effectively and efficiently deliver needed professional services.

MAJOR ACCOMPLISHMENTS:

Field Services accomplished the following during the FY 2000-01 biennium:

- Implemented the use of credit cards for purchase of items less than \$2,500. This reduced payment transactions and increased financial accountability.
- Expanded the purchasing card program to include travel and lodging.
- Established a vinyl sign program to assist divisions with special use signs.
- Partnered with the Division of Parks and Recreation to provide warehousing responsibilities for the Nature Store and reduced department overhead costs.
- Increased department personnel productivity through timely maintenance and/or replacement of vehicular equipment.
- Increased personnel and equipment safety by striving to supply equipment suited to perform the necessary department work functions.

BUDGET ACTIVITY SUMMARY (Continued)

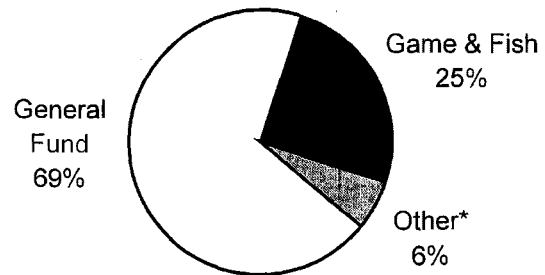
Budget Activity: FIELD OPERATIONS SUPPORT
Program: OPERATIONS SUPPORT
Agency: NATURAL RESOURCES DEPT

The Bureau of Engineering increased their productivity as follows:

	<u>FY 1999</u>	<u>FY 2000</u>
Contracts Bid	96	82
Bid Amount (\$ millions)	\$10.8	\$17.0
Contracts Completed	72	93
Construction Value (\$ millions)	\$16.9	\$17.6
Surveys Received	191	170
Surveys Completed	125	114
Acquisitions Options Reviewed	118	84
Value of Land Optioned (\$ millions)	\$10.3	\$8.2

FINANCING INFORMATION:

**Field Operations Support
FY 2000-01 Expenditures by Fund**



* Federal Natural Resources Special Revenue.

BUDGET ISSUES:

Bureau of Field Services issues include the following:

- Budget pressures resulting from inflation and cutbacks have resulted in a reduction in staffing with the following efficiency and effectiveness impacts:
 - The equipment program is understaffed to provide full fleet and radio management services for the department. This results in opportunities lost to enhance utilization as well as an impaired ability to aggressively manage costs. We will adjust to these circumstances by allocating our personnel and material resources as effectively as possible.
 - The under funding of the Asset Preservation and Repair Program results in deferred maintenance of aging buildings as well as a reduced ability to meet the facility needs of the department. We will manage this perennial problem by prioritizing the most critical repairs.
- Reallocation of base resources to department priorities will result in 2 to 3 FTE positions held vacant in the areas of equipment and safety services.

An important budget issue for the Bureau of Engineering is the lack of staff needed to help resource managers make strategic decisions about maintaining the existing facility infrastructure. The result is resource staff making engineering decisions that may lead to additional costs, non-feasible project proposals and potential public safety issues. We will manage this problem through the judicious use of the resources available to us.

Activity: FIELD OPERATIONS SUPPORT
Program: OPERATIONS SUPPORT
Agency: NATURAL RESOURCES DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Category:									
State Operations									
COMPENSATION	5,619	5,742	6,508	6,634	6,550	6,816	6,729	1,029	8.4%
OTHER OPERATING EXPENSES	2,957	3,176	4,790	3,008	2,958	3,008	2,955	(2,053)	(25.8%)
Subtotal State Operations	8,576	8,918	11,298	9,642	9,508	9,824	9,684	(1,024)	(5.1%)
CAPITAL OUTLAY & REAL PROPERTY	362	602	40	0	0	0	0	(642)	(100.0%)
Total Expenditures	8,938	9,520	11,338	9,642	9,508	9,824	9,684	(1,666)	(8.0%)

Change Items:	Fund				
(A) REALLOCATION OF BASE RESOURCES	GEN			(134)	(140)
Total Change Items				(134)	(140)

Financing by Fund:							
Direct Appropriations:							
GENERAL	4,868	6,619	7,675	6,342	6,208	6,475	6,335
NATURAL RESOURCES	354	322	340	341	341	347	347
GAME AND FISH (OPERATIONS)	3,411	2,328	2,687	2,567	2,567	2,610	2,610
Statutory Appropriations:							
SPECIAL REVENUE	158	108	497	250	250	250	250
GAME AND FISH (OPERATIONS)	76	71	67	70	70	70	70
FEDERAL	71	72	72	72	72	72	72
Total Financing	8,938	9,520	11,338	9,642	9,508	9,824	9,684

Revenue Collected:							
Dedicated							
SPECIAL REVENUE	151	192	250	250	250	250	250
GAME AND FISH (OPERATIONS)	75	71	67	70	70	70	70
Nondedicated							
GENERAL	0	1	1	1	1	1	1
GAME AND FISH (OPERATIONS)	1	1	0	0	0	0	0
Total Revenues Collected	227	265	318	321	321	321	321

FTE by Employment Type:							
FULL TIME	100.4	99.4	99.4	99.4	96.9	99.4	96.9
PART-TIME, SEASONAL, LABOR SER	4.5	4.4	3.5	3.5	3.0	3.5	3.0
OVERTIME PAY	0.3	0.4	0.0	0.0	0.0	0.0	0.0
Total Full-Time Equivalent	105.2	104.2	102.9	102.9	99.9	102.9	99.9

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BUDGET ACTIVITY SUMMARY

Budget Activity: REGIONAL OPERATIONS SUPPORT
Program: OPERATIONS SUPPORT
Agency: NATURAL RESOURCES DEPT

ACTIVITY PROFILE:

Regional Operations, with offices located in Bemidji, Grand Rapids, Brainerd, New Ulm, Rochester, and Saint Paul enhances the effectiveness of resource management by

- coordinating the design and delivery of agency programs in the region;
- filling gaps in service delivery through development of innovative community partnerships and creating a more informed public; and
- providing professional support services that allow resource managers to spend more time in the field.

In each of the six regions, these services are provided by a regional director, a regional planner, a regional business office, a regional information officer, community assistance coordinators and clerical support personnel. Their efforts are concentrated in three areas:

Public Outreach and Coordination:

The goal of sustainability guides the agency's work with citizen's to manage the state's natural resources. Partnerships with other agencies, local governments, and stakeholder groups is one of the agency's key strategies for meeting this goal. Additionally, DNR emphasizes a system approach that seeks to coordinate and integrate the scope of its management efforts. Regional Operations plays an important role both in building partnerships at the local level and in ensuring the coordinated delivery of program services.

Regional Directors work closely with legislators, local units of government, businesses, and citizen groups. They coordinate and advocate interdisciplinary local approaches with partners. Regional Directors carry regional concerns of staff and local citizen interests forward for resolution.

Regional Planners develop interdisciplinary work plans and budgets for the region, coordinate grant programs including the Environmental Partnership, Conservation Partners, and Greenways and Natural Areas grants, and coordinate development and implementation of resource management plans at the regional level for Old Growth Forest designation, Off-Highway Vehicles, and natural shoreline areas.

Community Coordinators work closely with citizens and field staff on natural landscapes and watershed projects such as: the Big Woods, Oak Savanna,

Red River Valley, Metro trout streams, Blue Earth Watershed, and urban greenways in the Twin Cities Metro area. Coordinators link DNR staff with counties, landowners, cities, non-profit organization and other agencies. Their work extends and leverages the abilities of field staff and community partners to address local resource issues and needs.

Information and Education:

Information and Education staff provide critical links to the public and stakeholders by producing and disseminating information. They maintain relations with regional media, develop and implement communication plans to further resource initiatives, and provide various forms of education and outreach services to environmental and conservation groups. They provide information in a range of forms including, news releases, radio programs, reports, brochures, newsletters, community meetings, and by one-on-one discussions with citizens.

Business Offices

Regional Operations business offices manage payroll, benefits administration, and personnel transaction services. They provide budget management expertise and handle a wide variety of financial transactions and reports. Regional business offices manage FEMA application and reimbursement for regional facilities in natural disasters. They process all DNR contracts for repair, construction, development and maintenance projects within the region and provide immediate fiscal support for fire fighting teams.

STRATEGIES AND PERFORMANCE:

In its efforts to achieve greater efficiency and effectiveness in resource management, Regional Operations relies on four strategies:

- Emphasize local interdisciplinary and broad external partnerships to achieve community-based approaches to resource management.
- Leverage resources from non-profits, citizen groups, and other government units.
- Provide financial incentives through grants.
- Provide the efficient and effective delivery of business services.

Over the past biennium these strategies have resulted in positive measurable outcomes. Some of these outcomes include

- Metro Trout Streams leveraged \$1.4 million dollars and restored/protected 3 miles of trout streams in the metro area.
- Business Offices processed 1,000 contracts annually for services supporting natural resources work department-wide.

BUDGET ACTIVITY SUMMARY (Continued)

Budget Activity: REGIONAL OPERATIONS SUPPORT
Program: OPERATIONS SUPPORT
Agency: NATURAL RESOURCES DEPT

- Regional Planners coordinated the work of area forestry, wildlife and ecological services staff to designate Old Growth Forests lands.
- Worked with the Department of Transportation and the Pollution Control Agency in road construction and redevelopment, i.e. Highways 23, 28, 61, 169, and 371.
- Big Woods staff leveraged \$678,000 federal dollars and acquired easements protecting 593 acres of woodland.

FINANCING INFORMATION:

REVENUE:

This activity generates dedicated revenue. The following are significant items:

- Federal Fund.* Disaster Public Assistance advances and reimbursements passed through the Department of Public Safety, Division of Emergency Management (DEM) to DNR for emergency work, debris clearance, and damage on DNR land.
- General Fund.* Dedicated state-match for Disaster Public Assistance.
- Special Revenue.* Revenues from seminars, workshops, and cooperative efforts with outside entities, and the sale of DNR merchandise.

GRANTS:

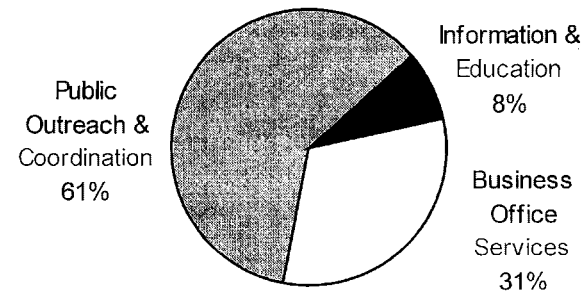
Program grants administered through this budget activity include: The Environmental Partnership, Conservation Partners, and the Greenways and Natural Areas grants.

BUDGET ISSUES:

Inflation continues to erode the services provided by Regional Operations. During the past biennium 3 positions were held vacant due to budget shortfalls. To address this funding problem, the department is proposing to reallocate base level resources in the amount of \$432,000 for FY 2002 and \$526,000 for FY 2003 (See the "Reallocation of Base Resources" change item). These funds would provide budget resources for the positions that were held vacant in 2001. The remaining amount of the reallocation would be used to provide funding for 4 current positions that would be eliminated in FY 2002 and FY 2003 without additional resources.

Regional Operations services are necessary for continuation for DNR's effort to work with the public for quality natural resources management.

Regional Operations Budget
Component Categories
For FY 2002 Base



Activity: REGIONAL OPERATIONS SUPPORT
Program: OPERATIONS SUPPORT
Agency: NATURAL RESOURCES DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Category:									
State Operations									
COMPENSATION	3,412	3,523	3,496	3,611	4,043	3,719	4,245	1,269	18.1%
OTHER OPERATING EXPENSES	887	600	1,226	1,174	1,172	686	684	30	1.6%
Subtotal State Operations	4,299	4,123	4,722	4,785	5,215	4,405	4,929	1,299	14.7%
CAPITAL OUTLAY & REAL PROPERTY	182	31	205	124	1,389	10	1,275	2,428	1,028.8%
LOCAL ASSISTANCE	457	487	351	142	332	142	197	(309)	(36.9%)
Total Expenditures	4,938	4,641	5,278	5,051	6,936	4,557	6,401	3,418	34.5%

Change Items:	Fund				
(A) REALLOCATION OF BASE RESOURCES	GEN			385	479
(B) REGIONAL OPS SUPPORT LCMR PROJECTS	EVT			1,365	1,365
(B) REGIONAL OPS SUPPORT LCMR PROJECTS	MNR			135	
Total Change Items				1,885	1,844

Financing by Fund:							
Direct Appropriations:							
ENVIRONMENT & NATURAL RESOURCE	0	202	207	0	1,365	0	1,365
GENERAL	4,158	2,918	3,239	3,191	3,576	3,270	3,749
MINNESOTA RESOURCES	93	37	0	0	135	0	0
NATURAL RESOURCES	236	241	248	255	255	262	262
GAME AND FISH (OPERATIONS)	0	822	1,007	944	944	966	966
Statutory Appropriations:							
GENERAL	73	83	77	26	26	1	1
SPECIAL REVENUE	123	195	290	43	43	43	43
FEDERAL	248	138	205	588	588	11	11
GIFT	7	5	5	4	4	4	4
Total Financing	4,938	4,641	5,278	5,051	6,936	4,557	6,401

Activity: REGIONAL OPERATIONS SUPPORT
Program: OPERATIONS SUPPORT
Agency: NATURAL RESOURCES DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003	
				Base	Governor Recomm.	Base	Governor Recomm.
Revenue Collected:							
Dedicated							
GENERAL	139	363	82	30	30	1	1
SPECIAL REVENUE	31	32	43	43	43	43	43
FEDERAL	342	1,254	353	124	124	11	11
GIFT	8	3	4	4	4	4	4
Nondedicated							
GENERAL	2	1	0	0	0	0	0
Total Revenues Collected	522	1,653	482	201	201	59	59
FTE by Employment Type:							
FULL TIME	58.4	57.2	56.2	56.2	59.4	56.2	59.4
PART-TIME, SEASONAL, LABOR SER	8.7	6.5	4.3	4.3	4.3	4.3	4.3
Total Full-Time Equivalent	67.1	63.7	60.5	60.5	63.7	60.5	63.7

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BUDGET ACTIVITY SUMMARY

Budget Activity: ADMINISTRATIVE MANAGEMENT
Program: OPERATIONS SUPPORT
Agency: NATURAL RESOURCES DEPT

ACTIVITY PROFILE:

This activity provides overall agency management, including formulating and establishing policies and priorities, and integrating department operations in a cohesive direction. The activity includes the following units and activities:

- Office of Affirmative Action and Diversity manages programs and policies to ensure compliance with federal and state laws, rules and regulations related to affirmative action, and equal opportunity. In addition, minority outreach and recruitment activities are coordinated by this office.
- Commissioner's Office provides leadership for the department and specialists in regulatory and legislative affairs, agricultural policy, ethics, and professional standards.
- Bureau of Human Resources serves all bureaus and divisions by providing advice to management on employee relations issues, including
 - labor agreements and plans covering agency employees;
 - conducting audits, studies and exams for over 400 agency job classifications;
 - developing and implementing or coordinating agency-wide employee development and training opportunities;
 - coordinating the agency's employee recognition programs, providing personnel, payroll and insurance expertise and processing.
- The Bureau of Information, Education and Licensing manages game, fish, and commercial licensing, manages recreational vehicle registration and titling, and provides information and communication products and services to the general public. It provides media, communication, special event and educational products and services to DNR units and projects. A sample of activities measured:
 - Distributes over 3.0 million copies of DNR publications to groups, license and registration agents and the general public each year.
 - Receives and responds to 250,000 phone inquiries, requests, and questions annually.
 - Manages the transactions and collects revenues from 2.5 million DNR license buyers, 500,000 registration and titling customers.
 - Provides information and services to 70,000 walk-in visitors to the St. Paul office annually.
- Office of Management and Budget Services (OMBS) provides management, budget, and financial services to all divisions. It also works with outside communities to balance ecosystem sustainability with recreational and commercial use of the state's natural resources. Together, these units

- integrate strategic planning, budgeting and financial reporting;
 - conduct internal audits;
 - provide accounting, business, and policy services for all units;
 - provide integrated ecological and resource information to government and private sector decision makers through the environmental review process;
 - administer five matching grant programs and pass-through appropriations;
 - coordinate volunteer programs;
 - provide leadership and scientific support for innovative resource management policy such as Conservation Connections, Smart Growth, and ecosystem approaches to resource management.
- Bureau of Management Information Services provides the following information infrastructure, tools, training and technical support:
 - Computer hardware and software procurement. Establishes PC, workstation and laptop standards, establishes software standards and negotiates vendor contracts for hardware and software purchases.
 - Data and application development. Leads development of an integrated database and application development architecture. Defines a framework for establishing data standards, contract management and application programming services. Builds and maintains the DNR web site and DNR net, the department Intranet.
 - Geographic Information Systems (GIS). Provides department level management of GIS planning, data development and access, and application development.
 - Network services. Provides support for the development, maintenance and security of the DNR computer network.
 - Library services. Services include research using computer databases and other information locator tools. The public uses DNR library resources on site.

STRATEGIES AND PERFORMANCE:

This budget activity employs advances in technology and management in six strategic areas:

- *Customer Service.* Improve customer access to DNR information and services by using state of the art technology, such as electronic licensing and registration, toll-free information numbers, Internet access.
- *Decision Making.* Provide resource managers with information systems, data bases, and analytical models essential to managing natural resources effectively. Spatial analyses using both GIS and tabular data will provide critical information for sound decision-making in the wise, sustainable use of Minnesota's land and natural resources. Through internal reallocation, expand bureau capabilities to develop video-based and broadcast quality communication products to support natural resource management objectives.

BUDGET ACTIVITY SUMMARY (Continued)

Budget Activity: ADMINISTRATIVE MANAGEMENT
Program: OPERATIONS SUPPORT
Agency: NATURAL RESOURCES DEPT

- *Management Efficiency.* Use computer technology to achieve high quality services at a reasonable cost. Through its ongoing sub regional connectivity project, the MIS Bureau directly engages in efforts to extend telecommunications capability to outstate Minnesota. Via its networking infrastructure efforts and its integration of GIS and tabular.
- *Internal Partnerships.*
 - Support services work teams collaborate to provide a unified service concept to internal clients (resource managers, personnel liaisons and business managers).
 - Focus teams work on geographic areas and assign staff to work with Regional Management Teams to deliver services directly to regional clients.
- *Provide Leadership For Smart Growth And Conservation Connections.* Provide support to managers in adopting ecosystems and sustainability concepts into natural resource management.
 - Develop tools to measure progress in towards sustainability goals.
 - Provide communication and education tools (workshops, environmental education opportunities, and written materials) to provide staff and stakeholders with the information they need to make informed decisions
- *Delegation.* Organize work teams to serve specific internal clients and work with unit specialists (personnel liaisons and business managers) and delegate responsibilities to teams and individuals.

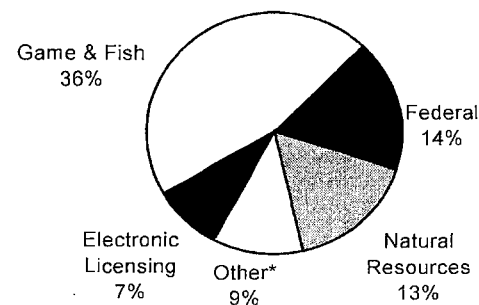
MAJOR ACCOMPLISHMENTS:

- The Information Center provided a one-stop, statewide tool free telephone e-mail information source and a DNR web page to serve the public.
- Licensing sold over 2.5 million licenses and permits and issued over 500,000 recreational vehicle and boating registrations in 1999.
- The process of identifying sustainability issues was developed and implemented, resulting in work plans that reflected cooperation, coordination and partnerships across geographic and discipline boundaries.
- The merger of the Bureau of Information and the Bureau of Education and Licensing was started in 2000 to ensure better integration of the customer service initiatives.

- Implemented the Electronic Licensing System (ELS) for purchasing fishing and hunting licenses.

FINANCING INFORMATION:

**Operation Support
 Administrative Management
 FY 2000-01 Expenditures by Fund**



* Other includes Special Revenue, Gift, Minnesota Resources and Environmental and Natural Resources.

REVENUE:

The significant forecasted revenues for this activity are included for the following funds:

- *Natural Resources Fund.* Watercraft registration, titling, and surcharge.
- *Game and Fish Fund.* Issuing fee from the sale of fishing and hunting licenses via the department's electronic licensing system.
- *Federal Fund.* Recreational Boating Safety Program, LAWCON project reimbursements, and the Conservation and Reinvestment Act (CARA).
- *Gift Fund.* Private donations for the Volunteer magazine.

GRANTS:

- *Recreational Boating Safety.* Federal funds (\$284,00 annually in FY2002-03) are provided through the U.S. Coast Guard for boating safety and are allocated by the department to selected counties for an increased level of patrol with emphasis of enforcement of boating-while-intoxicated laws.

BUDGET ACTIVITY SUMMARY (Continued)

Budget Activity: ADMINISTRATIVE MANAGEMENT
Program: OPERATIONS SUPPORT
Agency: NATURAL RESOURCES DEPT

- *Minnesota Conservation Connections.* Funds are recommended (\$170,000 annually in FY 2002-03) to increase collaboration between local units of government and the department that will result in protecting and restoring community ecological infrastructures.

BUDGET ISSUES:

Reductions in the level of dedicated funds used for administrative costs has resulted in an administrative support budget that has remained flat in spite of rising operating budgets and an increasing demand on administrative services.

Snowmobile Budget Reduction will result in an annual \$14,000 reduction in operations for the Bureau of Information, Education and Licensing and an annual \$17,000 reduction for snowmobile registration data entry in the MIS Bureau.

Reallocation of base resources will result in \$59,000 reallocated from OMBS/County Auditor in Game and Fish license activities to the Minnesota Conservation Connection Program. The county auditor activities are no longer needed due to the electronic licensing system. Base resources will be reallocated to the following high priority agency needs: Human Resources activities (\$155,000 annually), performance and results management (\$150,000 annually), and management information systems: sub-regional connectivity (\$250,000 for FY 2002 and \$140,000 for FY 2003) and software engineering services (\$950,000 annually). Conservation Connections will receive \$145,000 in FY 2002, and \$135,000 in FY 2003. The remaining funding for this program comes from reallocations within the program.

Activity: ADMINISTRATIVE MANAGEMENT
Program: OPERATIONS SUPPORT
Agency: NATURAL RESOURCES DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Category:									
State Operations									
COMPENSATION	11,068	11,490	12,597	12,625	13,464	12,968	13,736	3,113	12.9%
OTHER OPERATING EXPENSES	8,634	6,509	13,927	11,430	12,135	11,444	12,060	3,759	18.4%
OTHER FINANCIAL TRANSACTIONS	24	29	35	35	35	35	35	6	9.4%
TRANSFERS	0	0	334	20	20	20	20	(294)	(88.0%)
Subtotal State Operations	19,726	18,028	26,893	24,110	25,654	24,467	25,851	6,584	14.7%
CAPITAL OUTLAY & REAL PROPERTY	45	0	0	0	0	0	0	0	
LOCAL ASSISTANCE	232	308	391	284	454	284	454	209	29.9%
Total Expenditures	20,003	18,336	27,284	24,394	26,108	24,751	26,305	6,793	14.9%
Change Items:	Fund								
(A) REALLOCATION OF BASE RESOURCES	GEN				1,650		1,530		
(A) SNOWMOBILE FUND BUDGET REDUCTION	NRF				(31)		(31)		
(B) ADMINISTRATIVE MGMT LCMR ALLOCATIONS	EVT				55		55		
(B) ADMINISTRATIVE MGMT LCMR ALLOCATIONS	MNR				40				
Total Change Items					1,714		1,554		
Financing by Fund:									
Direct Appropriations:									
ENVIRONMENT & NATURAL RESOURCE	135	157	243	0	55	0	55		
GENERAL	12,210	7,613	8,999	8,483	10,133	8,669	10,199		
MINNESOTA RESOURCES	247	334	107	0	40	0	0		
NATURAL RESOURCES	2,944	2,798	3,119	3,058	3,027	3,117	3,086		
GAME AND FISH (OPERATIONS)	2,533	4,486	5,265	4,968	4,968	5,080	5,080		
Statutory Appropriations:									
SPECIAL REVENUE	316	401	804	519	519	519	519		
GAME AND FISH (OPERATIONS)	0	840	2,133	1,830	1,830	1,830	1,830		
FEDERAL	1,073	1,183	5,175	4,873	4,873	4,873	4,873		
GIFT	545	524	1,439	663	663	663	663		
Total Financing	20,003	18,336	27,284	24,394	26,108	24,751	26,305		

Activity: ADMINISTRATIVE MANAGEMENT
Program: OPERATIONS SUPPORT
Agency: NATURAL RESOURCES DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003	
				Base	Governor Recomm.	Base	Governor Recomm.
Revenue Collected:							
Dedicated							
GENERAL	1,848	0	0	0	0	0	0
SPECIAL REVENUE	497	447	556	366	366	366	366
GAME AND FISH (OPERATIONS)	0	843	2,130	2,130	2,130	2,130	2,130
FEDERAL	2,261	1,476	5,476	5,162	5,162	5,162	5,162
MISCELLANEOUS AGENCY	0	338	132	20	20	20	20
GIFT	818	680	663	663	663	663	663
Nondedicated							
GENERAL	72	96	100	100	100	100	100
NATURAL RESOURCES	4,826	5,102	5,415	5,256	5,256	5,245	5,245
GAME AND FISH (OPERATIONS)	32	32	36	36	36	36	36
Total Revenues Collected	10,354	9,014	14,508	13,733	13,733	13,722	13,722
FTE by Employment Type:							
FULL TIME	189.7	187.3	182.6	181.0	190.5	181.0	190.2
PART-TIME, SEASONAL, LABOR SER	17.6	19.8	14.4	11.5	10.5	11.5	10.5
OVERTIME PAY	1.3	1.1	0.8	0.8	0.8	0.8	0.8
Total Full-Time Equivalent	208.6	208.2	197.8	193.3	201.8	193.3	201.5

BUDGET ACTIVITY SUMMARY

Budget Activity: REC & LOCAL GRANTS INITIATIVE
Program: OPERATIONS SUPPORT
Agency: NATURAL RESOURCES DEPT

ACTIVITY PROFILE:

This activity provides financial assistance to local governments and private organizations to build recreational facilities and to protect and enhance natural areas. These projects promote more livable communities, healthier population, and greater public appreciation and knowledge of natural resource benefits.

■ *Grants Summary*

The Local Parks Grants and Natural and Scenic Area Grants programs are established in M.S. 85.019. The Conservation Partners and Community Environmental Partnerships Grants programs are not established in statute, but are referenced and outlined in the recommendation of the Legislative Commission on Minnesota Resources (LCMR) since 1995. The Regional Park Grants (Outside Metro) program was funded by the 2000 Legislature and is not established in statute.

- Local Park Grants provide matching grants to encourage the creation or enhancement of high quality outdoor recreation facilities.
- Natural and Scenic Area Grants provide matching grants to protect and enhance natural and scenic areas.
- Conservation Partners Grants provide matching grants to encourage enhancement of fish, wildlife and native plant habitats, and research and surveys of fish and wildlife directly related to specific habitat improvements.
- Environmental Partnership Grants provide matching grants to encourage environmental service projects and related education activities through public and private partnerships.
- Regional Park Grants (Outside Metro) provides grants to public regional parks organizations outside the Twin Cities Metro Area to acquire land, design, construct, and redevelop regional parks and trails, open space, and recreational facilities. Each \$3 of state grants must be matched by \$2 of nonstate funds.

In addition to the Local Grants Initiative Programs, the Trails and Waterways Division administers two related matching grant programs for trails. The Local Trail Connections Grant Program provides matching grants to promote access between people and desirable destinations via trail linkages. The Regional Trail Grant Program provides matching grants to promote development of regionally significant trails funded with local or federal funding.

GRANT PROGRAM (\$000's)	1999 SESSION	2000 SESSION
Local Park Grants	\$1,953	\$ -0-
Natural and Scenic Area Grants	870	-0-
Conservation Partners Grant	610	-0-
Environmental Partnership Grants	200	-0-
Regional Parks Outside Metro	-0-	500
Totals	\$3,633	\$500

■ *Significant Changes*

- The 2000 legislature appropriated funds for a new program for regional parks outside the Metro Area.
- Congress appropriated federal FY 2000 funds to the states from the Land and Water Conservation Fund for the first time in several years. An additional appropriation is expected for federal FY 2001. One half of the funds that come to Minnesota through this program are used for local recreation grants.
- The LCMR is recommending that the 2001 legislature appropriate \$5.005 million for Recreation and Local Grants Initiative (including the two trail grant programs).

STRATEGIES AND PERFORMANCE:

■ *Program Strategies*

- Mass mailing of promotional material.
- Application review and ranking.
- Processing grant agreements and project billing.
- Ongoing project monitoring to ensure compliance with grant agreements.
- Technical assistance. Review proposals for facility design, accessibility and appraisal requirements, environmental and historical/archeological impact.

■ *Performance Summary* – Numbers of grants made in the last few years:

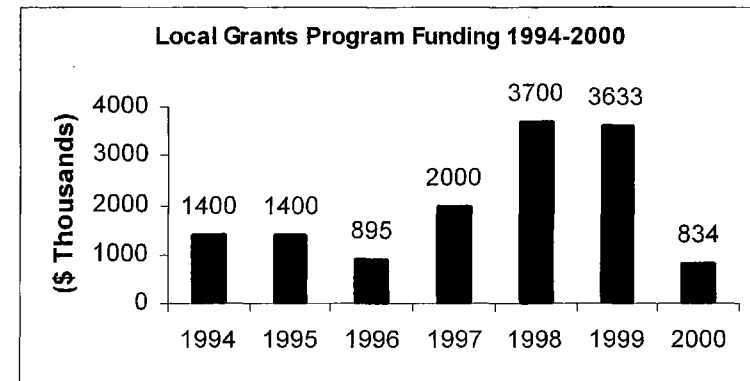
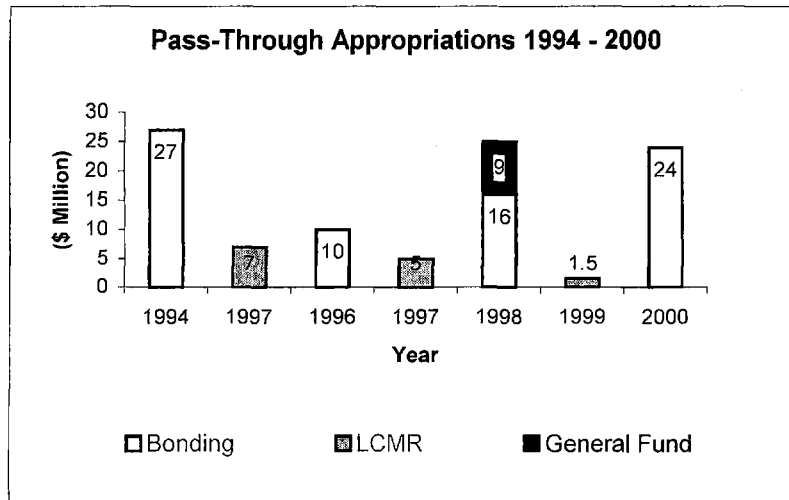
- Local Park Grants: 152 projects funded during the last four grant rounds.
- Natural and Scenic Area Grants: 36 projects funded and approximately 1,140 acres proposed for acquisition and protection since 1996.
- Conservation Partners Grants: 196 approved since 1996.
- Community Environmental Partnerships Grants: 35 projects funded in 1997.

- The Local Grants Initiative, plus the pass-through appropriations administered by the local grants staff in DNR, represent a significant contribution to protecting and enhancing natural areas and outdoor recreation areas. One key characteristic of all this activity is that it involves a variety of partnerships and cooperative efforts among state, local government, private organization and private citizen stakeholders. All of these projects are undertaken as positive, voluntary initiatives on the part of the participants.

BUDGET ACTIVITY SUMMARY (Continued)

Budget Activity: REC & LOCAL GRANTS INITIATIVE
Program: OPERATIONS SUPPORT
Agency: NATURAL RESOURCES DEPT

FINANCING INFORMATION:



BUDGET ISSUES:

- In federal FY 2000, Congress, for the first time in several years, allocated funds to the states from the Land and Water Conservation Fund (LAWCON). Minnesota received \$334,053 for local park grants. We anticipate that Congress will provide some LAWCON funds in federal FY 2001. The estimated amount to be allocated to Minnesota for local park grants is approximately \$780,000.
- The revenue and expenditures of the lottery in-lieu of sales tax deposited in the Natural Resources Fund and designated for the Minnesota Zoological Garden, the Como Park Zoo and Conservatory, and the Duluth Zoo are included in this budget activity. Two percent of the forecasted revenue will provide each zoo with approximately \$140,000 annually for FY 2002-03.

Activity: REC & LOCAL INITIATIVE GRANTS
Program: OPERATIONS SUPPORT
Agency: NATURAL RESOURCES DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Category:									
State Operations									
TRANSFERS	0	0	0	0	140	0	140	280	
Subtotal State Operations	0	0	0	0	140	0	140	280	
LOCAL ASSISTANCE	1,299	5,373	3,976	1,834	15,261	1,500	10,731	16,643	178.0%
Total Expenditures	1,299	5,373	3,976	1,834	15,401	1,500	10,871	16,923	181.0%

Change Items:	Fund				
(A) LOTTERY IN-LIEU SALES TAX	LIL			419	419
(B) CONSERVATION CONNECTIONS - GOV'S LCMR	MNR			500	
(B) MN LAND USE CENSUS - GOV'S LCMR RECS	EVT			335	335
(B) REC & LOCAL GRANTS LCMR ALLOCATIONS	EVT			8,618	8,617
(B) REC & LOCAL GRANTS LCMR ALLOCATIONS	MNR			3,695	
Total Change Items				13,567	9,371

Financing by Fund:							
Direct Appropriations:							
ENVIRONMENT & NATURAL RESOURCE	600	2,230	1,786	0	8,953	0	8,952
GENERAL	335	36	0	0	0	0	0
MINNESOTA RESOURCES	348	3,102	28	0	4,195	0	0
NATURAL RESOURCES	0	0	328	0	419	0	419
Statutory Appropriations:							
FEDERAL	16	5	1,834	1,834	1,834	1,500	1,500
Total Financing	1,299	5,373	3,976	1,834	15,401	1,500	10,871

Revenue Collected:							
Dedicated							
FEDERAL	0	5	1,834	1,834	1,834	1,500	1,500
Nondedicated							
NATURAL RESOURCES	0	0	509	460	419	460	419
Total Revenues Collected	0	5	2,343	2,294	2,253	1,960	1,919

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WATER & SOIL RESOURCES BOARD - CONTENTS

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WATER & SOIL RESOURCES BOARD - EXECUTIVE SUMMARY

AGENCY MISSION AND VISION:

The mission of the agency is to assist local government manage and conserve their soil and water resources.

Statutory policy goals include:

- Encouraging landowners to conserve soil and water resources through the implementation of conservation practices (M.S. 103A.206);
- Encouraging landowners to retire marginal, highly erodible land (M.S. 103A.209);
- Administering water policy in such a way as to benefit the state and its citizens (M.S.103A.211).

The agency exists to:

- Encourage local water and soil resource planning, management and protection efforts.
- Develop and maintain the capability to deliver competent service to local units of government.
- Manage wetland conservation act and wetland banking credits.
- Negotiate and promote conservation easements to protect the State's natural resources.
- Provide technical assistance to local units of governments.
- Improve the quality of the state's water and soil resources.

The agency works with local government units (LGU) to provide accountable, responsive and limited government. The agency provides a delivery system through LGU's that allows the citizens of Minnesota to take personal responsibility for natural resource conservation on private land. The agency provides resources and technical assistance for water and soil management and conservation planning.

KEY SERVICE STRATEGIES:

The agency believes that water and soil management, when led by statewide policy, is best implemented at the local level and is voluntary, comprehensive and collaborative. The primary service strategy is to work through LGU's to provide services and assistance to private landowners. Private landowners comprise 75% of Minnesota's land area and in some southern counties the amount exceeds 95%. Achieving state environmental goals for land and water requires an effective system to provide conservation assistance to private landowners. The agencies strong partnerships bring a coordinated mix of federal, state and local assistance that enables landowners to best implement necessary conservation practices on their land. The agency provides the following services to LGU's:

- **Encourage local resource planning and protection efforts.** Local water planning makes it easier to plan for and implement water and soil protection strategies. The agency defines roles and responsibilities for each local resource partner and establishes measures of success. The planning process also allows government agencies to align their priorities with local governments. Within this strategy, the program also assists local units of government with planning and implementation using a watershed-based management approach. Bringing units of government together so that problems are addressed from a statewide perspective is key to this programs success. The planning brings together LGU's organized along political boundaries and enables them to cooperate to solve problems and manage issues on a watershed basis.
- **Support local resource management activities.** The agency provides a communication forum and fosters relationships among state, federal, regional and local units of government. The agency facilitates solutions between LGU's to build success, initiate cooperative ventures and explore alternative options. The ability to work across LGU boundaries provides additional efficiency and effectiveness in the delivery system for resource management and protection.
- **Develop and maintain the capability to deliver competent service to LGU's.** Though technical approaches in the areas of soil conservation, engineering, wetlands, groundwater, information management, communication, planning and administration the agency provides leadership assistance to LGU's in the area of water and soil resource management.
- **Track accomplishments and re-direct initiatives.** By measuring the impact of the agency on land and water resources of the state we can assure that resources are directed to need and results are achieved.
- **Financial support.** LGU's receive financial support through the board grant programs to implement and administer state policy relating to water, soil and conservation.

OPERATING ENVIRONMENT:

A number of trends affect the program and activities of the agency, including:

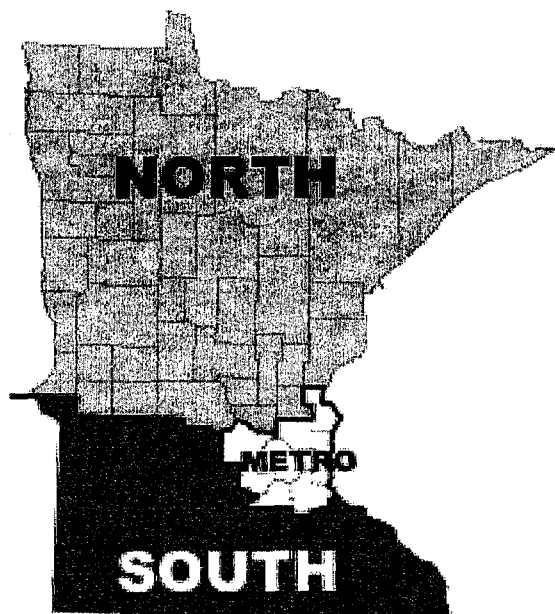
- Increasing public expectation that agricultural producers should be held responsible for ensuring that their operations do not harm the environment;
- A related increase in landowner need for technical and financial assistance;
- Increasing capability of local governments to develop and implement long-term natural resource plans;
- Increasing public awareness of basic environmental sciences and the support of appropriate environmental practices;

WATER & SOIL RESOURCES BOARD - EXECUTIVE SUMMARY (Continued)

- Shifting governmental roles: agencies are accomplishing resource management through partnerships rather than individual activities;
- Increasing reliance on local governments to implement state programs;
- Decreased federal aid for technical and financial assistance.

ORGANIZATION/PROGRAM STRUCTURE:

The agency has two major components of its operation, a central office located in St. Paul and regional offices located around the state. Regional offices are headquartered in Brainerd, Metro and New Ulm with sub-regional offices in Rochester, Marshall, Fergus Falls, Duluth and Bemidji. The territorial boundaries for each region are displayed on the following map.



The agency is directed by a board of 17 members, 12 appointed by the Governor and 5 representing state agencies. The composition of the board is as follows:

- Three County Commissioners
- Three Soil and Water Conservation District Supervisors

- Three Watershed District or Watershed Management Organization Representatives
- Three Public Members
- One member from each of the following state agencies; Natural Resources, Pollution Control Agency, Health, Agriculture and the University of Minnesota.

The central office organization is established to reflect the operational components of the board and the administrative functions supporting the entire operation. The components are:

- Conservation easements, with staff supporting the Reinvest in Minnesota (RIM) easement programs.
- The land and water section, which administers conservation programs, wetland conservation, wetland banking and water policy planning and implementation.
- Engineering, which provides technical engineering assistance to local units of government for feedlot water quality management, conservation plans and technical consulting services.
- State soils office, which provides information and assistance to local government on soil erosion, tillage transects, soil quality and soil surveys.
- Administrative services, which supports the board and staff by providing leadership and direction, fiscal and human resource policy and assistance, information technology support and communications policy and assistance.

The budget is presented in one program representing the agency and three activities as follows:

- Operations area, providing funding for staff resources in central and regional offices.
- Grants, providing funding for services, technical assistance and cost share grants to LGU's.
- Easements, providing funding for payments to landowners for the purchase of RIM easements.

GOVERNOR'S RECOMMENDATIONS:

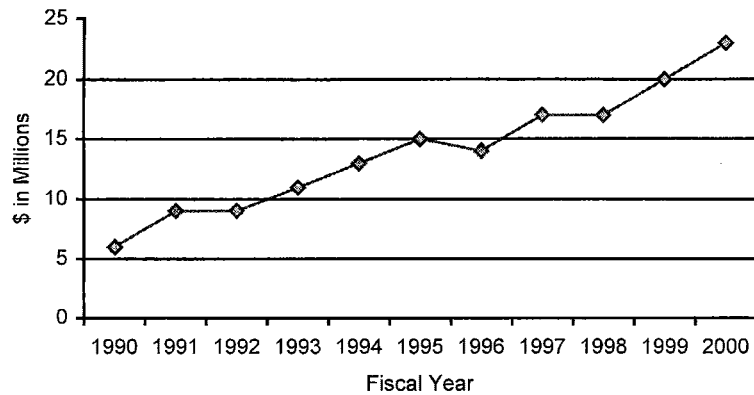
The Governor recommends the general fund budget and the following change items.

- CREP Implementation Costs - \$724 thousand in FY 2002 to implement the \$20 million appropriated in the last bonding bill.
- Feedlot Non-point Engineering Assistance - \$140 thousand each year for increased engineering assistance to local governments. This is in addition to the \$613 thousand the agency is reallocating each year to feedlot cost share and non-point engineering.
- The Governor also recommends the LCMR projects.

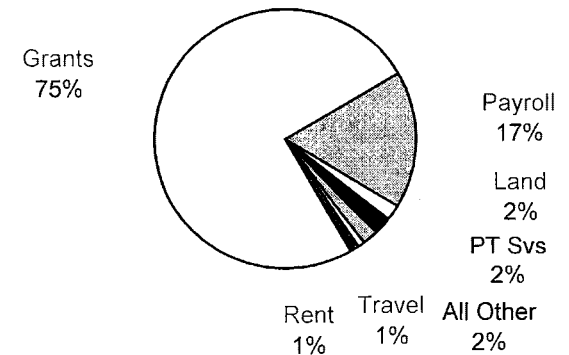
WATER & SOIL RESOURCES BOARD - EXECUTIVE SUMMARY (Continued)

TRENDS AND PERSPECTIVE:

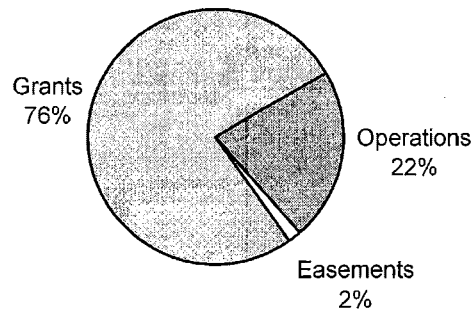
Total Budget -All Funds



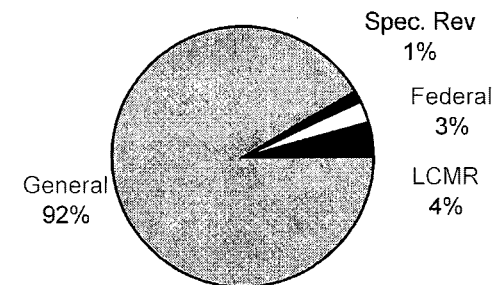
2000-01 Expenditures by Fund
Total: \$48.003



2000-01 Expenditures by Activity
Total: \$48.003 Million



2000-01 Expenditures by Fund
Total: \$48.003 Million



Program: WATER & SOIL RESRCS BD
Agency: WATER & SOIL RESOURCES BOARD

Program Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Activity:									
BWSR OPERATIONS	4,432	5,022	5,466	4,752	5,476	4,855	4,855	(157)	(1.5%)
GRANTS	15,466	16,940	19,720	13,670	15,425	13,656	14,046	(7,189)	(19.6%)
EASEMENTS	456	616	239	0	0	0	0	(855)	(100.0%)
Total Expenditures	20,354	22,578	25,425	18,422	20,901	18,511	18,901	(8,201)	(17.1%)
Change Items:	Fund								
(A) CREP IMPLEMENTATION COSTS	GEN				724				
(B) FEEDLOT NON-POINT ENGINEERING ASST	GEN				140		140		
(B) LCMR RECOMENDATIONS	EVT				250		250		
(B) LCMR RECOMENDATIONS	MNR				1,365				
Total Change Items					2,479		390		
Financing by Fund:									
Direct Appropriations:									
ENVIRONMENT & NATURAL RESOURCE	0	410	510	0	250	0	250		
GENERAL	19,026	20,081	23,900	18,244	19,108	18,363	18,503		
MINNESOTA RESOURCES	430	1,100	0	0	1,365	0	0		
Statutory Appropriations:									
SPECIAL REVENUE	222	27	681	162	162	148	148		
FEDERAL	676	960	334	16	16	0	0		
Total Financing	20,354	22,578	25,425	18,422	20,901	18,511	18,901		
FTE by Employment Type:									
FULL TIME	45.6	55.6	58.4	55.4	55.4	55.4	55.4		
PART-TIME, SEASONAL, LABOR SER	7.0	7.4	1.0	1.0	1.0	1.0	1.0		
OVERTIME PAY	0.1	0.0	0.0	0.0	0.0	0.0	0.0		
Total Full-Time Equivalent	52.7	63.0	59.4	56.4	56.4	56.4	56.4		

WATER & SOIL RESOURCES BOARD - BUDGET BRIEF

Fund: GENERAL

	<u>FY 2002</u>	<u>FY 2003</u>	<u>Biennium</u>
BASE YEAR (FY 2001) (\$000s)			
Appropriations	\$18,078	\$18,078	\$36,156
<u>BASE ADJUSTMENT</u>			
Biennial Appropriations	550	550	1,100
One-time Appropriations	(500)	(500)	(1,000)
Doc. Space Rental/Lease	6	11	17
2002-03 Sal. & Ben. Base	110	224	334
<u>BASE LEVEL (for 2002 and 2003)</u>	\$18,244	\$18,363	\$36,607
<u>CHANGE ITEMS</u>			
Feedlot Non-point Engineering Asst.	140	140	280
CREP Implementation Cost	724	-0-	724
GOVERNOR'S RECOMMENDATION	\$19,108	\$18,503	\$37,611

BRIEF EXPLANATION OF BUDGET DECISIONS:

Base Adjustments

- The biennial appropriations base adjustment reflects funding moved from the second year of the biennium to the first in the natural resources block grant and Reinvest in Minnesota Reserve program.
- The one-time appropriation base adjustment reflects the removal of dollars appropriated on a one-time basis by the Legislature. Those dollars include \$100,000 per year for a grant to the Red River basin board \$400,000 operating funds for the wetland road replacement operations. Wetland road replacement funding was appropriated for one year with a report requirement to make recommendations on the appropriate funding source.
- The documented space rental/lease adjustment provided funding for lease cost increases for the office space in St. Paul, New Ulm, Rochester, Marshall, Brainerd, Fergus Falls, Duluth and Bemidji.
- The 2002-03 salary and benefits base adjustment provides for 3% inflation per year on salary obligations for employees of the board. No inflation is included for supply and expense or grant programs.

Change Items

- Feedlot non-point engineering assistance will provide additional technical assistance and grant funding to meet the increased need in the feedlot water quality management grant program.
- Conservation Reserve Enhancement Program (CREP) implementation cost funding was not provided for when the 2000 bonding bill authorized \$20 million for easement acquisition. This request covers the shortfall from base funding to pay the second year implementation cost of the easement acquisitions.

GOVERNOR'S RECOMMENDATION(S):

The Governor recommends the general fund budget as requested. This includes \$140 thousand each year for Feedlot Non-point Engineering Assistance, and \$724 thousand in FY 2002 as a one-time appropriation to implement the \$20 million appropriated for the CREP program in the last bonding bill.

As part of the administration's feedlot initiative, the agency is also reallocating \$500 thousand each year in its cost share program, and \$113 thousand per year in non-point engineering, and dedicating these funds to feedlot cost share and feedlot engineering. This reallocation is being done under the agency's existing budget authority. It does not require legislative approval, and is mentioned here only to highlight the administration's full feedlot effort.

BUDGET CHANGE ITEM (57308)**Agency: WATER & SOIL RESOURCES BOARD****Item Title: CREP IMPLEMENTATION COSTS**

	<u>2002-03 Biennium</u>		<u>2004-05 Biennium</u>	
	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Expenditures: (\$000s)				
General Fund				
-State Operations	\$724	\$-0-	\$-0-	\$-0-
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-
Statutory Change? Yes _____ No <u> X </u>				
If yes, statute(s) affected:				
_____ New Activity <u> X </u> Supplemental Funding _____ Reallocation				

GOVERNOR'S RECOMMENDATION:

The Governor recommends \$724,000 in FY 2002 to finish implementation of the \$20 million appropriated for the CREP program in the last bonding bill.

RATIONALE:

The Minnesota River CREP is an agreement the state has with the US Department of Agriculture (USDA) to leverage federal funding to put up to 100,000 acres of priority marginal croplands in the Minnesota River Basin into conservation. The 2000 legislature appropriated \$20 million for easement acquisition and the first year implementation cost for the program. Easement acquisition is a three-year commitment with approximately 50% of the cost associated with implementation paid the first year, 40% the second and the remaining 10% in the third. The agency is requesting the shortfall of implementation funding for the second year implementation cost. The second year implementation funding for the dollars appropriated in the 2000 session would equal \$1.449 million. Base funding is available to cover \$725,000. The third year implementation cost would be funded within the agency budget base for easement acquisition.

The CREP initiative directly affects 37 counties and a dozen large river systems in the region. It also influences water quality of the Minnesota River, Mississippi River, Lake Pepin and the Gulf of Mexico. This initiative is a unique opportunity for collaboration among several state agencies, federal agencies, conservation, environmental, agricultural groups and local government units in the river basin.

The \$20 million bonding appropriation provides for the acquisition of approximately 28,000 acres of conservation easements. In the second year of acquisition processing/implementation, the agency and SWCD's are actively involved in the legal real estate work to finish the easement, there is work going on with the landowner to develop the conservation plan, surveying and engineering support is provided and the conservation plan implementation begins. These are critical components of the environmental protection activities of the easement program.

Private landowners are participating in this program, because of the incentive provided by federal funding, at a significantly higher rate than the standard conservation easement programs. The federal commitment to enhance the reserve program will allow the state to double its easement inventory in three years. The conservation easement program has been in place for 14 years.

FINANCING:

Funding is requested from the General Fund.

OUTCOMES:

This program guarantees the state \$2.3 federal dollars for every dollar the state invests in easement acquisition. The federal funding is only available for land payments to the private landowners. The state is responsible for the implementation cost of acquiring the easement. The agency has a system in place that can measure phosphorus loading reductions, as well as, soil delivery reductions to the Minnesota and Mississippi Rivers. CREP expands wildlife habitat, which has spillover benefits on tourism and economic development. The program will also benefit the family farmer by retiring marginal cropland and constructing conservation practices, which result in more efficient and competitive farming operations.

Another important outcome is the ability to acquire the easement acreage with limited state investment. With the federal funding, the state can acquire the easement acreage at approximately one-third the cost and in significantly less time.

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BUDGET ACTIVITY SUMMARY

Budget Activity: BWSR OPERATIONS
Program: WATER & SOIL RESRCS BD
Agency: WATER & SOIL RESOURCES BOARD

ACTIVITY PROFILE:

The primary focus of this activity is the administration and implementation of all programs under the authority of the agency. The programs are administered and implemented by this activity based on the following support structure:

- **Regional Offices** A significant portion of the agency operation is implemented in regional offices located in the North, South and Metro areas of the state. Physical locations in the north are Brainerd (headquarters), Fergus Falls, Duluth and Bemidji. In the south the office locations are New Ulm (headquarters), Rochester and Marshall. The metro office is located in St. Paul. Board conservationists work out of each of these offices with local units of government to assure state policy is appropriately implemented and monitor conservation practices on the ground.
- **Central Office** In the St. Paul central office, programs are administered and technical assistance is provided on a statewide basis. The central office is structured around on an administrative program/functional basis. The central office also provides the leadership and technical support for the agency in the areas of policy development, financial and human resources and information technology support.

Within the agency's central office, there are four administrative programs established to develop, monitor, implement and assist in the statewide policy initiatives for which the agency is responsible. In addition, the administrative support functions for the board are within this activity. The administrative support functions include:

- Executive leadership and policy direction.
- Fiscal resource management.
- Human resource management.
- Communications.
- Information technology support.

The basic policy/program areas break down as follows:

- **Land and Water Section** carries out the responsibilities under the Wetland Conservation Act, the Local Government Wetland Road Replacement

Program, Comprehensive Local Water Planning, the Local Water Resources Protection and Management Program and the State Cost-Share Program. This section delivers a wide variety of technical, administrative and training assistance to LGU's to aid them in their local implementation responsibilities under the program areas listed. This section also hears landowner appeals relating to actions of LGU's on the Wetland Conservation Act and watershed district projects and rules. Reporting on the accomplishments and efficacy of LGU implementation of BWSR programs through the Local Government Annual Reporting Program is also addressed here.

- **Conservation Easement Section** is responsible for acquiring conservation easements on sensitive agricultural lands throughout Minnesota in partnership with the 91 SWCD's in the state. The outcome of these easements is protection of water quality through the elimination of sediment and nutrients from lakes, rivers and streams and the creation of high quality wildlife habitat. Assistance to SWCD's and landowners, to acquire these easements, includes marketing, eligibility determinations, legal work, developing conservation plans, executing and recording easements, implementation of conservation plans and compliance monitoring.
- **Engineering Services Section** provides direct engineering assistance to SWCD's, counties and BWSR staff necessary to implement the Local Government Road Replacement Program, the RIM WRP and CREP easement programs, the state cost-share program and the non-point engineering assistance program. Activities include survey, design and construction supervision, land and water treatment practices, wetland creation and restoration and feedlot pollution control systems. This section also performs required engineering reviews of all watershed district projects.
- **State Soils Office** provides leadership and oversight of the updating of older county soil surveys in the state. This includes developing new computer technologies to aid in the updating and digitizing process. In partnership with USDA Natural Resources Conservation Service and the University of Minnesota, this office is responsible for providing information on the state of soil conservation efforts in the state. This office is also responsible for providing technical soil services (mapping, interpretation and training) to a number of programs of the agency and LGU.

All of these functions are responsible for implementation and monitoring of performance for state water and soil resource statute, rule and policy.

STRATEGIES AND PERFORMANCE:

The primary strategy for implementation of water and soil management policy is to seek out voluntary, comprehensive and collaborative compliance. The best way to do this is to work with LGU's and citizens to provide leadership and direction in conservation policy and natural resource protection. The activity has established strong working relationships and partnerships with LGU's, state and federal

BUDGET ACTIVITY SUMMARY (Continued)

Budget Activity: BWSR OPERATIONS
Program: WATER & SOIL RESRCS BD
Agency: WATER & SOIL RESOURCES BOARD

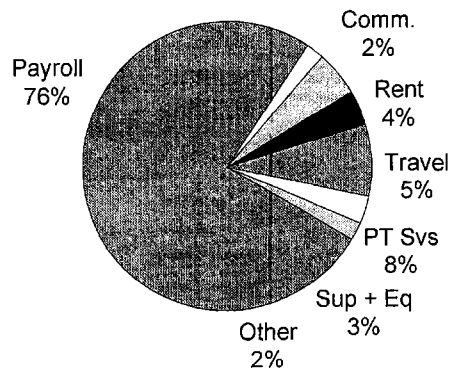
environmental agencies, environmental interest groups and conservation groups. These partnerships aid in the discovery of needs and in the assessment of potential needs. Working with our partners also allows for the best leverage of all available resources to enhance the goal of conservation and protection of soil and water resources. These arrangements allow scarce state assistance to be connected with landowners conservation needs through LGU's.

Performance has generally been measured by client satisfaction and conservation accomplishments on the ground. The activity is currently working in partnership with its clients to develop database information that would provide statistical measurement of performance. At this time, there isn't a clear central information database that can easily provide interested parties with clear and concise indicators of performance. It is the goal to develop this information collection mechanism with our partners over the next two years.

FINANCING INFORMATION:

The primary source of funding for this activity is the General Fund. The chart shows cost break-downs.

2000-01 Expenditures by Category
Total: \$11 Million



BUDGET ISSUES:

Recognizing increased expectations from LGU's for support, and knowing that financial resources were limited, the board re-evaluated it's functions and business processes by re-defining it's purpose, delivery systems, strategies and services. The agency identified its mission, values, and means, and prioritized its programs and services.

The agency eliminated all low level programs and services, including special projects, education, environthon, forestry, non-program financial consulting, non-program legal consulting and technology assistance.

Resources supporting these activities, identified at \$309 thousand per year, have been re-assigned to the Reinvest in Minnesota reserve program, the Conservation Reserve Program, water planning at the local level, grants, technical oversight, soils information, conflict resolution, wetland conservation, non-point engineering assistance, the lakeshore easement program, the feedlot water quality management program, and the permanent wetland preserves program.

Activity: BWSR OPERATIONS
Program: WATER & SOIL RESRCS BD
Agency: WATER & SOIL RESOURCES BOARD

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Category:									
State Operations									
COMPENSATION	2,888	3,634	4,206	3,781	4,505	3,884	3,884	549	7.0%
OTHER OPERATING EXPENSES	1,461	948	1,256	971	971	971	971	(262)	(11.9%)
Subtotal State Operations	4,349	4,582	5,462	4,752	5,476	4,855	4,855	287	2.9%
LOCAL ASSISTANCE	83	440	4	0	0	0	0	(444)	(100.0%)
Total Expenditures	4,432	5,022	5,466	4,752	5,476	4,855	4,855	(157)	(1.5%)
Change Items:	Fund								
(A) CREP IMPLEMENTATION COSTS	GEN				724				
Total Change Items					724				
Financing by Fund:									
Direct Appropriations:									
GENERAL	4,139	4,871	5,206	4,588	5,312	4,707	4,707		
Statutory Appropriations:									
SPECIAL REVENUE	203	3	162	148	148	148	148		
FEDERAL	90	148	98	16	16	0	0		
Total Financing	4,432	5,022	5,466	4,752	5,476	4,855	4,855		
Revenue Collected:									
Dedicated									
SPECIAL REVENUE	221	25	196	162	162	148	148		
FEDERAL	673	22	225	0	0	0	0		
Nondedicated									
GENERAL	68	4	0	0	0	0	0		
Total Revenues Collected	962	51	421	162	162	148	148		
FTE by Employment Type:									
FULL TIME	45.6	55.6	58.4	55.4	55.4	55.4	55.4		
PART-TIME, SEASONAL, LABOR SER	6.9	7.0	0.6	0.6	0.6	0.6	0.6		
OVERTIME PAY	0.1	0.0	0.0	0.0	0.0	0.0	0.0		
Total Full-Time Equivalent	52.6	62.6	59.0	56.0	56.0	56.0	56.0		

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BUDGET ACTIVITY SUMMARY

Budget Activity: GRANTS
Program: WATER & SOIL RESRCS BD
Agency: WATER & SOIL RESOURCES BOARD

ACTIVITY PROFILE:

Most of the program responsibilities are implemented at the local units of government (LGU). Financial resources are provided through the grants administered from this activity so the LGU's have the funding resources to implement state policy relating to water and soil.

The grant programs administered are:

- Local Water Resource Protection and Management Program
- Cost-Share Program
- Wetland Conservation Act
- Non-point Engineering Assistance Program
- Reinvest in Minnesota Reserve General Services
- Feedlot Water Quality Management
- Pass Through Special Purpose

These grant programs provide the funding for LGU's to implement statewide water and soil resource mandates uniformly and consistently so all areas of the state have the same protection efforts implemented in a standard best management practice environment. The goal is to be certain that financial resource decisions do not affect the conservation and management practices for water and soil policy decisions in all regions of the state. By providing the financial resources, the state can ensure it's citizens that the natural resource efforts used to conserve and protect the land and water are being implemented effectively.

These practices are not controlled by geographic boundaries. Water and soil quality affect the entire state and are not limited to the geographic location that has the resource. The activity's primary focus is to provide the financial resources to allow for a statewide, coordinated effort of natural resource conservation and protection.

STRATEGIES AND PERFORMANCE:

The primary strategy is to provide the financial resources to LGU's in a fair and equitable manner.

Performance is measured by the statewide results in administration of all BWSR conservation and protection programs. Examples for performance measurement include:

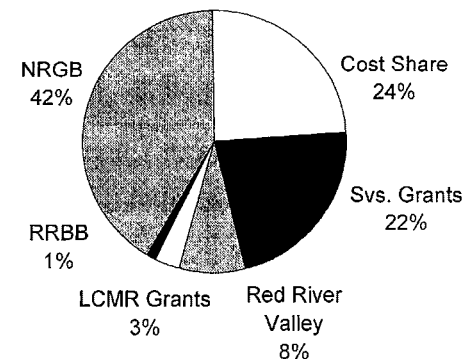
- The "no net loss" goal established by the wetland conservation act.
- Participation in wetland banking.
- Ordinances on shore land development, feedlots or septic systems.
- Completion of cost-share practices.
- Improvement in water quality.

FINANCING INFORMATION:

The General Fund provides the majority of the financing for the grant programs. The chart below indicates the administration of grant funding by program.

2000-01 Grant Expenditures

Total: \$37 Million



BUDGET ISSUES:

- The local government roads replacement program was established to replace wetlands lost to local government public transportation projects. It was funded in FY 2001 with a one-time appropriation and a requirement to produce a report by October 2000 identifying permanent funding options. Approximately 220 acres of wetlands need replacement each year. If LGU's

BUDGET ACTIVITY SUMMARY (Continued)

Budget Activity: GRANTS
Program: WATER & SOIL RESRCS BD
Agency: WATER & SOIL RESOURCES BOARD

are not willing to fund the mitigation, some projects will be denied permits by the Army Corps of Engineers.

- The existing cost-share program covers general services and feedlot water quality management. To help deal with the new feedlot legislation, we are reallocating \$500 thousand from general services to feedlots, which increases the feedlot cost-share from \$1.5 million to \$2.0 million annually. We are also increasing non-point feedlot engineering assistance by 10%. The total reallocated to feedlots is \$613 thousand per year.
- Feedlot water quality management cost-share program will experience an increase in demand as a result of legislation enacted in the 2000 session. There is now a provision that requires cost-share dollars to small producers (provisions address a threshold for under 300 animal units and 300-500 animal units) if they are required to abate pollution or upgrade their feedlot. A study of the cost of the legislation passed and new rules adopted is also required by 2-1-01. This report will outline the needs and make recommendations for financing solutions.

LCMR RECOMMENDATIONS:

Subd. 6 (a) Accelerated Implementation of Local Water Plans \$1,365,000
To accelerate the local water planning challenge grant program under M.S. Section 103B.3361, through implementation of high-priority activities in comprehensive water management plans on a cost-share basis and development of a program reporting system.

Subd. 7 (c) Updating Outmoded Soil Surveys – Continuation \$500,000
For the second biennium of a three biennia project to accelerate a statewide program to update and digitize outmoded soil surveys in four southeast Minnesota counties. Participating counties must provide a cost share.

(see the LCMR section of the Environmental Budget for more information)

Activity: GRANTS
Program: WATER & SOIL RESRCS BD
Agency: WATER & SOIL RESOURCES BOARD

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Category:									
State Operations									
COMPENSATION	2	52	49	14	14	0	0	(87)	(86.1%)
OTHER OPERATING EXPENSES	10	181	175	0	0	0	0	(356)	(100.0%)
TRANSFERS	0	0	0	(1,927)	(1,927)	(1,927)	(1,927)	(3,854)	
Subtotal State Operations	12	233	224	(1,913)	(1,913)	(1,927)	(1,927)	(4,297)	(940.3%)
LOCAL ASSISTANCE	15,454	16,707	19,496	15,583	17,338	15,583	15,973	(2,892)	(8.0%)
Total Expenditures	15,466	16,940	19,720	13,670	15,425	13,656	14,046	(7,189)	(19.6%)

Change Items:	Fund				
(B) FEEDLOT NON-POINT ENGINEERING ASST	GEN			140	140
(B) LCMR RECOMENDATIONS	EVT			250	250
(B) LCMR RECOMENDATIONS	MNR			1,365	
Total Change Items				1,755	390

Financing by Fund:							
Direct Appropriations:							
ENVIRONMENT & NATURAL RESOURCE	0	410	510	0	250	0	250
GENERAL	14,887	15,210	18,694	13,656	13,796	13,656	13,796
MINNESOTA RESOURCES	430	1,100	0	0	1,365	0	0
Statutory Appropriations:							
SPECIAL REVENUE	0	13	498	14	14	0	0
FEDERAL	149	207	18	0	0	0	0
Total Financing	15,466	16,940	19,720	13,670	15,425	13,656	14,046

Revenue Collected:							
Dedicated							
SPECIAL REVENUE	0	185	300	0	0	0	0
FEDERAL	0	250	83	16	16	0	0
Nondedicated							
GENERAL	0	70	16	0	0	0	0
FEDERAL	0	4	0	0	0	0	0
Total Revenues Collected	0	509	399	16	16	0	0

FTE by Employment Type:							
PART-TIME, SEASONAL, LABOR SER	0.1	0.4	0.4	0.4	0.4	0.4	0.4
Total Full-Time Equivalent	0.1	0.4	0.4	0.4	0.4	0.4	0.4

BUDGET CHANGE ITEM (47310)

Budget Activity: GRANTS

Program: WATER & SOIL RESRCS BD

Agency: WATER & SOIL RESOURCES BOARD

Item Title: FEEDLOT NON-POINT ENGINEERING ASST

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000s)				
General Fund				
-State Operations	\$140	\$140	\$140	\$140
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-
Statutory Change? Yes _____ No <u>X</u>				
If yes, statute(s) affected:				
_____ New Activity <u>X</u> Supplemental Funding _____ Reallocation				

GOVERNOR'S RECOMMENDATION:

The Governor recommends \$140 thousand each year to provide additional engineering assistance to help farmers complete environmental improvements in their feedlots and provide more effective customer service from regulatory agencies.

This budget request is part of a joint project between the Pollution Control Agency, the Minnesota Department of Agriculture, and BWSR. Details of each agency's change request can be seen in their respective budget pages.

RATIONALE:

The non-point engineering assistance program enables soil and water conservation districts (SWCD) to provide teams of engineers and technicians who assist with small feedlot pollution abatement. This support service is provided to producers for the activity cost-share program and the agricultural best management practices loan program administered by the Minnesota Department of Agriculture. With the increase in activity as a result of the changes in statute and rule for feedlots, manure management and pollution abatement, there will be an increased need for the technical support provided by the non-point engineering assistance program to landowners with the engineering review for their cost-share appliances and loan program applications.

As with other initiatives relating to feedlot water quality management, this is an important area for improving the competitive position of rural Minnesota. In addition, the public/private partnership opportunity presents a unique situation in which the state and local units of government (LGU) are able to enhance best management practices to protect ground and surface water quality.

FINANCING:

Funds from this request will be used for additional engineers and technicians throughout the state. These new local level staff will work with 130 producers to plan and design feedlot upgrades and expansions.

In addition to this request, the agency is reallocating \$613 thousand each year from its existing cost-share program to feedlot water quality management. \$500 thousand will be used for increased feedlot cost share, and \$113 thousand will go for non-point feedlot engineering assistance.

If the PCA's feedlot initiative is funded at the requested level, it will transfer \$1.235 million each year to the agency from the Clean Water Partnership funds. These funds will be used as follows: \$700 thousand for cost share over and above BWSR's existing funding levels, and \$535 thousand for county permit staffing.

OUTCOMES:

The additional funding for non-point engineering technical assistance would enable the state to move ahead in achieving the surface and ground water protection objectives of the new state feedlot rules.

The program is one component of the ten-year strategy to accomplish feedlot pollution abatement and advance the goals of cleaner lakes and streams, protection of groundwater resources, and a stronger, environmentally safe livestock industry in Minnesota.

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BUDGET ACTIVITY SUMMARY

Budget Activity: EASEMENTS
Program: WATER & SOIL RESRCS BD
Agency: WATER & SOIL RESOURCES BOARD

ACTIVITY PROFILE:

This activity is one of the primary tools used to enhance conservation activities for land and water in the state. The Reinvest in Minnesota (RIM) natural resources effort began in 1986. There are two primary components: RIM managed by the DNR and RIM Reserve, the main initiative of this activity. The easement program has three primary goals:

- Improvement and protection of water quality.
- Reduction of soil erosion.
- Enhancement of fish and wildlife habitat.

This is accomplished by retiring marginal lands from agricultural production and restoring previously drained wetlands. The RIM Reserve component is responsible for acquiring easements on private lands and implementation of conservation practices. The components of RIM Reserve are:

- "Regular" RIM;
- Conservation Reserve Enhancement Program (CREP);
- RIM Reserve/Wetland Reserve Program (WRP);
- RIM Permanent Wetland Preserves (PWP).

Land that is acquired through any of the RIM easement programs is ultimately managed by a conservation plan (designed with the landowner, LGU and agency staff), which generally includes wetland restoration and seeding vegetative cover.

STRATEGIES AND PERFORMANCE:

Management of privately owned land is key to improving water quality and conservation practices and is the primary strategy for this activity.

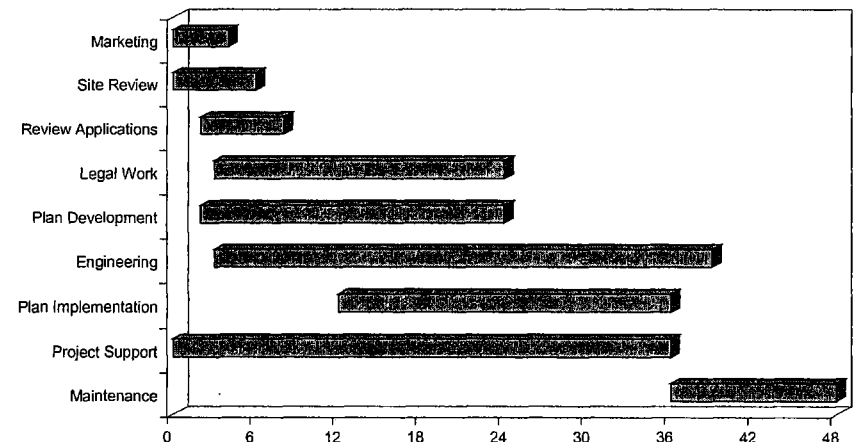
Performance is measured by the following:

- Landowner participation. Over 2,400 easements exist covering about 83,000 acres of land.

- Leveraged federal funding. More than \$25 million has been leveraged from the CREP program. Another \$143 million will be leveraged if the state provides matching funds.
- Local partnerships. RIM Reserve has formed partnerships among LGU's, environmental groups, conservation groups and state and federal partner agencies.
- Local participation. The 91 soil and water conservation districts have successfully implemented these programs locally and use their knowledge of local resource management to promote programs and manage the easements.
- Support from conservation groups. Conservation groups, environmental groups and farming groups support RIM Reserve.
- Landowner interest. This activity has far more interest than funding.

As a general rule, an easement can take up to three years to process and implement the conservation plan. The following chart demonstrates the average timeline. The time frame is represented as the number of months in the process.

Conservation Easement Processing Time-Frame



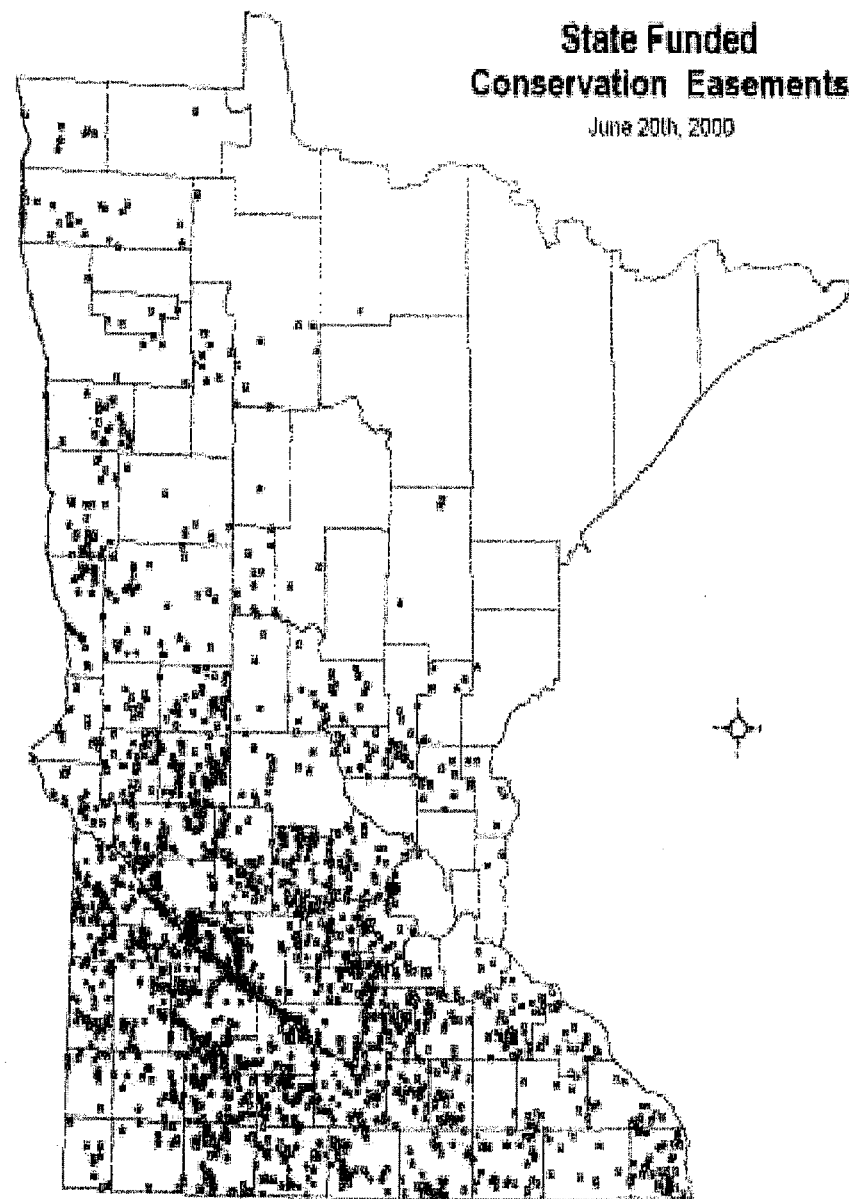
BUDGET ACTIVITY SUMMARY (Continued)

Budget Activity: **EASEMENTS**
 Program: **WATER & SOIL RESRCS BD**
 Agency: **WATER & SOIL RESOURCES BOARD**

The following table identifies information on the current easement inventory.

Easement Type	Number	Acres
Marginal Ag Land		
Perpetual	445	11,069
Limited	152	2,649
Wetland Restoration	457	18,127
WRP	90	6,208
Sensitive Groundwater		
Perpetual	29	999
Limited	7	135
Riparian Land		
Perpetual	447	17,064
Limited	5	131
PWP	269	10,765
Other Perpetual	104	3,542
Total	2,391	84,635

The map represents RIM Reserve easement locations by region



BUDGET ACTIVITY SUMMARY (Continued)

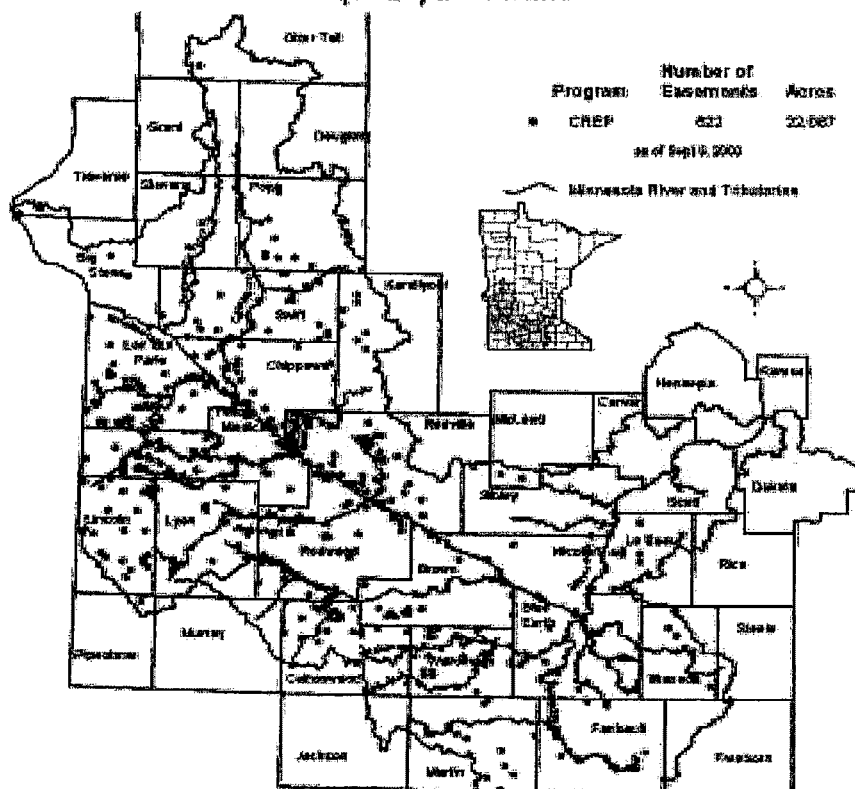
Budget Activity: EASEMENTS
Program: WATER & SOIL RESRCS BD
Agency: WATER & SOIL RESOURCES BOARD

order to complete the acquisitions, conservation planning and conservation implementation, the program needs implementation funding of \$724,000 for FY 2002. FY 2003 costs will be covered in the base appropriation.

BUDGET ISSUES:

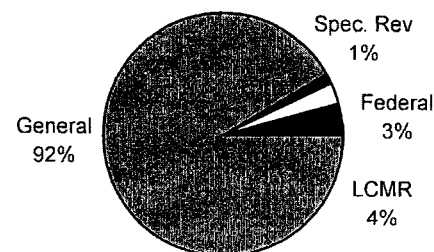
The major issues in this activity relate to CREP. The following map identifies the location of conservation easements acquired by the Conservation Reserve Enhancement Program (CREP).

Conservation Reserve Enhancement Program (CREP) Easements



2000-01 Expenditures by Fund

Total: \$48 Million



FINANCING INFORMATION:

Easement activity is funded through the capital budget and the fiscal pages do not reflect the capital budget funding. The following chart represents funding from the capital budget enacted in 2000.

- The second-and third-year implementation funding for the bonding money approved in the 2000 session for CREP has not been appropriated to the agency. There is \$18.4 million of funding to acquire easements under this program with a \$2.3 federal match for every dollar invested by the state. In

Activity: EASEMENTS
Program: WATER & SOIL RESRCS BD
Agency: WATER & SOIL RESOURCES BOARD

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>Expenditures by Category:</u>									
State Operations									
OTHER OPERATING EXPENSES	3	4	0	0	0	0	0	(4)	(100.0%)
Subtotal State Operations	3	4	0	0	0	0	0	(4)	(100.0%)
CAPITAL OUTLAY & REAL PROPERTY	453	612	239	0	0	0	0	(851)	(100.0%)
Total Expenditures	456	616	239	0	0	0	0	(855)	(100.0%)
<u>Financing by Fund:</u>									
Statutory Appropriations:									
SPECIAL REVENUE	19	11	21	0	0	0	0		
FEDERAL	437	605	218	0	0	0	0		
Total Financing	456	616	239	0	0	0	0		

SCIENCE MUSEUM - EXECUTIVE SUMMARY

AGENCY MISSION AND VISION:

The Science Museum of Minnesota (SMM) is a statewide educational resource, operating the state's largest public museum and school outreach program serving all corners of Minnesota and attracting more than 200,000 out-of-state visitors annually. SMM also produces films and exhibits, which are distributed internationally; conducts scientific research; and serves as a repository for collections of the state's natural and cultural heritage.

Mission: SMM invites learners of all ages to experience their changing world through science.

Vision: To enhance informal science learning experiences for all Minnesotans and attract more visitors and contributors from the region and across the U.S.

KEY SERVICE STRATEGIES:

- Create compelling and distinctive exhibits and programs.
- Build SMM as a major regional tourist destination.
- Enrich school field trips with more direct linkage to the classroom.
- Provide outstanding customer service.
- Develop partnerships that leverage public and private resources.

PERFORMANCE SUMMARY:

In FY 2000, SMM reached 1,237,422 people:

- 887,929 people at the museum,
- 165,911 teachers and students in their own school districts,
- 183,582 in classes, trips, camps and special events.

The museum's programs continue to be highly rated by visitors, educators, funding partners, and other museums across the country. Of special note are programs directed to engage at risk youth in science and to ensure access for low income students and families.

EXPLANATION OF AGENCY'S BUDGET PLAN:

The opening of the new museum facility in December 1999 has positioned SMM to reach even more Minnesota schools and families with high quality informal educational programs. The operating budget is now absorbing higher facility operating costs (about \$1.5 million more for security, utilities, maintenance) and annual debt service payments (about \$1.5 million) for the long-term financing needed to complete the project. SMM's budget plan assumes that new costs will be principally funded by a growth in earned revenues, but that public support will

remain a stable percentage of operating revenues and that private support will grow.

REVENUES:

In FY 2001, SMM's budget totals \$33.9 million. Ongoing program expenses represent \$25.7 million or 75% of the budget, while one-time special projects total \$8.3 million, or 25%. State funds support ongoing program activities, primarily salaries, wages and benefits.

Unrestricted revenues of \$25.7 million derive from the following sources:

Earned income	77%	State and county	6%
Private funding	8%	Investment income/endowment	9%

After SMM's budget was adopted by the Board of Trustees in June, Ramsey County voted to cut its 2001 appropriation by 50%, or \$250,000.

ISSUES AFFECTING AGENCY'S OPERATIONS:

- Responding to the 50% cut in support from Ramsey County.
- Achieving earned revenue goals, primarily associated with increasing attendance, including the tourism market.
- Maintaining accessibility for low income individuals, families, and schools while achieving aggressive earned revenue goals.
- Increasing contributed support.

LCMR RECOMMENDATIONS:

The LCMR recommends funding for two projects:

- Subd. 10(b) WaterScapes: Outdoor Nonpoint Pollution Education \$265,000
To create outdoor exhibits that reveal processes that contaminate urban and rural runoff and demonstrate methods to improve water quality.
- Subd. 10(e) Burn, Plant, and Learn: Restoring Upland Habitats \$230,000
Acquisition of approximately eight acres of property adjacent to the St. Croix watershed research station and for training programs, technical assistance, and demonstrations of upland habitat restoration.

(see the LCMR section of the Environmental Budget for more information)

GOVERNOR'S RECOMMENDATION:

The Governor recommends the Science Museum's base budget, and the LCMR projects.

Agency: SCIENCE MUSEUM

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Category:									
LOCAL ASSISTANCE	1,414	1,164	1,764	1,164	1,411	1,164	1,412	(105)	(3.6%)
Total Expenditures	1,414	1,164	1,764	1,164	1,411	1,164	1,412	(105)	(3.6%)
Change Items:	Fund								
(A) LCMR RECOMMENDATIONS	EVT				247		248		
Total Change Items					247		248		
Financing by Fund:									
Direct Appropriations:									
ENVIRONMENT & NATURAL RESOURCE	0	0	600	0	247	0	248		
GENERAL	1,164	1,164	1,164	1,164	1,164	1,164	1,164		
MINNESOTA RESOURCES	250	0	0	0	0	0	0		
Total Financing	1,414	1,164	1,764	1,164	1,411	1,164	1,412		

MINN RESOURCES LEG COMM - EXECUTIVE SUMMARY

AGENCY MISSION AND VISION:

The Legislative Commission on Minnesota Resources (LCMR) was created in 1963 to provide the Legislature with the background necessary to evaluate programs proposed to preserve, develop, and maintain Minnesota's natural resources.

MS 116P and an adopted Strategic Plan guide expenditure recommendations from the LCMR to the Minnesota Legislature for natural resource projects.

Recommendations are from four funding sources, the Environment and Natural Resources Trust Fund, the Minnesota Future Resources Fund, Oil Overcharge money and the Great Lakes Protection Account. Funding recommendations are for new, innovative or accelerative natural resource projects designed to help sustain, enhance and utilize Minnesota's natural resources

ORGANIZATION/PROGRAM STRUCTURE

The LCMR is comprised of 20 members consisting of the chairs of the House and Senate committees on environment and natural resources (or designees appointed for the terms of the chairs), the chairs of the House and Senate committees on environment and natural resources finance (or designees appointed for the terms of the chairs), the chairs of the House Ways and Means and Senate Finance committees (or designees appointed for the terms of the chairs), 7 members of the Senate appointed by the Subcommittee on Committees of the Committee on Rules and Administration and 7 members of the House appointed by the Speaker. At least 3 members from the Senate and 3 members from the House must be from the minority caucus. The members elect their officers, rotating the chair from the Senate to the House every 2 years. The LCMR employs a full time professional and support staff of five full time employees. In 2002-2003 there also is an allocation of \$150,000 to the Department of Natural Resources to administer the contracts of all the pass through non-state agency appropriations.

KEY SERVICE STRATEGIES

The Commission uses a number of approaches to assess the status of the state's natural resources and identify important issues and needs. These approaches include: site visits to public and private sector natural resource projects and regional forums at which citizens advise Commission members of their needs regarding natural resources. In addition to these activities, the Commission is advised by a Citizens Advisory Committee (appointed by the Governor) regarding priorities for expenditures from the Environment and Natural Resources Trust Fund.

Strategic Plan: Every two years, the Commission adopts a comprehensive strategic plan and issues a request for proposal (RFP) which is open to everyone. The current plan was adopted November, 1999.

Priorities for Funding: In the 2001 Strategic Plan, the Commission adopted five priorities for funding, listed below. As part of an overall evaluation, projects were reviewed for their compatibility with the natural system and the balancing of the benefits to the environment, the community and economy.

■ IMPROVEMENT OR DEVELOPMENT OF RECREATIONAL AND NATURAL SYSTEMS:

Issue: Increased demand on our parks and trails is jeopardizing the integrity of natural systems and recreational facilities.

Funding Priority: Improve, develop or acquire* state, regional, metro, local parks, recreation areas and trails with an emphasis on connecting recreational systems. Projects qualifying for the Local Grants Initiative Program, State and Metro Parks, Recreation Areas and Trails MUST apply to those programs.

■ ECOLOGICAL MANAGEMENT :

Issue: Minnesota's natural resources are threatened by inappropriate and unsustainable use.

Funding Priority: Accelerate farming, forestry, tourism, and mining practices that protect the environment, human health and area economic vitality, and that enhance fish and wildlife habitat.

■ IMPLEMENTATION OF RESEARCH:

Issue: The environment is not benefiting fully from the existing wealth of research and information, resulting in inefficient use of funds and expertise.

Funding Priority: Increase utilization and application of environmental and/or natural resource research and information to address natural resource or human health concerns.

■ PROTECTION AND RESTORATION OF CRITICAL HABITAT:

Issue: The health, diversity and survivability of our native fish, animals, insects, and plant species are threatened by landscape fragmentation, indifferent land use policies, and pollution.

Funding Priority: Identify, acquire*, protect, and restore habitat corridors and other critical habitat of sufficient quality and quantity to promote the survival of plants and wildlife. This includes the enhancement of hunting and fishing.

MINN RESOURCES LEG COMM - EXECUTIVE SUMMARY (Continued)

■ ENVIRONMENTAL EDUCATION:

Issue: Understanding of and appreciation for the environment needs to be developed through lifelong learning.

Funding Priority: Implement environmental education activities consistent with the Greenprint Statewide Plan for Environmental Education in Minnesota, with an emphasis on local government officials and community groups. The priority is for implementation of non-capital programmatic activities carried out through partnerships. This includes hunting and fishing interests. Native Fish Species Research and development to enhance native fish and mollusk population in their natural communities. Expand ecosystem knowledge and classification to guide enhancement.

*Acquisition may include conservation easements and purchase/transfer of development rights for all priorities stated above.

Review Process: In the two year cycle for funding recommendations of projects beginning July 1, 2001, 402 proposals for \$424,298,116 were received. The Commission evaluated them based on the criteria and priority strategies set forth in a strategic plan (updated biennially) and in the request for proposals. In addition, the Citizens Advisory Committee advised the Commission regarding allocations from the Environment and Natural Resource Trust Fund.

After the Commission made an initial selection of those projects which best fit the priority strategies and criteria from among all proposals, 107 project managers were invited to present their project proposals before Commission members at a series of hearings. Hearings were held in St. Paul and Brainerd to ensure access to the process and an opportunity to present funding proposals and issues and activities of importance in different geographical areas

Recommendations: For the biennium beginning July 1, 2001, the Commission is recommending 56 projects for a total of \$49.351 million to the 2001 Legislature from the four funding sources. Additionally, all proposed research projects selected for funding recommendations undergo a scientific peer review. The Commission oversees and evaluates project progress and completion through work program review.

OPERATING ENVIRONMENT:

- **Think beyond the short term** future to provide a long range view. The Commission, unlike other agencies in this budget, is more like a zero based budgeting operation. The process starts clean and fresh every 2 years, so it's not just a matter of continuing existing programs and making a few adjustments. The LCMR strives to understand what the issues of tomorrow

will be and prepare both our colleagues in the Legislature and the executive branch agencies. Research, studies, inventories and pilot projects are at the heart of this effort. The Commission is also a vehicle to allow small yet significant projects which could not compete successfully in the rest of this budget process to be addressed.

- Ensure a statewide perspective on natural resource needs. All legislators are subject to intense pressure to support local projects. The challenge to LCMR members is to recommend a course that produces a quality future despite intense pressure to reach only to immediate concerns. A measure of success is the degree to which LCMR recommendations transcend purely local interests toward a well-balanced package that recognizes how good local projects can provide examples of new techniques as well as broader service potential.
- Ensure net gains in environmental spending. Expenditures from the Environment and Natural Resources Trust Fund may not be used to supplant existing funding per M.S. 116P.03. The LCMR applies this concept to all fund sources in an attempt to gain real progress for Minnesota's natural resources.
- Initiate and accelerate. Support innovative ideas and accelerate funding in selected areas of high priority for the future.
- Institutionalize success. The LCMR evaluates the wisdom of incorporation of successful programs into the regular budget. Adapting regular budgets to accommodate new techniques or programs is an interesting challenge for the Commission as well as the Executive agencies.

SUMMARY OF BUDGET REQUEST:

The commission's budget plan does not have direct long-range financial implications; a new set of allocation recommendations is prepared each biennium. However, some projects may be recommended for additional allocations in future biennia and some may be recommended for inclusion in the regular budget as required in MS 116P.09, Subd. 7(4).

Estimated Funding Available, FY 2002-2003

The final recommendation includes 56 specific projects recommended to the 2001 legislature. The strategies, project titles and dollar amounts follow.

Project funding to a nonstate agency is placed through a state agency as the fiscal agent. The recipient and fiscal agent are listed next to the project title.

MINN RESOURCES LEG COMM - EXECUTIVE SUMMARY (Continued)

Each of these projects, agency and nonagency, are also found in the related agency budget detail documents.

2001 LCMR RECOMMENDATIONS

The following pages contain the list of projects to be recommended by the LCMR to the 2001 Legislature. The projects are listed by the issue areas of Fish and Wildlife Habitat; Recreation, including History; Water Resources; Land Use and Natural Resource Information; Agriculture and Natural Resource Based Industries; Energy; and Environmental Education.

LCMR 2001 RECOMMENDED PROJECTS

<u>Fund & Project Description</u>	<u>Affiliation</u>	<u>Amount</u>	<u>Fiscal Agent</u>
FISH AND WILDLIFE HABITAT			
03 Forest And Prairie Stewardship Of Private Lands In cooperation with the Minnesota Forestry Association and the Nature Conservancy, to develop stewardship plans for private prairie and forested lands and to implement natural resource projects by providing matching money to private landowners.	MN DNR	545,000	DNR
13 State Fish Hatchery Rehabilitation To accelerate hatchery rehabilitation.	MN DNR	145,000	MN DNR
13 Enhancing Canada Goose Hunting And Management An agreement with the Minnesota Waterfowl Association to acquire leases on private farmlands for foraging sites and public hunting opportunities and to provide technical assistance to local units of government in developing controlled hunts for nuisance geese.	MN Waterfowl Assoc	340,000	MN DNR
03 Biological Control Of Eurasian Watermilfoil And Purple Loosestrife-Continuation To develop and implement biological controls for Eurasian water milfoil and purple loosestrife.	MN DNR	90,000	MN DNR
03 Restoring Minnesota's Fish And Wildlife Habitat Corridors For acceleration of agency programs and cooperative agreements with Minnesota Waterfowl Association and eleven other organizations, to restore and acquire fragmented landscape corridors that connect areas of quality habitat to sustain fish, wildlife, and plants.	MN Waterfowl Assoc	11,745,000	MN DNR
13 Engineering Support For Public Lands Waterfowl Projects	Ducks Unlimited, Inc.	275,000	MN DNR

<u>Fund & Project Description</u>	<u>Affiliation</u>	<u>Amount</u>	<u>Fiscal Agent</u>
For an agreement with Ducks Unlimited to provide survey and engineering support to natural resources agencies for waterfowl projects on public lands.			
03 Metro Greenways For the metro greenways program to provide assistance for planning, improving, and protecting important natural areas in the metropolitan region through grants, conservation easements, and fee acquisition.	MN DNR	2,730,000	MN DNR
03 Acquisition Of Lands As Scientific And Natural Areas To acquire land with natural features of statewide significance in the scientific and natural area program long-range plan.	MN DNR	455,000	MN DNR
03 Big Rivers Partnership: Helping Communities To Restore Habitat For an agreement with Great River Greening to implement private and public habitat projects on a cost-share basis in the Mississippi and Minnesota River valleys.	Great River Greening	910,000	MN DNR
13 Acquisition And Restoration Of Eagle Creek's Last Private Land An agreement with the city of Savage to acquire a buffer strip along Eagle Creek as an aquatic management area.	City of Savage	910,000	MN DNR
13 Neighborhood Wilds Program For the neighborhood wilds program to assist neighborhoods adjacent to public lands and natural areas in restoration and management of habitat through demonstration projects.	MN DNR	135,000	MN DNR
11 Projects funded:		18,280,000	

RECREATION, INCLUDING HISTORY

03 Metropolitan Regional Parks Acquisition, Rehabilitation And Development For an agreement with the metropolitan council for subgrants for acquisition, development, and rehabilitation in the metropolitan regional park system, consistent with the metropolitan council regional recreation open space capital improvement plan.	Metro Council	5,645,000	MN DNR
03/13 Local Grants Initiative Program Outdoor Recreation Grants	MN DNR	4,005,000	MN DNR
1. For Regional parks outside the metropolitan area under Minnesota Statutes, section 473.121, for recreation areas and natural and scenic areas under Minnesota Statutes, section 85.019;			
2. For local parks, outdoor recreation areas, and natural and scenic areas under Minnesota Statutes section 85.019;			

MINN RESOURCES LEG COMM - EXECUTIVE SUMMARY (Continued)

<u>Fund & Project Description</u>	<u>Affiliation</u>	<u>Amount</u>	<u>Fiscal Agent</u>	<u>Fund & Project Description</u>	<u>Affiliation</u>	<u>Amount</u>	<u>Fiscal Agent</u>
3. for statewide conservation partners grants of up to \$20,000 each to encourage private organizations and local governments to cost-share improvements of fish, wildlife, and native plant habitats and research and surveys of fish and wildlife; and				03 Land Acquisition At The Minnesota Landscape Arboretum	Minnesota Landscape Arboretum/ U of M	730,000	U of M
4. for environmental partnerships program grants of up to \$20,000 each for environmental service projects and related education activities through public and private partnerships.				To the University of Minnesota for an agreement with the University of Minnesota Landscape Arboretum Foundation for the fourth biennium to acquire in-holdings of the Minnesota Landscape Arboretum.			
Grants under clause (1) may provide up to 60 percent of the nonfederal share of the project cost. Grants under clauses (2) to (4) may provide up to 50 percent of the nonfederal share of the project cost.				13 Gateway Trail Bridge	MN DNR	530,000	MN DNR
				For a trail bridge over state highway No. 96 and expanded parking.			
13 Regional And Local Trail Grants	MN DNR	1,000,000		13 State Trail Projects	MN DNR	910,000	MN DNR
For matching trail grants to local units of government, under Minnesota Statutes, section 85.019, for trail linkages between communities, trails, and parks, and for locally funded trails of regional significance outside the metropolitan area, under Minnesota Statutes, section 473.12.				To provide matching funds for state trail projects eligible to receive federal TEA-21 funds.			
03 Outdoors For Everyone: Accessing Recreational Trails And Facilities	Wilderness Inquiry	230,000	MN DNR	03 Gitchi Gami State Trail	MN DNR	910,000	MN DNR
An agreement with Wilderness Inquiry to provide technical assistance to local units of government for development of publicly funded trails and outdoor recreation facilities to ensure that new federal standards for accessibility for persons with disabilities are met.				In cooperation with the Gitchi-Gami Trail Association, for the second biennium to acquire and develop approximately four miles of the Gitchi- Gami trail between Gooseberry Falls State Park and the Split Rock River.			
03 Water Recreation: Boat Access, Fishing Piers And Shorefishing	MN DNR	910,000	MN DNR	13 Forest History Center Interpretive Trail	MHS	90,000	MHS
To acquire and develop public water access sites statewide, to construct shorefishing and pier sites, and to restore shorelands at existing public accesses.				To design and upgrade trails at the Forest History Center in Grand Rapids.			
13 Grays Bay, Lake Minnetonka Public Water Access	City of Minnetonka	2,000,000	MN DNR	13 Mesabi Trail Facility	St. Louis & Lake Ctny Reg. Rail Auth.	190,000	MN DNR
In cooperation with the city of Minnetonka to acquire approximately five acres for a multiuse water access site on Grays Bay, Lake Minnetonka.				An agreement with the St. Louis and Lake Counties Regional Rail Authority to acquire land and design a Mesabi trail center building.			
13 McQuade Public Access	McQuade Joint Powers Board	500,000	MN DNR	13 Regional Trailhead Building	Itasca County Land Department	135,000	MN DNR
In cooperation with the McQuade Joint Powers Board, U.S. Army Corps of Engineers, and local units of government to develop a public access for Lake Superior.				An agreement with the Itasca county land department to complete construction of a trailhead building at Itasca county fairgrounds to serve regional trail users.			
03 Preserving Grey Cloud Island As A Public Resource	MN DNR	3,185,000	MN DNR	13 Itasca County Fairground Conservation Building	Itasca County Agricultural Assoc	45,000	MN DNR
To acquire land on Grey Cloud Island in Washington county.				An agreement with the Itasca County Agricultural Association to renovate a 1934 WPA log building at the Itasca county fairgrounds as an environmental learning facility, and to develop curricula and exhibits on lakes and fishing.			
				13 Development And Rehabilitation Of Recreational Shooting Ranges	MN DNR	910,000	MN DNR
				To provide cost-share grants to local recreational shooting clubs for the purpose of developing or rehabilitating shooting sports facilities for public use.			

MINN RESOURCES LEG COMM - EXECUTIVE SUMMARY (Continued)

<u>Fund & Project Description</u>	<u>Affiliation</u>	<u>Amount</u>	<u>Fiscal Agent</u>
13 State Park And Recreation Area Land Acquisition For acquisition and in holdings for state park and recreation areas.	MN DNR	616,000	MN DNR
18 projects funded:		22,541,000	

WATER RESOURCES

13 Accelerated Implementation Of Local Water Plans To accelerate the local water planning challenge grant program under Minnesota Statutes, section 103B.3361, through the implementation of high- priority activities in comprehensive water management plans on a cost-share basis and development of a program reporting system.	BWSR	1,365,000	BWSR
13 Alternative Storm Water Systems An agreement with the metropolitan council to provide incentives in metropolitan council grants to communities and land developers for alternative storm water conveyance systems that minimize the runoff quantity and improve runoff quality.	Metro Council	180,000	MN DNR
13 Green Infrastructure Design Strategies In Washington, Ramsey And Dakota Counties To develop green infrastructure design strategies for incorporation into public works projects.	U of M	275,000	U of M
03 Implementing Denitrification Strategies For Minnesota's Contaminated Aquifers To assess denitrification technology to remediate nitrate-contaminated groundwater.	U of M	230,000	U of M
13 Determination Of Fecal Pollution Sources In Minnesota Watersheds To determine sources of fecal pollution in three impacted watersheds utilizing DNA fingerprinting techniques, and evaluate the efficacy of implemented and proposed abatement procedures to remediate fecal contamination.	U of M	275,000	U of M
13 Mississippi Headwaters Board Environmental Economic Assessments For an agreement with Mississippi Headwaters Board to accelerate the river watch watershed monitoring program and integrate economic and water data analysis into decision-making tools for landowners and local units of government.	Mississippi Headwaters Board	100,000	MN DNR
6 projects funded:		2,425,000	

<u>Fund & Project Description</u>	<u>Affiliation</u>	<u>Amount</u>	<u>Fiscal Agent</u>
LAND USE AND NATURAL RESOURCE INFO			
03 HYDRAULIC IMPACTS OF QUARRIES AND GRAVEL PITS To research and evaluate the impact of aggregate extraction on groundwater quality and quantity.	MN DNR	320,000	MN DNR
13 GIS Management In Koochiching County An agreement with Koochiching county to develop parcel-based GIS capability for Koochiching county for land use, natural resource, and fiscal data.	Koochiching Co	70,000	MN DNR
03 Updating Outmoded Soil Surveys- Continuation For the second biennium of a three biennia project to accelerate a statewide program to update and digitize outmoded soil surveys in four southeast Minnesota counties. Participating counties must provide a cost share.	Board of Water and Soil Resources	500,000	BWSR
03 County Biological Survey- Continuation For the eight biennium of a twelve- biennia project to accelerate the survey that identifies significant natural areas and systematically collects data on the distribution and ecology of natural communities, rare plants and animals.	MN DNR	800,000	MN DNR
4 projects funded:		1,690,000	

AGRICULTURE AND NATURAL RESOURCE INDUSTRIES

13 Evaluating Timber Harvesting And Forest Management Guidelines In cooperation with the Minnesota forest resources council for the first biennium of a five biennia project, to initiate an evaluation of the effectiveness of forest management timber harvesting guidelines for riparian areas.	U of M	200,000	U of M
03 Agricultural Land Preservation Cooperation with Dakota county for educational materials, training, and workshops on agricultural land use planning tools.	Dept of AG/Dakota County	205,000	Dept of AG
13 Environmental Practices On Dairy Farms An agreement with Minnesota Milk Producers Association to assist dairy producers in complying with environmental quality regulations.	MN Milk Producers Assoc	245,000	MN DNR
13 Accelerated Technology Transfer For Starch-Based Plastics To produce and market biodegradable, starch-based plastic.	U of M	90,000	U of M
4 projects funded:		740,000	

MINN RESOURCES LEG COMM - EXECUTIVE SUMMARY (Continued)

<u>Fund & Project Description</u>	<u>Affiliation</u>	<u>Amount</u>	<u>Fiscal Agent</u>
ENERGY			
Using Biodiesel In Generators	U of M	90,000	U of M
To evaluate the use of biodiesel fuel in diesel powered generators and associated impacts of emissions on air quality.			
1 project funded:		90,000	

ENVIRONMENTAL EDUCATION

03 Uncommon Ground: An Educational Television Series	U of M	455,000	U of M
To complete production of a multipart televised film series of the history of Minnesota's natural landscapes.			
03 Waterscapes: Outdoor Non-Point Source Pollution Education	Science Museum	265,000	Science Museum
To create outdoor exhibits that reveal processes that contaminate urban and rural runoff and demonstrate methods to improve water quality.			
13 Sustainable Inner- City Communities Through Environmental Literacy	Sabathani Community Center	545,000	MN DNR
An agreement with Sabathani Community Center for collaborative community environmental education and youth outreach.			
13 Integrated Pest Management In Schools	Dept of AG	180,000	Dept of AG
To implement integrated pest management (IPM) practices in Minnesota K-12 schools.			
03 Burn, Plant And Learn: Restoring Upland Habitats	Science Museum	230,000	Science Museum
Acquisition of approximately eight acres of property adjacent to the St. Croix watershed research station and for training programs, technical assistance, and demonstrations of upland habitat restoration.			
13 Connecting With Wildlife At The Minnesota Zoo	MN Zoo	230,000	MN Zoo
To design and develop interpretive environmental educational graphics for trail exhibit areas.			
13 Project Green Start: Environmental Education	MN Children's Museum	340,000	MN DNR
An agreement with the Minnesota Children's Museum to construct habitat exhibits for environmental education activities.			
13 Raptor Propagation: Student Education	Stillwater Area High School	35,000	MN DNR
An agreement with Stillwater Area High School to build a captive breeding facility for raptors and develop associated education activities.			

<u>Fund & Project Description</u>	<u>Affiliation</u>	<u>Amount</u>	<u>Fiscal Agent</u>
13 Hennepin Parks Farm Education	Hennepin Parks	100,000	MN DNR
An agreement with suburban Hennepin regional park district to develop and implement a coordinated farm education program at Gale's Woods Special Recreation Area and North Mississippi Regional Park.			
13 Residential Environmental Education For Youth And Community Leaders	Courage Camps Residential Environmental Learning Center	90,000	MN DNR
An agreement with Camp Courage for student scholarships and marketing for the residential environmental education program.			
10 projects funded:		2,470,000	

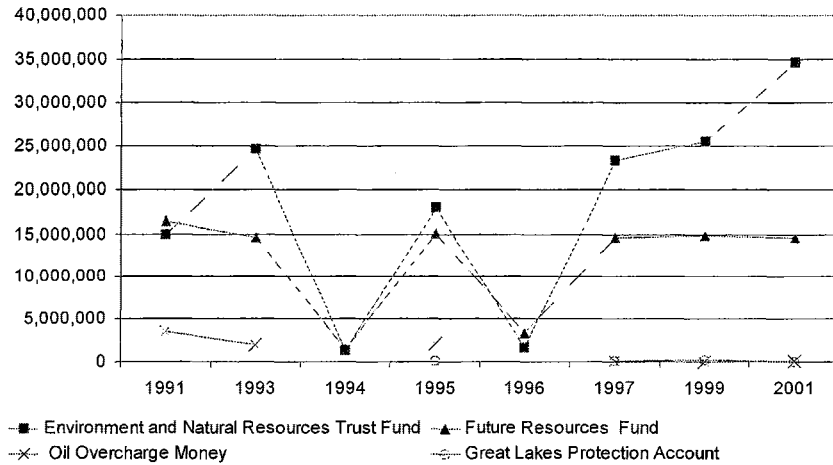
ADMINISTRATION

03/13 Legislative Commission On Minnesota Resources	LCMR	965000	
03/13 Pass Through Administration	MN DNR	150,000	MN DNR
To the commissioner of natural resources for contract administration activities assigned to the commissioner in this section.			
		1,115,000	
A total of 56 appropriations are being recommended by the LCMR		49,351,000	

MINN RESOURCES LEG COMM - EXECUTIVE SUMMARY (Continued)

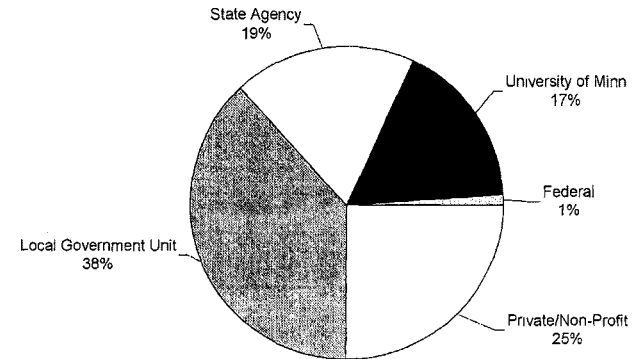
TRENDS AND PERSPECTIVE:

**Total Budget- All Funds
LCMR**



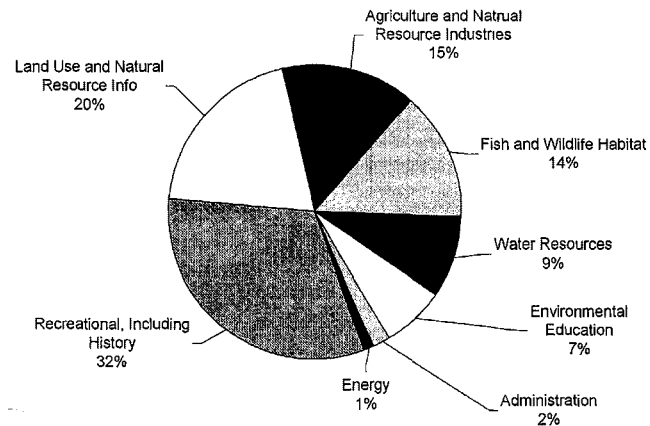
**FY 2000-01 Recommendations By
Recipient as Percent of Total Dollars**

\$42.25 Million



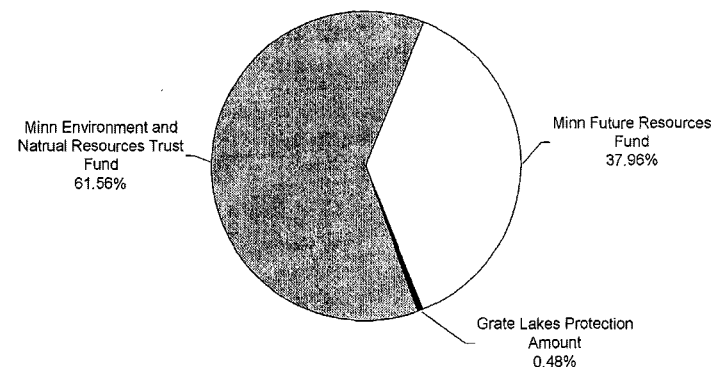
**FY 2000-01 Recommended Projects By
Category as Percent of Total Dollars**

\$42.25 Million



FY 2000-01 Funding Sources

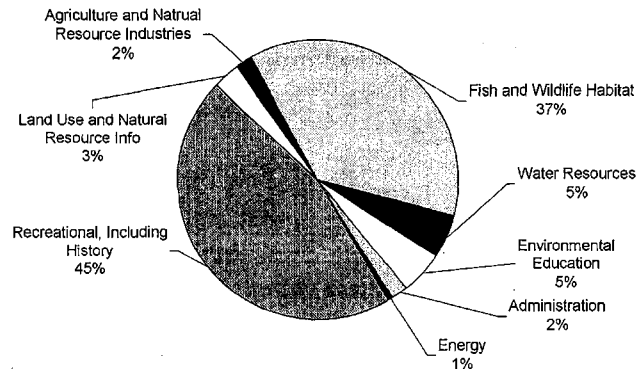
Total \$42.25 Million



TRENDS AND PERSPECTIVE (continued)

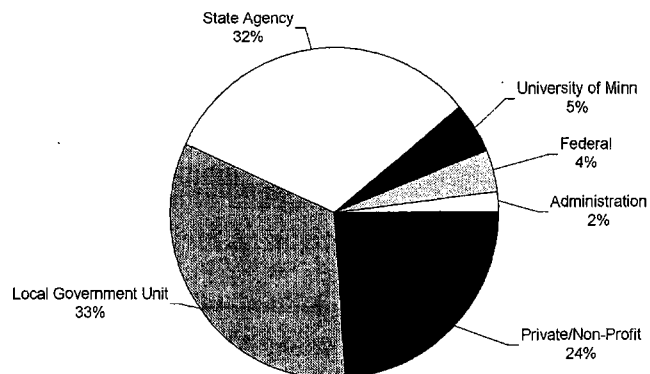
FY 2002-03 Recommended Projects By Category as Percent of Total Dollars

\$49.351 Million



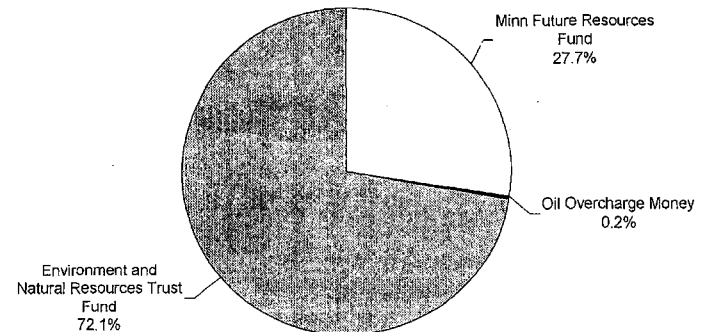
FY 2002-03 Recommendations By Recipient as Percent of Total Dollars

\$49.351 Million



FY 2002-03 Funding Sources

Total \$49.351



GOVERNOR'S RECOMMENDATIONS:

In an effort to work cooperatively with the legislature, the Governor's cabinet and staff have had several communications with the LCMR in the hope of ensuring that LCMR recommends that the legislature fund projects addressing important statewide environmental issues. In these communications, the administration relied on the following criteria:

- New projects should be consistent with the LCMR Strategic Plan, agency strategic plans, and the *Big Plan*.
- Projects should have statewide significance.
- Local projects that qualify for existing agency grant programs should be submitted to that agency.
- Unfinished projects from prior biennia should be completed.
- The full cost of each project should be funded.
- All appropriate parties to a project should be included.
- When considering multi-biennial projects, future funding expectations should be clear.
- The recommendations of the Citizen's Advisory Committee should be carefully considered.

MINN RESOURCES LEG COMM - EXECUTIVE SUMMARY (Continued)

Those communications included a list of projects that supported the strategic direction of the administration, and of individual agencies. All projects on the list were consistent with LCMR criteria, and received high scores in the LCMR staff's ranking. A number of administration priorities were included in the final recommendations.

The final list of projects recommended for funding by the LCMR included several projects that do not meet these criteria and excluded several others that do. The Governor is therefore recommending that the following projects currently included in the LCMR recommendations be removed, and that the funding be redirected to the higher priority projects listed below.

Mesabi Trail Facility	\$190,000.
Regional Trailhead Building	135,000.
GIS Management in Koochiching County	70,000.
Green Infrastructure Design Strategies	275,000.
Alternative Storm Water Systems	180,000.
Big Rivers Partnership: Helping Communities Restore Habitat	910,000.
Uncommon Ground: An Educational Television Series	455,000.
Sustainable Inner-City Communities	545,000.
Itasca County Fairground Conservation Building	<u>45,000.</u>
Total	\$2,805,000

The Governor recommends appropriating \$233,000 from the Oil Overcharge fund for state trail projects approved by the US DOT in the TEA-21 grant process. This use of funds was approved by the DOE when the legislature appropriated funds for similar projects in 1995. These funds are recommended as a substitute for Future Resources funding in the current LCMR recommendation for this project. He also recommends using \$87,000 from the Great Lakes Protection account. The money made available by these changes is used to finance the projects below.

Oliver Kelly Farm	\$655,000.
Conservation Connections Grants	500,000.
Forest Bird Diversity	450,000.
Minnesota Land Use Census	670,000.
Mussel Resource Survey	450,000.
Satellite Based Assessment of Lake Clarity and Quality	<u>400,000.</u>
Total	\$3,125,000.

The Governor also recommends that the Citizens Advisory Committee, currently scheduled to sunset, be continued and recommends that a portion of the \$300,000 recommended from the Future Resources fund for LCMR administration be used to support the Committee for the biennium.

In all, the Governor's recommendations affect less than 6% of the total funding available for the '02-03 biennium. He hopes that by working with the legislature to agree on the projects to be funded, the appropriation process will be smooth, and citizens will be provided the quality stewardship over state resources they've come to expect.

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AGRICULTURE DEPT - EXECUTIVE SUMMARY

AGENCY MISSION AND VISION:

Mission: To work toward a diverse agricultural industry that is profitable as well as environmentally sound; to protect the public health and safety with regard to food and agricultural products; and to ensure orderly commerce in agricultural food and products.

Vision: Facilitating Minnesota agriculture in adapting to changes in the 21st century.

KEY SERVICE STRATEGIES:

Sustainability and enhancement of Minnesota's agriculture industry is the goal of the Minnesota Department of Agriculture (MDA). This is accomplished through our Protection Services (inspection and regulation of agriculture and agricultural supported industries), Marketing and Development of agriculture (through promotion and certification of Minnesota's agriculture products and support of developing technologies) and policy development.

Governor Ventura has expressed a set of core budget beliefs that include:

- Do the right things and do them well.
- Provide incentives for desirable behavior.
- Set a responsible budget and live within it.
- Evaluate programs for real, cost-effective results.
- Never forget it's the people's money.

The Minnesota Department of Agriculture worked with representatives from the Management Analysis Division of the Minnesota Department of Administration to conduct a strategic planning process. This strategic planning process focused on identifying current and future challenges to the agency, and determining how best to meet these challenges.

The strategic planning process sought input from both internal and external stakeholders. Stakeholders included MDA employees, farm organizations, commodity groups, environmental groups, sister agencies and representatives from a wide assortment of other groups. Using the information from these stakeholders, the agency identified major challenges and opportunities that the MDA will need to address.

To help guide our efforts in preparing for these challenges and opportunities, the MDA identified a number of practical visions that will be used to set priorities and guide development efforts. Division level budget narratives incorporate these practical visions, which include:

- Facilitating Minnesota agriculture in adapting to changes in the 21st century.
- Services and programs that are relevant to all of our customer requirements.
- Services to enhance producers' ability to capitalize on 21st century opportunities.
- Safe food-farm to fork.
- Assume a leadership role in environmental policy and program development.
- Innovators in technology to support business and customer requirements.
- Effective internal and external two-way communication.
- An organization that values and recognizes its people, teamwork, and excellence in their work.
- Innovative, adaptive, and resource efficient regulatory programs that effectively carry out their purpose.

Divisions have identified key practical visions that they regard as their primary responsibilities. The progress of these efforts will be monitored by outcomes and performance measures created for each practical vision.

Operating Environment

Considered part of our tradition as much as part of our economy, Minnesota agriculture is a unique industry. While it is rich with cultural heritage, it is also particularly susceptible to the dramatic effects of an evolving world marketplace. Rapid economic and social changes demand that today's farmers be as good at marketing and financial management as they are at crop and livestock production.

Among the key changes facing the farm community as we start the 21st century:

- With the 1996 farm bill, the federal government shifted the focus of American agriculture by eliminating the old subsidy programs and instituted a seven-year program of gradually declining market transition payments. During this period, farmers were expected to shift their management style to focus on producing what the marketplace dictated rather than what the government dictated. While this legislation has had profound effects on the way farmers do business, the transition to a fully market-oriented agriculture has been hindered by low commodity prices and the lack of a strong commitment by the federal government to help producers access new export markets.
- With the removal of government subsidy programs, commodity prices have seen increased fluctuations both up and down. This makes it much more difficult for farmers to set budgets and make long-range plans, since revenue can vary widely from one season to the next. This also increases the need

AGRICULTURE DEPT - EXECUTIVE SUMMARY (Continued)

for farmers to become knowledgeable in marketing issues and the use of risk-management tools.

- Although long-term commodity prices have stagnated in recent decades, the costs of running a farm and supporting a family have risen dramatically. This has forced farmers to look for ways to increase profits. For some, the answer has been to expand their farm to gain economies of scale and increase cash flow. For others, it has meant adopting low-input techniques such as sustainable farming. Others have decided to leave the industry altogether. This has resulted in a reduction in the number of farmers and an increase in the size of the average Minnesota farm.
- For the past decade, farmers in northwestern Minnesota have seen their crop production severely impacted by crop disease and poor growing conditions. This has forced thousands out of business, and continues to be a major problem for that part of the state. Federal and state assistance has helped some growers, but many others still face dire financial difficulty.
- The emergence of a global economy has had a huge impact on American agriculture. While it has created new export opportunities for farmers, it has also given rise to serious competitive challenges. Today, a Minnesota farmer isn't just competing with growers in the next county or in the next state; he or she is competing with growers on the other side of the world who often have a built in advantage thanks to the strong U.S. dollar and cheap labor abroad. As public officials formulate farm policies, they must consider how those policies will play out in the context of this highly competitive world marketplace.
- Each year, American farmers produce much more than American citizens consume. As a result, U.S. agriculture is more than twice as dependent on exports as the rest of the economy. Minnesota farmers are especially dependent on international customers. Each year, we export a third of our corn crop, half of our soybean crop, and a third of our wheat crop. According to the US Department of Agriculture (USDA), Minnesota is the seventh largest agricultural exporter among all 50 states. The USDA also reports that Minnesota farm exports support more than 44,000 jobs. Our growing reliance on exports means our farm economy is heavily influenced by global economics. It's no coincidence that the American farm economy went into a downturn at the same time the Asian economic crisis hit two years ago. This reliance on exports magnifies the impact of international trends such as globalization.
- With U.S. food consumption stabilizing and agricultural production continuing to increase, there is a growing need for the state's agriculture industry to develop new markets for its farm commodities. This can be done in two ways. First, the industry can develop new uses for commodities (such as producing ethanol from corn, or electricity from alfalfa). Second, as the world's economies continue to become more connected, there is growing

need for Minnesota agriculture to expand existing export markets and develop new markets in order to ensure long-range vitality.

- New technologies have also radically altered the farming industry. The Internet has given farmers easy access to production and marketing data from around the world. Thanks to the rapid spread of information, farmers can keep close watch on the markets and industry news. At the same time, this fast-moving information has contributed to rapid movement of commodity prices. Today, news of a drought-easing rainstorm in Brazil can impact grain markets in Chicago on the very same day. This makes marketing decisions more complex for farmers.
- Biotechnology has produced a number of new crop varieties such as Bt corn and Roundup Ready Soybeans. These innovative products have saved time and money for millions of farmers, but they've also led to new marketing challenges when it comes time to sell the biotech crops to a public that is not universally receptive to such products.
- While the American food supply is the world's safest, isolated incidents of contamination continue to focus attention on food safety issues. The agriculture and food industry is faced with the need to adjust to increased public expectations by adopting new and more effective food safety measures. With more produce and other seasonal foods being imported, there is an added risk of food contamination since some countries do not require producers to follow the stringent pesticide and fertilizer laws enforced in the U.S. Food irradiation is one of the most important new food safety tools, but despite its approval by nearly all major health organizations, there are strident pockets of resistance to this technology among the public.
- As in many other states, Minnesota's population continues to become more urban. This has several important impacts on agriculture. First, as urban areas expand into traditional agriculture areas, conflicts arise between the interests of production agriculture and the interests of non-farm homeowners. With development comes higher property values and higher property taxes, which further cut into farmers' thin profit margins. Also, transplanted non-farm residents sometimes find the day-to-day operations of agriculture to be disruptive of the quality of life they expected to find by moving to the countryside. This sometimes results in complaints to local officials and pressure on farmers to change production practices. A second ramification is that as more of the state's population loses touch with the needs of farmers and the importance of the industry, there is the potential at all levels of government for less attention and value to be placed on addressing key issues in agriculture.
- Minnesota dairy and livestock producers have in some cases failed to keep pace with production increases in other parts of the country. If this trend continues, the state risks losing its valued processing infrastructure to other states where the processors can be assured of an adequate supply of raw milk.

AGRICULTURE DEPT - EXECUTIVE SUMMARY (Continued)

- Livestock producers across the country must adjust to changing environmental regulations, and Minnesota's environmental regulations tend to be much more demanding than those of many other states. While those strong regulations provide superior environmental protections, they also add economic and social pressure to farmers. Since Minnesota producers must compete with producers in states and other countries with fewer and less costly environmental regulations, Minnesota producers find themselves at a competitive disadvantage in that they bear additional compliance costs. This competitive balance affects the long-term financial viability of small and large farmers alike, but it tends to impact smaller farmers more keenly since their lower cash flows are less able to support added expenses.

These trends demand that the MDA adjust the way it does business to meet the current and future needs of its stakeholders. To help Minnesota's farm sector adapt to the 21st century global marketplace, the department will need to help producers expand access to international markets and also help producers maintain and enhance their ability to compete with producers in other countries. There will be a need to educate producers about new marketing strategies and risk management tools. It will also be important to continue looking for ways to help farmers sell high-value agricultural products directly to consumers. The department will need to find ways to attract and retain young farmers and processing businesses. There will also be a need to help producers comply with new environmental regulations while minimizing the related economic burden.

Regulatory functions will also have new challenges to address. With the increase in worldwide commerce and shipping of goods, the department will need to help detect and control invasive exotic species that threaten the state's crops and ornamental plants. The department will also have to continue upgrading its laboratory facilities to keep pace with scientific and regulatory developments. In food safety, there is a need for science-based approaches to minimizing food safety problems. Specifically, the Hazard Analysis and Critical Control Points (HACCP) approach must be implemented throughout the food chain to protect consumers. In addition, the Dairy and Food Inspection division has implemented a risk based food safety system which focuses attention on critical factors that cause food borne illness. There will also need to be strong cooperation and partnerships between the MDA, the USDA, the Food and Drug Administration (FDA), and the Minnesota Department of Health (MDH).

ORGANIZATION/PROGRAM STRUCTURE:

COMMISSIONER & EXECUTIVE MANAGEMENT		
<u>Protection Services</u>		
└─	Agronomy Services	157.00 FTE
└─	Food Inspection	86.00 FTE
└─	Laboratory Services	48.80 FTE
└─	Grain & Produce Inspection	89.90 FTE
└─	Agricultural Certification	24.90 FTE
<u>Promotion & Marketing</u>		
└─	Market Development	50.70 FTE
└─	Agricultural Resources Management	12.20 FTE
<u>Administration and Financial Assistance</u>		
└─	Information Services	9.90 FTE
└─	Rural Financing	6.00 FTE
└─	Administrative Services	56.00 FTE

6/30/00 Total FTE's 541.20

GOVERNOR'S RECOMMENDATION:

The Governor recommends the following changes to the agency's base budget. These change items are outlined on the following budget brief pages and on the individual change item pages within this budget.

General Fund

- a biennial increase of \$300,000 and \$130,000 in internal reallocations for the MN Certification Program;
- a biennial increase of \$700,000 for low-interest AgBMP loans to feedlot operators, and a reallocation of \$350,000 from the dairy diagnostic program to assist livestock producers with the new feedlot rules; both these proposals are part of a multi-agency feedlot initiative;
- an increase of \$849,000 in FY 2002 and \$401,000 in FY 2003 to complete Project Unity, an information technology initiative;
- an increase of \$180,000 in FY 2002 and \$240,000 in FY 2003 for the quarantine greenhouse operating expenses;
- reductions of \$403,000 in FY 2002 and \$409,000 in FY 2003 in grant and agency operation funding;
- a revenue reduction of \$10,000 each year to offer a two-week grace period for new food handler licensees.

AGRICULTURE DEPT - EXECUTIVE SUMMARY (Continued)

Special Revenue Fund

The Governor recommends a fee increase for Commercial Canneries Inspection and Food Handler Plan Review.

Agriculture Fund

The Governor recommends fee increases for the following programs: Fertilizer Inspection, Dairy Inspection, Egg Law Inspection, and Grain Buyers and Storage.

The Governor also recommends that the MDA be allowed to recover costs of services provided outside of its regulatory responsibilities.

LCMR

The Governor recommends \$205,000 in funding for the Agricultural Land Preservation and \$180,000 for Integrated Pest Management in Schools.

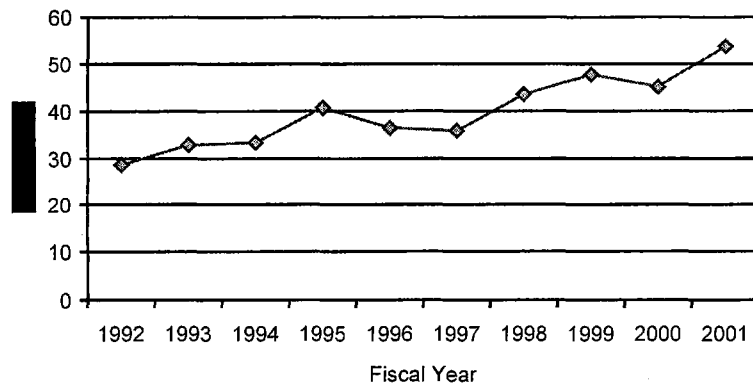
Remediation Fund

As part of the Pollution Control Agency's tax reform initiative, the Governor recommends that \$347,000 in FY 2002 and \$353,000 in FY 2003 be appropriated from the newly-created Remediation Fund, rather than the Environmental Fund. Furthermore, the Governor recommends that statutory appropriations of \$807,000 in FY 2002 and \$129,000 in FY 2003 be made from the Remediation Fund.

AGRICULTURE DEPT - EXECUTIVE SUMMARY (Continued)

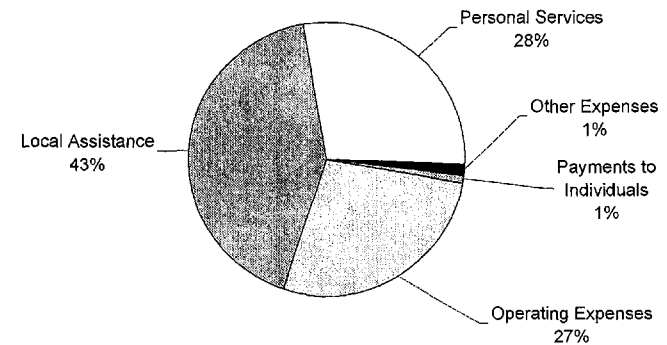
TRENDS AND PERSPECTIVE:

Total Budget -All Funds



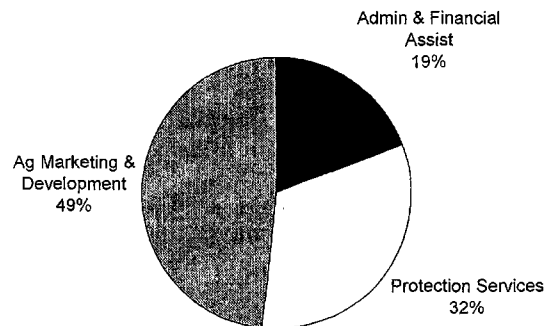
2000-01 Expenditures by Category

Total: \$190 Million



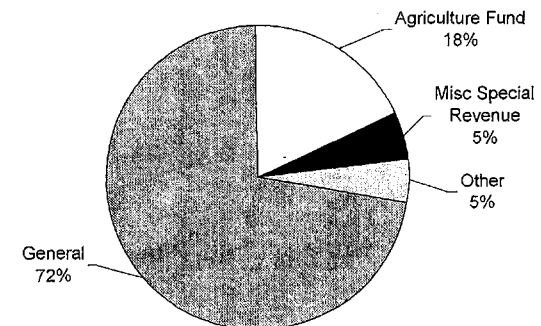
2000-01 Expenditures by Program

Total: \$190 Million



2000-01 Expenditures by Fund

Total: \$190 Million



Agency: AGRICULTURE DEPT

Agency Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Program:									
PROTECTION SERVICES	26,298	28,501	33,626	32,014	32,216	31,891	32,164	2,253	3.6%
AG MARKET & DEVELOPMENT SERVIC	58,056	43,742	47,251	43,279	44,109	43,381	44,234	(2,650)	(2.9%)
ADMIN & FINANCIAL ASSISTANCE	14,586	8,182	28,232	8,281	9,037	8,443	8,745	(18,632)	(51.2%)
Total Expenditures	98,940	80,425	109,109	83,574	85,362	83,715	85,143	(19,029)	(10.0%)

Financing by Fund:									
Direct Appropriations:									
ENVIRONMENT & NATURAL RESOURCE	83	201	414	0	102	0	103		
GENERAL	25,090	20,177	26,574	21,380	22,523	21,746	22,495		
MINNESOTA RESOURCES	287	1,058	184	0	112	0	68		
SPECIAL REVENUE	16,910	0	0	0	0	0	0		
ENVIRONMENTAL	274	273	342	347	0	353	0		
REMEDATION	0	0	0	0	347	0	353		
Open Appropriations:									
GENERAL	27,616	35,287	54,819	35,422	35,422	35,437	35,437		
Statutory Appropriations:									
PUBLIC FACILITIES AUTHORITY	23,638	0	0	0	0	0	0		
SPECIAL REVENUE	3,471	4,370	4,843	4,217	4,251	4,314	4,351		
AGRICULTURE FUND	0	16,715	18,094	17,834	18,231	18,175	18,646		
FEDERAL	1,367	1,770	2,859	3,500	3,500	3,494	3,494		
ENVIRONMENTAL	36	18	807	807	0	129	0		
REMEDATION	0	0	0	0	807	0	129		
MISCELLANEOUS AGENCY	30	513	2	2	2	2	2		
GIFT	138	43	171	65	65	65	65		
Total Financing	98,940	80,425	109,109	83,574	85,362	83,715	85,143		

FTE by Employment Type:									
FULL TIME	391.2	398.2	475.1	471.3	476.3	471.5	476.5		
PART-TIME, SEASONAL, LABOR SER	56.4	56.0	47.6	46.0	46.0	46.0	46.0		
OVERTIME PAY	9.6	9.3	0.8	0.8	0.8	0.8	0.8		
Total Full-Time Equivalent	457.2	463.5	523.5	518.1	523.1	518.3	523.3		

AGRICULTURE DEPT - BUDGET BRIEF

Fund: GENERAL

	<u>FY 2002</u>	<u>FY 2003</u>	<u>Biennium</u>
BASE YEAR (FY 2001) (\$000s)			
Appropriations	\$22,788	\$22,788	\$45,576
<u>BASE ADJUSTMENT</u>			
2002-03 Sal. Ben. Base	328	666	994
Doc. Space Rental/Lease Increase	27	55	82
One-Time Appropriations	(1,763)	(1,763)	(3,526)
<u>BASE LEVEL (for 2002 and 2003)</u>	\$21,380	\$21,746	\$43,126
<u>CHANGE ITEMS</u>			
Agency Reductions	(403)	(409)	(812)
New Initiatives	1,546	1,158	2,704
GOVERNOR'S RECOMMENDATION	\$22,523	\$22,495	\$45,018

BRIEF EXPLANATION OF BUDGET DECISIONS:

- FY 2002-03 Salary and Benefits Base Adjustments are based on a projected 3% and 6.1% increase.
- Documented Space Rental/Lease Base Adjustment reflect actual rental/lease increases with executed leases.
- One-Time Appropriations. The following non-recurring appropriations are removed from our base:
 - Laws of 1999: Feedlot Manure Management Outreach (\$300,000), Marketing Promotion, Market Place (\$420,000) MAELC Grants (\$75,000), Dairy Inspection Supplement (\$125,000), and Project Unity Program Application (\$323,000)
 - Laws of 2000: Rotation Woody Crop Grants (\$300,000), Center for Farm Financial Management (FIN PAK, \$150,000), MN Grown Community Food Pilot (\$170,000).
- Reductions. The MDA is suggesting reductions in the following programs for FY 2002 and FY 2003:
 - Demonstration Grants (\$5,000)
 - Beaver Damage Control Grants (\$65,000)
 - Info and Demo Grants (\$40,000)
 - MISA Grant (\$40,000)
 - Sustainable Ag & IPM Demo Grants (\$50,000)
 - Organic Cost Share Grants (\$50,000)
 - Bio Control Operating (\$60,000)
 - Family Farm Payments (\$36,000) and (\$42,000)
 - Passing on the Farm (\$50,000)
 - Red River Valley Dairyman's and Livestock Assoc. Grants (\$7,000)

- New Initiatives. The MDA is requesting funding for the following new programs for FY 2002 and FY 2003:
 - Feedlot-Ag BMP Loans \$350,000/annually
 - MN Cert \$150,000/annually
 - IT Projects \$849,000 in FY 2002 and \$401,000 in FY 2003
 - Quarantine Greenhouse \$180,000 in FY 2002 and \$240,000 in FY 2003
 - Wholesale Produce Dealers \$17,000/annually
- New Initiatives. The MDA is requesting a two-week grace period for new start-up businesses requiring a food handlers license. This will result in a projected \$10,000 per year reduction in General Fund revenue.
- The MDA is requesting to reallocate the following for FY 2002 and FY 2003:
 - \$65,000 from Diversifying Agriculture to MN Cert
 - \$175,000 from Dairy Diagnostic Grants to Feedlot Assessment

Other Issues:

- Effective in FY 2001, MDA restructured two divisions and created one new division. This new division, Ag Marketing Services, includes the old Ag Certification division and the Ag Marketing Section from the Ag Development Division.

GOVERNOR'S RECOMMENDATION(S):

The Governor recommends the agency's base budget with the following adjustments:

- a biennial increase of \$300,000 and \$130,000 in internal reallocations for the MN Certification Program;
- a biennial increase of \$700,000 for low-interest AgBMP loans to feedlot operators, and a reallocation of \$350,000 from the dairy diagnostic program to assist livestock producers with the new feedlot rules; both these proposals are part of a multi-agency feedlot initiative;
- an increase of \$849,000 in FY 2002 and \$401,000 in FY 2003 to complete Project Unity, an information technology initiative;
- an increase of \$180,000 in FY 2002 and \$240,000 in FY 2003 for the quarantine greenhouse operating expenses;
- reductions of \$403,000 in FY 2002 and \$409,000 in FY 2003 in grant and agency operation funding;
- a revenue reduction of \$10,000 each year to offer a food handler license grace period.

AGRICULTURE DEPT - REVENUE SUMMARY

REVENUE SOURCES:

The Minnesota Department of Agriculture (MDA) generates non-dedicated and dedicated revenue and receives federal funds. The non-dedicated revenue is generated through service and licensing fees charged by the department to various agricultural businesses. The majority of these businesses are inspected and regulated by the divisions in the Protection Services Program, specifically the Agronomy and Plant Protection Division, the Dairy and Food Inspection Division, and Laboratory Services Division. Funds collected are deposited into the Cambridge Fund or the General Fund. Total non-dedicated revenue for FY 2001 is projected to be \$ 4,598,000.

Dedicated revenue is generated by licensing, inspection, regulatory and registration services provided by the department to agricultural industries. Revenue generated from these sources is deposited into the Special Revenue or the Agriculture Fund and is projected to be \$29,982,000 in FY 2001.

The department also received \$3,426,000 in federal funds. These funds are from both recurring federal grants and specific project grants.

FEE STRUCTURE:

There are numerous statutes that require the Department of Agriculture to inspect, regulate, and register agricultural products and industries. These statutes require the department to license and register single persons and businesses that operate in Minnesota, to analyze labeling information, and to determine its accuracy. Fees are established to recover the cost of providing these services.

Finally, there are several voluntary programs that the department provides services for. The fees generated for these services are to recover the cost of providing services. Some of these fees are subject to the approval of the federal government and may not be established at a rate sufficient to fully recover the costs of providing the service. One such program is Grain Inspection. Almost all voluntary programs are financially vulnerable due to contingent liabilities such as workers' compensation and retirements of an aging work force.

RECENT CHANGES:

The revenue streams for several of the programs are affected by the depressed farm commodity prices. One such program is the Grain Inspection program. Due to the increased amount of grain being stored, grain inspection services have been reduced. The department is the only federally licensed inspection agency in the state for grain exported to international destinations.

Weather conditions and changes in industry affect several other programs. These are the Seed Potato program, the Fruit and Vegetable program, and the Dairy Inspection program. The decreasing number of producers affects revenue streams.

FORECAST BASIS:

The department is anticipating a steady revenue stream for most programs.

Revenues are forecast through an analysis of historical information, current industry knowledge, consultation with the federal government, and professional experience. The financial information is reviewed against rolling averages to determine the amounts to be incorporated into the projected revenue estimates.

Exceptions are those programs that may be significantly affected by commodity prices, weather conditions, or changes in industries as noted above.

CHANGE ITEMS:

Fees changed by Commissioner's Order during FY 2000.

- Agricultural Chemical Response and Reimbursement Account (ACRRA) - This fee was increased October 1999 by Commissioner's Order. By statute this account is to maintain an unencumbered balance of \$1,000,000 and the account total balance is not to exceed \$5,000,000.
- MDA, with the approval of the US Department of Agriculture (USDA), implemented a new fee in the Grain Inspection Program. This fee was implemented in response to the recent concerns of bio-tech products.

Proposed fee increase with budget change items to be considered this session:

For the General Fund, the following budget change items are requested:

- Wholesale Producer Dealer fee increase, which is in the Ag Marketing Services budget activity will result in a \$27,000 a year increase to the general fund. The agency is requesting a \$17,000 annual increase in expenditure authority.
- Food Handler Licenses Two-Week Grace Period, which is in the Dairy and Food budget activity, may result in a \$10,000 a year decrease to the General Fund.

For the Agriculture Fund, the following change items are requested:

- Fertilizer Fee Increase-Agronomy and Plant Protection budget activity.

AGRICULTURE DEPT - REVENUE SUMMARY (Continued)

- Seed Inspection Fee Increase-Agronomy and Plant Protection budget activity and Laboratory Services budget activity.
- Dairy Inspection Fee Increase-Dairy and Food budget activity.
- Egg Law Inspection Fee Increase-Dairy and Food budget activity.
- Lab Certification Fee Increase-Laboratory Services budget activity.
- Grain Buyers & Storage Fee Increase-Ag Marketing Services budget activity.

For the Special Revenue Fund, the following budget change items are requesting fee increases:

- Commercial Canneries Fee Increase—Dairy and Food budget activity.
- Food Handler Plan Review Fee Increase—Dairy and Food budget activity.

These proposed fee increases will permit the agency to recover the cost of providing services and to provide the level of service demanded by the programs.

Agency: AGRICULTURE DEPT

Summary of Agency Revenues (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Forecast	Governor Recomm.	Forecast	Governor Recomm.	Dollars	Percent
Non-Dedicated Revenue:									
Departmental Earnings:									
GENERAL	0	0	0	3,242	3,259	3,245	3,262	6,521	
CAMBRIDGE DEPOSIT FUND	2,994	3,398	3,211	0	0	0	0	(6,609)	(100.0%)
Other Revenues:									
GENERAL	0	166	121	93	93	49	49	(145)	(50.5%)
MINNESOTA RESOURCES	0	1	0	0	0	0	0	(1)	(100.0%)
CAMBRIDGE DEPOSIT FUND	0	8	4	0	0	0	0	(12)	(100.0%)
Other Sources:									
GENERAL	516	1,225	1,262	1,402	1,402	860	860	(225)	(9.0%)
Taxes:									
GENERAL	1	0	0	0	0	0	0	0	
Total Non-Dedicated Receipts	3,511	4,798	4,598	4,737	4,754	4,154	4,171	(471)	(5.0%)

Agency: AGRICULTURE DEPT

Summary of Agency Revenues (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Forecast	Governor Recomm.	Forecast	Governor Recomm.	Dollars	Percent
Dedicated Receipts:									
Departmental Earnings:									
SPECIAL REVENUE	16,813	351	400	466	505	475	514	268	35.7%
AGRICULTURE FUND	0	15,757	16,460	16,906	17,655	16,884	17,633	3,071	9.5%
ENVIRONMENTAL	56	73	92	92	0	92	0	(165)	(100.0%)
REMEDATION	0	0	0	0	92	0	92	184	
Grants:									
PUBLIC FACILITIES AUTHORITY	9,477	0	0	0	0	0	0	0	
SPECIAL REVENUE	51	45	48	48	48	48	48	3	3.2%
FEDERAL	1,987	2,074	3,426	3,913	3,913	3,906	3,906	2,319	42.2%
Other Revenues:									
GENERAL	28	0	0	0	0	0	0	0	
SPECIAL REVENUE	2,730	2,161	2,562	2,702	2,702	2,670	2,670	649	13.7%
AGRICULTURE FUND	0	523	466	411	411	361	361	(217)	(21.9%)
ENVIRONMENTAL	45	43	0	0	0	0	0	(43)	(100.0%)
RURAL FINANCE ADMINISTRATION	3,569	3,677	3,903	3,803	3,803	3,778	3,778	1	0.0%
GIFT	98	40	120	64	64	64	64	(32)	(20.0%)
Other Sources:									
PUBLIC FACILITIES AUTHORITY	320	0	0	0	0	0	0	0	
GENERAL	361	0	0	0	0	0	0	0	
SPECIAL REVENUE	661	394	319	319	319	319	319	(75)	(10.5%)
RURAL FINANCE ADMINISTRATION	5,351	4,358	5,610	4,940	4,940	5,110	5,110	82	0.8%
MISCELLANEOUS AGENCY	33	513	2	2	2	2	2	(511)	(99.2%)
Total Dedicated Receipts	41,580	30,009	33,408	33,666	34,454	33,709	34,497	5,534	8.7%
Agency Total Revenues	45,091	34,807	38,006	38,403	39,208	37,863	38,668	5,063	7.0%

AGRICULTURE DEPT - FEDERAL FUNDS SUMMARY

The Minnesota Department of Agriculture (MDA) received funding from the US Department of Agriculture (USDA), the Food and Drug Administration (FDA), the Environmental Protection Agency (EPA), and the US Department of Commerce (USDC) for grants and fee for service agreements. Federal expenditures totaled about 2.2% of the agency's total FY 2000-01 biennial budget or 3.5% if the open appropriation for ethanol producer payments is subtracted. Most grants and fee for service agreements were less than \$100,000 per year.

MDA has two larger reoccurring grants. These are the EPA Pesticide Enforcement Grant and the Farmers Market Nutrition Program Grant.

The EPA Pesticide Enforcement Grant provides funding for pesticide enforcement, applicator enforcement and training, worker protection, groundwater monitoring, and endangered species protection. This grant is an 85/15 matching grant. Matching funds are special revenue funds from the Pesticide Regulatory Account.

The Farmers Market Nutrition Program provides funding to educate low income, nutritionally-at-risk families about the value of fresh locally grown produce and to increase direct sales for farmers through farmers markets. It requires a 70/30 matching grant. Matching funds are General Fund dollars. This grant increased significantly in the 2000-2001 biennium.

The State Meat Inspection program is a partnership with USDA. The program receives 100% general funding with up to 50% federal reimbursement being returned to the General Fund.

MDA is requesting a new federal grant. This USDA grant will be to our Laboratory Services Division for a Micro-Biology Survey for pathogens in fruits and vegetables. These dollars will be directed to purchases of equipment and supplies and the necessary staff to perform analysis and report results for these tests into prescribed software provided by the USDA. The results of these surveys will guide the USDA in performing risk analysis associated with eating fruits and vegetables.

This grant will expand the Minnesota laboratory's ability to provide like-kind analysis to what we are already performing for state regulatory purposes. The increased capacity and state of the art equipment that this program requires will improve the state's abilities to respond to out-breaks and other state food safety emergencies. Because the FDA has co-located staff in our laboratory as part of another federal pilot program, this grant will enable increased coordination of state and federal programs.

AGRICULTURE DEPT - FEDERAL FUNDS SUMMARY (Continued)

Federal Program (\$ in Thousands)	Related SFY 2000 Spending	Primary Purpose	SFY 2000 Revenues	SFY 2001 Revenues	Estimated SFY 2002 Revenues	Estimated SFY 2003 Revenues
Upgrading State Lab Equipment	37	State Operations	37	-0-	-0-	-0-
USDA – Egg & Poultry Lab Analysis	No		154	134	134	134
FSIS Prog Assist to State Meat-Poultry Insp	424	State Operations	212	689	525	525
Food Safety Issues: CFSAN/FSI Food Safety Education Projects Governor's Food Safety Issues Conference	0	State Operations	-0-	10	10	10
Fish and Fish Products Inspection	No		28	28	29	30
FDA - Food Inspection	No		28	48	42	44
USDA – Mandatory Egg Prod Inspection	No		18	70	72	73
USDA – Egg & Egg Products Inspection	No		67	70	73	75
Agricultural "Clean Sweep" Pilot Project	No	State Operations	-0-	60	60	60
EPA-FIFRA Consolidated Coop Agree & Discretionary Funding for FFY 2000	608	State Operations	856	962	902	902
Combined Pest Detection Funding	No	State Operations	14	16	28	28
Cooperative Pesticide Record Keeping Program	No	State Operations	48	40	40	40
Medicated Feed Inspection	No		41	21	24	24
Clean Water PCA Grant	90		90	60	50	50
Improving Implementation of Manure Testing Practices on MN Farms	17	Grants-Individuals	17	81	117	124
Gypsy Moth Slow the Spread	20	State Operations	20	30	25	25
Organic Weed Training	No	State Operations	-0-	-0-	25	25
Source Water Protection Program	No	State Operations	86	86	86	86
Plant Pest Survey	25	State Operations	25	46	46	46

AGRICULTURE DEPT - FEDERAL FUNDS SUMMARY (Continued)

Federal Program (\$ in Thousands)	Related SFY 2000 Spending	Primary Purpose	SFY 2000 Revenues	SFY 2001 Revenues	Estimated SFY 2002 Revenues	Estimated SFY 2003 Revenues
Educating Consumers About Organic Foods	No	Grants-Individuals	30	20	15	15
Assisting Small Farmers Through Direct Marketing	No	Grants-Individuals	30	15	75	65
Economic Adjustment Strategies Minnesota Livestock	No	Grants-Individuals	-0-	-0-	75	75
PCA 319 Grant	No	State Operations	-0-	90	260	250
Eval Costs/Benefits AG BMP	No	Grants-Individuals	-0-	-0-	200	200
Ag Stats Fed Coop Agreement	No		18	20	20	20
Farmers Market Nutrition	110		257	375	375	375
Senior Pilot Farmers Market Nutrition	No	Grants-Individuals			100	100
USDA Micro-Biology Survey	No	State Operations		450	600	600
Agency Total			2,076	3,421	4,008	4001

BUDGET CHANGE ITEM (48918)Agency: **AGRICULTURE DEPT**Item Title: **AGENCY REDUCTIONS**

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000s)				
General Fund				
-State Operations	\$(60)	\$(60)	\$(60)	\$(60)
-Grants	\$(343)	\$(349)	\$(349)	\$(349)
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-
Statutory Change? Yes _____ No <u> X </u>				
If yes, statute(s) affected:				
_____ New Activity _____ Supplemental Funding <u> X </u> Reallocation				

GOVERNOR'S RECOMMENDATION:

The Governor recommends a reduction of General Fund spending on grants and agency operations of \$403,000 in FY 2002 and \$409,000 in FY 2003.

RATIONALE:

The Minnesota Department of Agriculture (MDA) suggests the following General Fund reductions in order to redirect these resources to higher agency priorities.

- Demonstration Grants - \$5,000 each fiscal year. These grants are to disseminate information relating to the results of the sustainable agriculture grant program and field days associated with them as well as support the outreach and information function of the sustainable agriculture program. The reduction is being offered as the level of activity can be reduced without severely impacting the program. The number of grants and field days will be reduced.
- Beaver Damage Control Grants - \$65,000 each fiscal year. These grants are to local governments to help control damage to agricultural lands, crops, public and private roads, and lands and stands of timber caused by problem beavers and beaver dams. This reduction is being offered as the appropriation only provides a small amount of the funds needed, as indicated by the applications during the most recent application process.

Without significantly increased funding, the program cannot meet the demand of all applicants fairly.

- Information and Demonstration Grants - \$40,000 each fiscal year. This program provides grants and subsequent field days for demonstrations of practices, new crop trials, environmental compliance etc. The department will target the remaining grants on selected priority areas of greatest need and seek partners to assist with grant-in-aids and other efforts to meet the needs of clientele.
- Pass through grant to the University of Minnesota (U of M); Institute for Sustainable Agriculture - \$40,000 each fiscal year. This program provides pass through funding to the U of M, Institute for Sustainable Agriculture (MISA). MISA utilizes the funding to conduct information dissemination activities. The reduction will reduce the amount of information disseminated but not eliminate it.
- Sustainable Agriculture and Integrated Pest Management Demonstration Grants - \$50,000 each fiscal year. This program provides pass through funding to MISA and subsequent field days for demonstrations of practices, new crop trails, environmental compliance, etc. This will reduce but not eliminate this program.
- Organic Cost Share Grants and Administration - \$50,000 each fiscal year. This program provides grants to new organic growers to partially offset the expenses of being certified organic producers, and operating funds for administering this program. This reduction will eliminate this program. The market opportunity and incentives will act as an encouragement to producers to obtain certification.
- Family Farm Payments - \$36,000 in FY 2002 and \$42,000 in FY 2003. This program helps beginning farmers obtain credit to acquire farm real estate by guaranteeing loans and lessening the burden of high interest rates through an interest adjustment payment made to the lender on the participant's behalf. The offered reduction will have no impact on the program as funding needs are calculated on current need. No new applications for this program have been taken since December 1985.
- Passing on the Farm Grant - \$50,000 each fiscal year. This pass through funding is to the Passing on the Farm Center. The Center is part of the Minnesota West Community and Technical College in Granite Falls. The Center fosters the intergenerational land transfer process for farm families. This grant provides only about one-third of the total funding of the Center.
 - This reduction may cause a reduction in staffing and fewer educational opportunities offered for farm families and farm businesses or the Center may seek funding through the Minnesota West budgeting process.
- Red River Valley Dairymen and Livestock Association Grants - \$7,100 each fiscal year. These two grants are pass through funds to the named organizations. Since FY 1998, neither organization has requested monies.

BUDGET CHANGE ITEM (48918) (Continued)

Agency: AGRICULTURE DEPT

Item Title: AGENCY REDUCTIONS

Staff research indicates that the organizations are either defunct or have been merged into larger organizations.

- Ag Development – Bio-Control Program - \$60,000 each fiscal year. The Bio-Control Program facilities provide basic research regarding bio-control agents. These bio-control agents provide alternative ways to reduce the impact on agriculture of pests. The construction of the new Quarantine Greenhouse facility within the U of M greenhouse complex provides a cost effective, accessible facility to conduct basic research and it is anticipated that research funds will be more readily available from other sources for basic research.

FINANCING:

The suggested reductions are all General Fund direct appropriated dollars.

BUDGET CHANGE ITEM (62427)**Agency: AGRICULTURE DEPT****Item Title: PCA ENVIRONMENTAL TAX REFORM**

	<u>2002-03 Biennium</u>		<u>2004-05 Biennium</u>	
	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Expenditures: (\$000s)				
Environmental Fund	\$(347)	\$(353)	\$(353)	\$(353)
Remediation Fund	\$347	\$353	\$353	\$353
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ☒ No ☐

If yes, statute(s) affected: M.S. 115B.20

☐ New Activity ☐ Supplemental Funding ☒ Reallocation**GOVERNOR'S RECOMMENDATION:**

As a part of the Pollution Control Agency's (PCA) Environmental Tax Reform Initiative, the Governor recommends that \$347,000 in FY 2002 and \$353,000 in FY 2003 be appropriated from the new Remediation Fund, rather than the Environmental Fund. The Governor also recommends that statutory appropriations of \$807,000 in FY 2002 and \$129,000 in FY 2003 be made from the Remediation Fund rather than the Environmental Fund.

RATIONALE:

In an effort to improve the ability of the legislature and affected agencies to direct money to the highest environmental priorities, the PCA is proposing to reform that way the state funds certain environmental activities. Specifically, PCA is proposing to restructure the Environmental Fund, create a new Remediation Fund, and abolish the Solid Waste and the Metropolitan Landfill Contingency Action Trust Funds. For more information on this initiative, please see the PCA's budget.

This change item simply appropriates base level funding to the Department of Agriculture from the new Remediation Fund rather than the Environmental Fund. The appropriation funds MDA's administrative costs of the voluntary cleanup program. No change in the use or oversight of these funds is proposed.

FINANCING:

MDA's administrative funding for the Voluntary Cleanup Program will come from the Remediation Fund rather than the Environmental Fund.

OUTCOMES:

Please see PCA's budget document for a discussion of the outcomes expected from their tax reform initiative.

No change in funding level, use of funds, or oversight of funds is proposed for the Department of Agriculture.

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PROGRAM SUMMARY

Program: PROTECTION SERVICES
Agency: AGRICULTURE DEPT

PROGRAM PROFILE:

This program develops, administers, and coordinates regulatory activities and services that support and protect producers, processors, distributors, retailers, and consumers of Minnesota agricultural products while protecting the state's natural environment.

This program involves the following four budget activities:

- Agronomy and Plant Protection
- Dairy and Food Inspection
- Laboratory Services
- Grain and Produce Inspection

Through comprehensive oversight, analysis, and related inspection and regulatory activities, this program monitors the production, processing, and distribution of safe and wholesome food, and assures that agricultural products are properly represented.

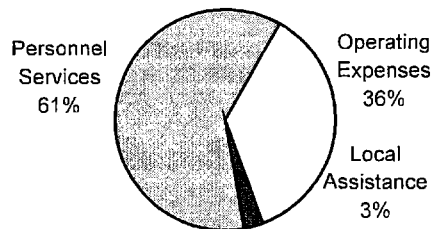
STRATEGIES AND PERFORMANCE:

The goals of this program are accomplished by applying state, federal, and local laws and regulations associated with health, safety, quality, labeling, and environmental protection.

FINANCING INFORMATION:

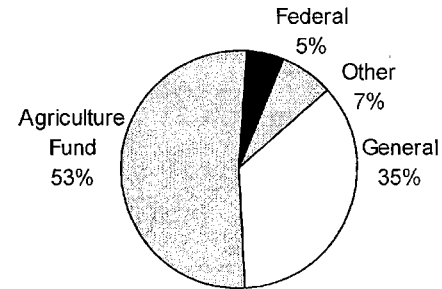
2000-01 Expenditures by Category

Total \$62 Million



2000-01 Expenditures by Fund

Total \$62 Million



BUDGET ISSUES:

Management evaluated critical issues and utilized the agency's Strategic Plan to prioritize base resource allocation and prioritize budget initiatives.

GOVERNOR'S RECOMMENDATION:

The Governor recommends the agency's base budget with the following adjustments:

- Reduce General Fund revenue by \$10,000 each year to allow a two-week grace period for food handler licenses.
- Increase fees for commercial canneries inspection and food handler plan review to cover operating costs for these two regulatory programs in the Special Revenue Fund.
- Increase fees in the following regulatory programs in the Agriculture Fund: dairy inspection, fertilizer inspection, and egg law inspection.
- Adopt cost containment measures for the Agricultural Chemical Response and Reimbursement program, resulting in savings of \$190,000 each year in the Agricultural Fund.
- Grant authority for the MDA laboratory to recover costs for services provided.
- Appropriate funding from the new Remediation Fund rather than the Environmental Fund as a part of the Pollution Control Agency's Tax Reform initiative.

Program: PROTECTION SERVICES
Agency: AGRICULTURE DEPT

Program Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Activity:									
AGRONOMY & PLANT PROTECTION	11,398	10,896	13,497	12,919	12,982	12,520	12,583	1,172	4.8%
DAIRY & FOOD INSPECTION	5,629	6,165	8,335	7,617	7,736	7,736	7,926	1,162	8.0%
LABORATORY SERVICES	3,954	4,892	6,047	5,751	5,771	5,829	5,849	681	6.2%
GRAIN & PRODUCE INSPECTION	5,317	6,548	5,747	5,727	5,727	5,806	5,806	(762)	(6.2%)
Total Expenditures	26,298	28,501	33,626	32,014	32,216	31,891	32,164	2,253	3.6%

Change Items:	Fund				
(A) PCA ENVIRONMENTAL TAX REFORM	ENV			(1,154)	(482)
(A) PCA ENVIRONMENTAL TAX REFORM	REM			1,154	482
(A) DAIRY DIAGNOSTICS GRANT-REALLOCATION	GEN			(175)	(175)
(B) AG CHEMICAL RESPONSE REIMB ACCOUNT	SR			(190)	(190)
(B) FERTILIZER INSPECTION	SR			253	253
(B) COMMERCIAL CANNERIES INSPECTION	SR			22	25
(B) DAIRY INSPECTION	SR			255	322
(B) EGG LAW INSPECTION	SR			5	6
(B) FOOD HANDLER PLAN REVIEW	SR			12	12
(B) LAB SERVICES	SR			20	20
Total Change Items				202	273

Financing by Fund:							
Direct Appropriations:							
ENVIRONMENT & NATURAL RESOURCE	83	0	0	0	0	0	0
GENERAL	8,024	9,667	11,958	10,993	10,818	11,201	11,026
MINNESOTA RESOURCES	40	153	50	0	0	0	0
SPECIAL REVENUE	15,758	0	0	0	0	0	0
ENVIRONMENTAL	274	273	342	347	0	353	0
REMEDIATION	0	0	0	0	347	0	353
Statutory Appropriations:							
SPECIAL REVENUE	1,124	1,008	1,399	957	991	963	1,000
AGRICULTURE FUND	0	15,507	16,842	16,640	16,983	16,961	17,372
FEDERAL	955	1,383	2,224	2,265	2,265	2,279	2,279
ENVIRONMENTAL	36	18	807	807	0	129	0
REMEDIATION	0	0	0	0	807	0	129
MISCELLANEOUS AGENCY	0	488	0	0	0	0	0
GIFT	4	4	4	5	5	5	5
Total Financing	26,298	28,501	33,626	32,014	32,216	31,891	32,164

Program: PROTECTION SERVICES
 Agency: AGRICULTURE DEPT

Program Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003	
				Base	Governor Recomm.	Base	Governor Recomm.
<u>FTE by Employment Type:</u>							
FULL TIME	273.7	279.8	328.2	324.1	324.1	324.3	324.3
PART-TIME, SEASONAL, LABOR SER	44.0	41.9	37.5	37.4	37.4	37.4	37.4
OVERTIME PAY	8.7	8.9	0.8	0.8	0.8	0.8	0.8
Total Full-Time Equivalent	326.4	330.6	366.5	362.3	362.3	362.5	362.5

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BUDGET ACTIVITY SUMMARY

Budget Activity: AGRONOMY & PLANT PROTECTION
Program: PROTECTION SERVICES
Agency: AGRICULTURE DEPT

ACTIVITY PROFILE:

This activity serves and protects the citizens of Minnesota and the agriculture industry, environment, and economy through education, technical assistance, certification and regulation. This is accomplished through comprehensive regulatory and non-regulatory programs for pesticides, fertilizer, seed, noxious weed, commercial feed, nursery inspection, export certification of plant material, and management of unwanted agricultural pests.

This activity provides a level playing field for all competitors, quality assurance for consumers, environmental and human health protection, and state certification for plant and grain export.

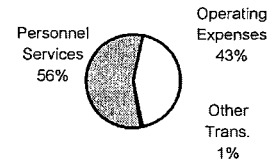
STRATEGIES AND PERFORMANCE:

Our strategies incorporate the following agency practical visions and division outcomes.

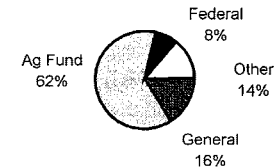
- Services and programs that are relevant to all of our customers' requirements.
- Innovative, adaptive and efficient regulatory programs that effectively accomplish their purpose.
 - Determine the relevancy, value and efficiency of Agronomy and Plant Protection Division (APPD) programs.
 - Review and revise the pest management and nursery regulatory rules and statutes.
- Assume a leadership role in environmental policy and program development.
 - Increase the involvement and presence in state-level environmental planning activities.
 - Determine barriers for acceptance of agricultural fertilizer best-management practices by growers.
- Innovators in technology to support business and customer requirements.
 - Determine the division's Geographic Information System (GIS) needs.

FINANCING INFORMATION:

2000-01 Expenditures by Category Total \$24 Million



2000-01 Expenditures by Fund Total \$24 Million



BUDGET ISSUES:

- Management prioritized current base resources to meet this budget activity's goals by utilizing the agency's Strategic Plan.
 - An internal review process, completed the summer of 2000, required a full budget presentation to the Commissioner's budget team for evaluation of resources to fund this budget activity.
- Amendments proposed to the Seed Law will result in modifications to the seed testing service fees with revenues collected by the Laboratory Services Division instead of the Seed Inspection Account.
- Amendments proposed to M.S. 18E Agricultural Chemical Response and Reimbursement Account (ACRRA) will provide cost containment measures while maintaining the use and purpose of the fund for agricultural chemical spill remediation. Legislation passed in 2000 increased the amount considered for reimbursement from \$200,000 to \$350,000.
- MDA is proposing fertilizer fee increases. The fee increases will be utilized to address issues associated with nonpoint impacts of fertilizer in agricultural and urban settings and provide resources for account management.

Activity: AGRONOMY & PLANT PROTECTION
Program: PROTECTION SERVICES
Agency: AGRICULTURE DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Category:									
State Operations									
COMPENSATION	5,871	6,286	7,378	7,394	7,542	7,755	7,903	1,781	13.0%
OTHER OPERATING EXPENSES	5,431	4,518	6,049	5,454	5,369	4,700	4,615	(583)	(5.5%)
OTHER FINANCIAL TRANSACTIONS	69	73	70	71	71	65	65	(7)	(4.9%)
Subtotal State Operations	11,371	10,877	13,497	12,919	12,982	12,520	12,583	1,191	4.9%
CAPITAL OUTLAY & REAL PROPERTY	1	0	0	0	0	0	0	0	
LOCAL ASSISTANCE	26	19	0	0	0	0	0	(19)	(100.0%)
Total Expenditures	11,398	10,896	13,497	12,919	12,982	12,520	12,583	1,172	4.8%

Change Items:	Fund				
(A) PCA ENVIRONMENTAL TAX REFORM	ENV			(1,154)	(482)
(A) PCA ENVIRONMENTAL TAX REFORM	REM			1,154	482
(B) AG CHEMICAL RESPONSE REIMB ACCOUNT	SR			(190)	(190)
(B) FERTILIZER INSPECTION	SR			253	253
Total Change Items				63	63

Financing by Fund:							
Direct Appropriations:							
ENVIRONMENT & NATURAL RESOURCE	83	0	0	0	0	0	0
GENERAL	1,753	1,675	2,247	2,018	2,018	2,060	2,060
SPECIAL REVENUE	8,036	0	0	0	0	0	0
ENVIRONMENTAL	274	273	342	347	0	353	0
REMEDIATION	0	0	0	0	347	0	353
Statutory Appropriations:							
SPECIAL REVENUE	896	902	1,025	700	700	700	700
AGRICULTURE FUND	0	7,249	7,999	8,079	8,142	8,303	8,366
FEDERAL	316	775	1,073	963	963	970	970
ENVIRONMENTAL	36	18	807	807	0	129	0
REMEDIATION	0	0	0	0	807	0	129
GIFT	4	4	4	5	5	5	5
Total Financing	11,398	10,896	13,497	12,919	12,982	12,520	12,583

Activity: AGRONOMY & PLANT PROTECTION
Program: PROTECTION SERVICES
Agency: AGRICULTURE DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003	
				Base	Governor Recomm.	Base	Governor Recomm.
Revenue Collected:							
Dedicated							
SPECIAL REVENUE	9,374	0	147	2	2	1	1
AGRICULTURE FUND	0	8,322	8,930	9,308	9,628	9,236	9,556
FEDERAL	991	876	979	955	955	962	962
ENVIRONMENTAL	101	116	92	92	0	92	0
REMEDIATION	0	0	0	0	92	0	92
GIFT	4	5	5	5	5	5	5
Nondedicated							
GENERAL	0	0	0	599	599	602	602
CAMBRIDGE DEPOSIT FUND	571	623	568	0	0	0	0
Total Revenues Collected	11,041	9,942	10,721	10,961	11,281	10,898	11,218
FTE by Employment Type:							
FULL TIME	103.9	104.2	117.3	112.6	112.6	112.8	112.8
PART-TIME, SEASONAL, LABOR SER	13.8	13.0	8.0	7.9	7.9	7.9	7.9
OVERTIME PAY	0.2	0.6	0.3	0.3	0.3	0.3	0.3
Total Full-Time Equivalent	117.9	117.8	125.6	120.8	120.8	121.0	121.0

BUDGET CHANGE ITEM (47951)

Budget Activity: AGRONOMY & PLANT PROTECTION
Program: PROTECTION SERVICES
Agency: AGRICULTURE DEPT

Item Title: AG CHEMICAL RESPONSE REIMB ACCOUNT

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000s)				
Agriculture Fund				
-State Operations	\$(190)	\$(190)	\$(190)	\$(190)
Revenues: (\$000s)				
Agriculture Fund	\$-0-	\$-0-	\$-0-	\$-0-
Statutory Change? Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>				
If yes, statute(s) affected: M.S. 18E				
<input type="checkbox"/> New Activity <input checked="" type="checkbox"/> Supplemental Funding <input type="checkbox"/> Reallocation				

GOVERNOR'S RECOMMENDATION:

The Governor recommends adopting cost-containment measures for the Agricultural Chemical Response and Reimbursement Account.

RATIONALE:

This initiative provides necessary cost containment provisions to the cleanup reimbursement fund, Agricultural Chemical Response and Reimbursement Account (ACRRA). These measures include sun setting the date for submission of eligible costs, specifying language for contested case hearings and limiting the amount of reimbursement per incident or site. Without cost containment, this innovative program could become prohibitively expensive.

FINANCING:

- Funding for this program is in the dedicated Agriculture fund.
- Revenues are from a surcharge on all pesticide and fertilizer fees.
- Expenditures support the activities of this reimbursement program, with only a small portion set aside for administrative purposes.
- The account balance is statutorily mandated to be between \$1 and \$5 million.

- Clientele served are:
 - Agricultural Chemical Facilities
 - Farmers and Other Land Owners

OUTCOMES:

In support of the Governor's *Big Plan* and the agency's strategic plan, this budget change item supports the following:

- Governor's *Big Plan*
 - Healthy, Vital Communities
 - ◆ This initiative conserves the ACRRA fund thereby allowing the fund to be used for cleanups of pesticide and fertilizer spill sites, especially in greater Minnesota. Without these cost containment provisions, more pesticide and fertilizer spill sites will lead to ground and drinking water contamination.
- Agency's Practical Vision
 - Assume a leadership role in environmental policy and program development.
 - ◆ This initiative will further support and improve a program that was the first of its kind when developed in 1989 and is used as a model for the states that have followed with their own legislation. In creating, amending, and ensuring financial stability, ACRRA will continue to be utilized to protect the ground, surface, and drinking water and Minnesota's natural resources.
 - ◆ This initiative will reduce unnecessary fee collection by providing cost containment to a successful cleanup program. Minimizing escalating costs to agriculture will enhance Minnesota's competitiveness.

BUDGET CHANGE ITEM (47276)

Budget Activity: AGRONOMY & PLANT PROTECTION

Program: PROTECTION SERVICES

Agency: AGRICULTURE DEPT

Item Title: FERTILIZER INSPECTION

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000s)				
Agriculture Fund				
-State Operations	\$253	\$253	\$253	\$253
Revenues: (\$000s)				
Agriculture Fund	\$320	\$320	\$320	\$320
Statutory Change? Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>				
If yes, statute(s) affected: M.S. 18C.425, Subd. 2				
<input type="checkbox"/> New Activity <input checked="" type="checkbox"/> Supplemental Funding <input type="checkbox"/> Reallocation				

GOVERNOR'S RECOMMENDATION:

The Governor recommends increasing the fertilizer fees to support the regulatory, program, and educational activities funded through the fertilizer inspection account.

RATIONALE:

This initiative protects ground, surface, and drinking water from contamination and future costly expenditures for cleanup. Both components of this initiative will promote the voluntary best management practices educational activities.

The initiative has two components:

- An increase in fertilizer tonnage fees.
- An increase in specialty fertilizer fees.

The increase in fertilizer tonnage fees represents the first increase since 1989 and provides ongoing funding for services that are currently being funded from the account's reserve balances.

The specialty fertilizer fee increase is designed to support the statutory amendment proposal to address the phosphorous in lakes issue by providing a uniform regulation instead of the patchwork system that currently exists.

FINANCING:

- Funding for this program is in the Agriculture fund.
- Revenues are from an increase in fertilizer tonnage fees and the specialty fertilizer registration fee.
 - Fertilizer tonnage and specialty fertilizer registration fees were last increased in 1989. Current fertilizer tonnage fees are the lowest in the five state area at \$0.15 per ton. Specialty fertilizer registration fees are currently \$100 per product.
 - Proposed fees are :\$0.25 per tonnage registration fee; and a \$150 per product registration fee.
- Expenditures support the activities of this regulatory program for fertilizer, Best Management Practices (BMP) promotion, and implementation of the Ground Water Protection Act, and educational activities.
- Clientele served are:
 - Farmers
 - Environmental Interests
 - Tourism Industry
 - Local and State Water Planners
 - Lake Home Owners

OUTCOMES:

In support of the Governor's *Big Plan* and the agency's Strategic Plan, this budget change item supports the following

- Governor's *Big Plan*
 - Minnesota, World Competitor
 - ◆ This initiative will help Minnesota agribusiness and family farmers to be competitive worldwide in two ways. The additional funding will be used to develop and promote BMP's for fertilizer that contains phosphorous and nitrogen. BMP's are designed to support profitable farming while protecting the environment. Environmental issues are a growing concern both nationally and internationally. Minnesota agribusiness will not be able to complete effectively in the near future unless they can remain profitable while protecting the environment. This initiative will help them do so.
 - Healthy and Vital Communities
 - ◆ Fertilizer BMP's are a primary means of reducing agricultural runoff into Minnesota's lakes and rivers. They help protect Minnesota's surface, ground water, and drinking water supplies. Adequate quality water supplies are a critical factor in maintaining healthy

BUDGET CHANGE ITEM (47276) (Continued)

Budget Activity: AGRONOMY & PLANT PROTECTION

Program: PROTECTION SERVICES

Agency: AGRICULTURE DEPT

Item Title: FERTILIZER INSPECTION

communities across all of Minnesota, especially in rural areas with limited water resources.

- Agency's Practical Vision
 - Assume a leadership role in environmental policy and program development.
 - ◆ MDA is responsible for developing and supporting the implementation of fertilizer best management practices and has a history of leadership in these activities. This initiative will support on-going agency activities in the environmental policy and program areas, which is one of the agency visions from the recent MDA strategic planning process.

BUDGET ACTIVITY SUMMARY

Budget Activity: DAIRY & FOOD INSPECTION
Program: PROTECTION SERVICES
Agency: AGRICULTURE DEPT

ACTIVITY PROFILE:

This activity works with the regulated industry and other stakeholders to ensure the safe production, processing, packaging, labeling, transportation, and sale of dairy, food, and meat products using effective and efficient regulatory programs, partnerships and agreements that streamline or multiply efforts, and the best use of information technology.

This activity is changing to reflect a different focus. This change is based on the results of strategic planning and other key trends in food safety and management practice.

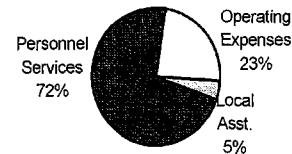
STRATEGIES AND PERFORMANCE:

Our strategies incorporate the following agency practical visions and division outcomes.

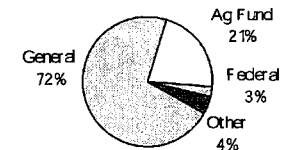
- Safe food from farm to fork.
 - Decreased food safety risks associated with dairy, food, and meat products.
 - Increased understanding of the factors that cause food borne illness.
- Innovative, adaptive, and efficient regulatory programs that effectively carry out their purpose.
 - Critical violations, problems, and trends revealed through inspections, investigations, and sampling surveillance become the basis for special compliance activities.
 - Science-based HACCP (Hazard Analysis and Critical Control Points) principles are promoted in production and inspections.
- Services and programs that are relevant to all our customers' requirements.
 - Partnerships, agreements, training and other outreach mechanisms that promote dairy, food, and meat safety.

FINANCING INFORMATION:

2000-01 Expenditures by Category
Total \$15 Million



2000-01 Expenditures by Fund
Total \$15 Million



BUDGET ISSUES:

- Management evaluated critical issues and utilized the agency's Strategic Plan to prioritize base resource allocations and prioritize budget initiatives.
 - An internal review process, completed the summer of 2000, required a full budget presentation to the Commissioner's budget team for evaluation of resources to fund this budget activity.
- MDA is requesting authority to reallocate up to \$175,000 each fiscal year from the Dairy Diagnostic grants program to the new Feedlot Assessment initiative.
- The Dairy and Food Inspection activity is requesting fee changes for the following programs:
 - Commercial Canneries Inspection
 - Food Handler License Grace Period
 - Dairy Inspection
 - Egg Law Inspection
 - Food Handler Plan Review
- The Dairy and Food Inspection activity is requesting language modification in M.S. 31A to reflect the increasing part of the state meat inspection program that is required by state law but is not reimbursable under the Federal Meat Inspection Act.
- Under a statutory change in 1999, M.S. 28A.075 directs the department to delegate grocery store and convenience store inspections to local health agencies to prevent duplication of service. Expenditures remain constant due to the required oversight involving standardization, training, and consultation inspections. MDA will continue to fund food sampling initiatives in delegated grocery stores.

Activity: DAIRY & FOOD INSPECTION
Program: PROTECTION SERVICES
Agency: AGRICULTURE DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Category:									
State Operations									
COMPENSATION	4,099	4,557	5,908	5,779	6,010	5,952	6,246	1,791	17.1%
OTHER OPERATING EXPENSES	1,013	1,393	1,987	1,398	1,461	1,344	1,415	(504)	(14.9%)
Subtotal State Operations	5,112	5,950	7,895	7,177	7,471	7,296	7,661	1,287	9.3%
LOCAL ASSISTANCE	517	215	440	440	265	440	265	(125)	(19.1%)
Total Expenditures	5,629	6,165	8,335	7,617	7,736	7,736	7,926	1,162	8.0%

Change Items:	Fund				
(A) DAIRY DIAGNOSTICS GRANT-REALLOCATION	GEN			(175)	(175)
(B) COMMERCIAL CANNERIES INSPECTION	SR			22	25
(B) DAIRY INSPECTION	SR			255	322
(B) EGG LAW INSPECTION	SR			5	6
(B) FOOD HANDLER PLAN REVIEW	SR			12	12
Total Change Items				119	190

Financing by Fund:							
Direct Appropriations:							
GENERAL	3,794	4,308	6,127	5,793	5,618	5,898	5,723
MINNESOTA RESOURCES	40	153	50	0	0	0	0
SPECIAL REVENUE	1,345	0	0	0	0	0	0
Statutory Appropriations:							
SPECIAL REVENUE	168	106	291	197	231	203	240
AGRICULTURE FUND	0	1,462	1,640	1,400	1,660	1,402	1,730
FEDERAL	282	136	227	227	227	233	233
Total Financing	5,629	6,165	8,335	7,617	7,736	7,736	7,926

Revenue Collected:							
Dedicated							
SPECIAL REVENUE	1,816	250	255	255	294	255	294
AGRICULTURE FUND	0	1,490	1,476	1,476	1,825	1,476	1,825
FEDERAL	349	353	915	751	751	757	757
Nondedicated							
GENERAL	0	0	0	2,428	2,418	2,428	2,418
CAMBRIDGE DEPOSIT FUND	2,255	2,608	2,428	0	0	0	0
Total Revenues Collected	4,420	4,701	5,074	4,910	5,288	4,916	5,294

Activity: DAIRY & FOOD INSPECTION
 Program: PROTECTION SERVICES
 Agency: AGRICULTURE DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003	
				Base	Governor Recomm.	Base	Governor Recomm.
<u>FTE by Employment Type:</u>							
FULL TIME	76.3	80.9	105.1	105.1	105.1	105.1	105.1
PART-TIME, SEASONAL, LABOR SER	0.2	0.1	0.0	0.0	0.0	0.0	0.0
OVERTIME PAY	0.3	0.5	0.5	0.5	0.5	0.5	0.5
Total Full-Time Equivalent	76.8	81.5	105.6	105.6	105.6	105.6	105.6

BUDGET CHANGE ITEM (47098)

Budget Activity: DAIRY & FOOD INSPECTION

Program: PROTECTION SERVICES

Agency: AGRICULTURE DEPT

Item Title: COMMERCIAL CANNERIES INSPECTION

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000s)				
Special Revenue Fund				
-State Operations	\$22	\$25	\$25	\$25
Revenues: (\$000s)				
Special Revenue Fund	\$26	\$26	\$26	\$26
Statutory Change? Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>				
If yes, statute(s) affected: M.S. 31.39				
<input type="checkbox"/> New Activity <input checked="" type="checkbox"/> Supplemental Funding <input type="checkbox"/> Reallocation				

GOVERNOR'S RECOMMENDATION:

The Governor recommends increasing the maximum fee for the canning case assessment from \$3,000 to \$6,000 to recover the program costs.

RATIONALE:

This inspection program assures that all canned products sold are commercially sterile, that frozen foods are clean and wholesome, and that processing plants are operated under sanitary conditions. This ensures that consumers receive safe and wholesome food products. Minnesota canneries are then able to successfully market their products worldwide. This provides a viable market for Minnesota fruit and vegetable producers and generates jobs for the local economy.

FINANCING:

- Funding for this program is in the Special Revenue fund.
- Revenues are from annual license fees and a canning case fee of ½ cent per case of canned food up to a maximum fee of \$3,000 per cannery.
 - Proposed fee increase will raise the maximum fee for the canning case assessment from \$3,000 to \$6,000.

- Fees were last increased in 1991 from a \$2,500 to \$3,000 cap per cannery.
- Expenditures support the activities of this program, which include: inspection, sampling, compliance, and enforcement of state and federal laws and rules, training, and support activities.
- Clientele served are:
 - Canning and Freezing Companies
 - Domestic and International Consumers
 - US Food and Drug Administration
 - Exporters
 - General Public

OUTCOMES:

In support of the Governor's *Big Plan* and the agency's Strategic Plan, this budget change item supports the following:

- Governor's *Big Plan*
 - Minnesota, World Competitor
 - Agriculture, Competitive Anywhere in the World
 - ◆ Assurance that Minnesota canned and frozen foods meet the strictest process standards which allow these products to compete in the national and world markets.
- Agency's Practical Vision
 - Safe Food Farm to Fork
 - ◆ Ensures that all products which are canned or frozen are safe for human consumption.
 - ◆ Food safety risks associated with hermetically sealed containers and frozen foods are reduced to negligible levels by inspection and education.

BUDGET CHANGE ITEM (48691)**Budget Activity: DAIRY & FOOD INSPECTION****Program: PROTECTION SERVICES****Agency: AGRICULTURE DEPT****Item Title: FOOD HANDLER LICENSE GRACE PERIOD**

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000s)				
General Fund				
-State Operations	\$-0-	\$-0-	\$-0-	\$-0-
Revenues: (\$000s)				
General Fund	\$(10)	\$(10)	\$(10)	\$(10)

Statutory Change? Yes ☒ No ☐

If yes, statute(s) affected: M.S. 28A.08

☐ New Activity ☒ Supplemental Funding ☐ Reallocation**GOVERNOR'S RECOMMENDATION:**

The Governor recommends a revenue reduction of \$10,000 each year to offer a two-week grace period to new food handler licensees.

RATIONALE:

A two-week grace period for food handler licenses would allow a new food handler starting at the end of the license year to operate during the last two weeks of a licensing year without paying a license fee that year. New food handlers opening during this period are encouraged to contact the department to obtain licensing and operating information rather than operating without a license. They feel paying two license fees, one for the two week period and another for the next license year penalizes them financially.

This will generate a great deal of good will and have a minor financial impact on the program's budget.

FINANCING:

- Funding for this program is in the General Revenue fund.
- Revenues are from fees for annual food handler licenses. In FY 1999, 114 establishments opened businesses during the last two weeks in June. In

FY 2000, the number of new businesses applying for licenses during this two week period was 91. The projected cost of providing this two- week grace period to new business is approximately \$10,000.

- Expenditures support the activities of this program for inspections, enforcement of applicable laws and rules, training, sampling, and support activities.
- Clientele served are:
 - Food Handlers
 - US Department of Agriculture
 - US Food and Drug Administration
 - Food Trade Associations
 - General Public
 - Consumers

OUTCOMES:

In support of the agency's Strategic Plan, this budget change item supports the following:

- Agency's Practical Vision
 - Services and programs that are relevant to all our customer's requirements.
 - ◆ Assists the new retail food handler in start-up for a new business and does not require a current year license fee for operating during the last two weeks of June.
 - ◆ This will assist new businesses to minimize start-up costs. It also encourages compliance with licensing and operational requirements.

BUDGET CHANGE ITEM (47535)

Budget Activity: DAIRY & FOOD INSPECTION
Program: PROTECTION SERVICES
Agency: AGRICULTURE DEPT

Item Title: DAIRY INSPECTION

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000s)				
Agriculture Fund				
-State Operations	\$255	\$322	\$322	\$322
Revenues: (\$000s)				
Agriculture Fund	\$343	\$343	\$343	\$343
Statutory Change? Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>				
If yes, statute(s) affected: M.S. 32.394, Subd. 8a, 8b, 8d, 8e				
<input type="checkbox"/> New Activity <input checked="" type="checkbox"/> Supplemental Funding <input type="checkbox"/> Reallocation				

GOVERNOR'S RECOMMENDATION:

The Governor recommends the following changes in dairy inspection fees:

- Reduce the processor fee for fluid milk from \$0.08 per cwt to \$0.05 per cwt.
- Levy new fee of \$.0071 per cwt on all milk.
- License and inspect over-the-road tankers and trailers without pumps that transport milk.
- Collect new \$45 per hour fee to recover the cost of reviewing farm and dairy plant plans.
- Allow MDA to recover certification costs for Grade A milk testing labs.

RATIONALE:

The role of the Dairy Section in the Dairy and Food Inspection division is to administer the dairy and food laws and regulations designed to protect consumers from substandard products and provide for the movement of milk and other dairy products produced and processed in Minnesota in intrastate, interstate, and international commerce.

The Dairy Section also manages the Interstate Milk Shippers (IMS) program. The IMS program certifies that all Grade A milk leaving the state for interstate commerce is in compliance with the Pasteurized Milk Ordinance (PMO). The

purpose of certification is to permit the free flow of milk in interstate commerce, to eliminate the need for duplication of inspections by other states, and to establish uniformity of standards among the states.

Other functions include collecting dairy samples for analysis, consumer complaint investigations and follow-up, providing technical assistance, education information, and consultation to the dairy producers, industry, and other state and local health agencies, and working in partnership with other dairy regulatory agencies to coordinate food safety activities statewide and nationally.

For Minnesota dairy products to be shipped in interstate commerce, the department's regulatory program must carry out all the requirements of the PMO. Adequate resources must be available to the Dairy Services Program to carry out all these activities.

The proposed fee increase was chosen from the various options presented to the Legislature in the February 2000 Dairy Service Fee Study. It provides a more equitable assessment of fees by lowering the processor fee for fluid milk from \$0.08 per cwt. to \$0.05 per cwt. and levying a small fee (\$0.0071 per cwt.) on all milk. In addition, a plan review fee will be introduced to recover the cost of farm and dairy plant plan reviews.

The 1999 Pasteurized Milk Ordinance also requires inspection and licensing of all milk transport units. While some types are currently licensed, over the road tankers and trailers without pumps are not.

MDA is seeking authority to recover the cost of certifying private Grade A milk testing laboratories within the state. Currently the laboratory receives a one-time fee of \$300 at the time a laboratory enters the program. Many of the new laboratories participating in the program paid this fee in the late 1970s or early 1980s with no renewal fee since then.

M.S. 32.394, Subd. 8a requires the Department of Agriculture to certify any dairy laboratory that performs tests for purposes of meeting the requirements of the Grade A Pasteurized Milk Ordinance (PMO) to allow the marketing and interstate shipment of Grade A milk products. The agency maintains two Laboratory Evaluation Officers (LEO) within the laboratory whose salaries, travel, and training is currently general funded. Expanding food safety responsibilities coupled with inflation driven budget restrictions has left the laboratory short staffed for daily analysis workload while LEOs are performing increased certification duties which are required by the PMO (revision Ma-86). In addition to the salary paid to the LEOs while performing certification duties, MDA must pay all overhead expenses related to this program including program management, supplies, travel to the certified labs, training and the costs for annual meetings conducted by the Food and Drug Administration (FDA). Travel expenses to the industry and private labs within the state are also paid out of general funds.

BUDGET CHANGE ITEM (47535) (Continued)

Budget Activity: DAIRY & FOOD INSPECTION

Program: PROTECTION SERVICES

Agency: AGRICULTURE DEPT

Item Title: DAIRY INSPECTION

In addition, M.S. 16A.1285, Subd. 2 policy states that all state agencies should have earnings set at or near the actual costs of their program activities. Many of the services are provided without fees and therefore, the department cannot recover their costs. The ability to conduct this program supports the department's Strategic Plan.

FINANCING:

- Funding for this program is in the Agriculture fund.
- Revenues are from licensing and inspection fees. Fees were last increased in 1991.
- Expenditures support the activities of this mandatory dairy inspection program. These services are dictated by Minnesota Statute, enforcement of Pasteurized Milk Ordinance, US Department of Agriculture (USDA) requirements for manufactured dairy products and sanitary requirements of recipient countries of exported dairy products.
- Clientele served are:
 - Dairy Farmers
 - Milk Pick-Up and Hauling Companies
 - Milk Marketing Organizations
 - Dairy Processing Plants
 - Exporting Companies
 - Consumers

OUTCOMES:

In support of the Governor's *Big Plan* and the agency's Strategic Plan, this budget change item supports the following:

- Governor's *Big Plan*
 - Minnesota, World Competitor
 - Agriculture, Competitive Anywhere in the World
 - ◆ Assurance that Minnesota dairy products meet the strictest production and processing standards which allow these products to compete in the national and world markets.
- Agency's Practical Vision
 - Safe Food Farm to Fork

- ◆ The outcome of the Dairy Services Program is to ensure safe and wholesome dairy products are able to be shipped in interstate commerce in compliance with federal laws and that dairy inspection staff and members of the dairy industry are knowledgeable about dairy issues that impact the safety of the product and the environment.
- ◆ All farm bulk milk pick-up tanks used to transport raw milk to receiving locations, tankers hauling milk to processing plants and tanker units transporting milk and milk products between plants would be licensed to identify those operating in the state.
- ◆ The Dairy Section would be better able to inspect all tankers for proper cleaning, sanitizing, and maintenance and to conform with the PMO for national uniformity and reciprocity.

- Services and programs that are relevant to all of our customer requirements.
 - ◆ The cost recovery for the Dairy Laboratory Certification initiative is in keeping with our agency's goal of providing services and programs that are relevant to all our customer requirements. In order to continue this vital service while effectively serving our internal customers and consumers, we must have the ability to recover the actual costs of these services.

BUDGET CHANGE ITEM (47136)

Budget Activity: DAIRY & FOOD INSPECTION

Program: PROTECTION SERVICES

Agency: AGRICULTURE DEPT

Item Title: EGG LAW INSPECTION

- Clientele served are:
 - Egg Producers
 - Egg Packers
 - Wholesale Egg Handlers
 - Retail Stores
 - Consumers

OUTCOMES:

In support of the agency's Strategic Plan, this budget change item supports the following:

- Agency's Practical Vision
 - Safe food farm to fork
 - ◆ The service provided by this program is vital to the egg packers and graders to ensure safe and high quality eggs can be sold.
 - ◆ Resource efficient regulatory program that effectively carries out its purpose and ensures that eggs marketed meet quality standards.
 - ◆ The consequences of not being able to recover all of the costs associated with this program will mean a reduction in services relating to grading services and food safety to the food and egg industry and the consumers of Minnesota.

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000s)				
Agriculture Fund				
-State Operations	\$5	\$6	\$6	\$6
Revenues: (\$000s)				
Agriculture Fund	\$6	\$6	\$6	\$6
Statutory Change? Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>				
If yes, statute(s) affected: M.S. 29				
<input type="checkbox"/> New Activity <input checked="" type="checkbox"/> Supplemental Funding <input type="checkbox"/> Reallocation				

GOVERNOR'S RECOMMENDATION:

The Governor recommends a fee increase to recover the costs of the Egg Law Inspection program.

RATIONALE:

The role of the Egg Law Inspection program is to ensure that egg quality and food safety standards are met to protect the consumer. Inspections review egg-grading practices, packinghouse sanitation, labeling for necessary information and other safety issues.

FINANCING:

- Funding for this program is in the Agriculture Fund.
- Revenues are from annual license fees and egg volume fees on egg packers and graders. Fees were last increased in 1991.
 - Current fees range from \$10 to \$250. Proposed fees will range from \$12.50 to \$312.50 based on volume of cases of eggs produced.
- Expenditures support the activities of plant inspections for sanitation, egg washing, candling, grading, special sampling surveys for Salmonella Enteritidis, cholesterol, and label dating reviews.

BUDGET CHANGE ITEM (47231)**Budget Activity: DAIRY & FOOD INSPECTION****Program: PROTECTION SERVICES****Agency: AGRICULTURE DEPT****Item Title: FOOD HANDLER PLAN REVIEW**

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000s)				
Special Revenue Fund				
-State Operations	\$12	\$12	\$12	\$12
Revenues: (\$000s)				
Special Revenue Fund	\$13	\$13	\$13	\$13

Statutory Change? Yes ☒ No ☐

If yes, statute(s) affected: M.S. 31.11, Subd. 2

☐ New Activity ☒ Supplemental Funding ☐ Reallocation**GOVERNOR'S RECOMMENDATION:**

The Governor recommends an increase in the Food Handler Plan Review fee to cover the program costs.

RATIONALE:

Food Handler Plan reviews for retail food facilities (grocery and convenience stores) are conducted so that facilities and equipment meet state regulations for construction and design. Facilities must meet minimum standards for utensil and hand washing equipment, for hot and cold storage, for ventilation, and for smooth and easily cleanable surfaces which all have an impact on the safety and wholesomeness of food handled there. Hazard analysis critical control point (HACCP) plans submitted in case of variance request or for specific processes or practices used in the facility are also reviewed.

FINANCING:

- Funding for this program is in the Special Revenue fund.
- Revenues are from fees for plan review services. Currently fees are based on square footage, built or remodeled.
 - Current fee range is \$125 to \$275.
 - Proposed fee range will be \$160 to \$340.

- Expenditures support the activities of this program by reviewing plans for construction and equipment meeting minimum standards for equipment, storage, handling, and ventilation, and facility inspections to verify plans and support for the program.
- Clientele served are:
 - Grocers
 - Retail Store Owners
 - Architects
 - Contractors
 - Builders
 - Regulatory Agencies (Building, Plumbing, Fire Departments)
 - General Public

OUTCOMES:

In support of the agency's Strategic Plan, this budget change item supports the following:

- Agency's Practical Vision
 - Safe Food Farm to Fork
 - ◆ Plan reviews enable food handlers to build in food safety requirements rather than correct after the fact. Early review of plans and timely feedback allows all food establishments to compete on an equal basis.
 - ◆ Requests for plan review will be responded to in a timely manner. A uniform approach to plan review requirements, fees levied, final inspections and other aspects related to the plan review process will be carried out for all facilities.

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BUDGET ACTIVITY SUMMARY

Budget Activity: LABORATORY SERVICES
Program: PROTECTION SERVICES
Agency: AGRICULTURE DEPT

ACTIVITY PROFILE:

This activity provides prompt, objective and accurate analysis; information; and technical leadership in cooperation with department programs, applicable laws, and regulations, which protect the State of Minnesota's agriculture, environment and food chain.

There are six primary focuses within the laboratory:

- Microbiology Section: Provides microbiological analysis of food and dairy products including food borne pathogens for the Dairy and Food Inspection Division and other agencies granted food regulatory authority.
- Agronomy Analysis Section: Provides analysis of chemical and other agronomic inputs including feed, fertilizer, manure, and lime for the Agronomy and Plant Protection division. Additionally, performs water quality testing for the Minnesota Department of Natural Resources.
- Food Chemistry Section: Provides chemical and consumer fraud testing of food products for Dairy and Food Inspection division and other agencies granted food regulatory authority.
- Environmental Analysis Section: Provides analysis of pesticides and their residues in environmental samples and in response to spills, misuse, and exposures for the Agronomy and Plant Protection division. Additionally, performs organic chemical analysis for the Minnesota Department of Natural Resources.
- Seed Analysis Section: Provides identification and purity testing of seed for the Agronomy and Plant Protection division and producers.
- Operations: Provides support functions including sample receiving, purchasing, and database management for the Laboratory Services Division.

STRATEGIES AND PERFORMANCE:

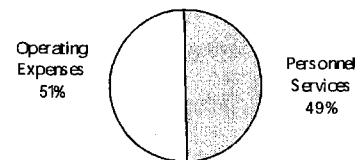
Our strategies incorporate the following agency practical visions and division outcomes.

- Services that enhance producers' ability to capitalize on 21st century opportunities.
 - Food safety analysis, environmental analysis and regulation of Minnesota products meet international accreditation standards used in global markets.

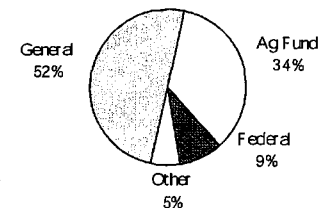
- Safe food farm to fork
 - Stronger partnerships with other public health and food safety organizations, including Food and Drug Administration (FDA) analysts located at MDA and other federal agencies such as the US Department of Agriculture (USDA).
- Effective internal and external two-way communication.
 - Easily accessible information in desired format and time frame is available to laboratory analysts and customers.
- Innovators in technology to support business and customer requirements.
 - Improvement in the use of available resources and technology to improve customer service.
- Services and programs that are relevant to all our customer requirements.
 - A Laboratory Evaluation Officer program that ensures uninterrupted service to the dairy industry and that has minimal impact on other department programs.

FINANCING INFORMATION:

**2000-01 Expenditures
by Category**
Total \$11 Million



**2000-01 Expenditures
by Fund**
Total \$11 Million



BUDGET ISSUES:

- Management evaluated critical issues and utilized the agency's Strategic Plan to prioritize base resources allocations and prioritize budget initiatives.
 - An internal review process, completed the summer of 2000, required a full budget presentation to the Commissioner's budget team for evaluation of resources to fund this budget activity.
- MDA is seeking to clarify its ability to charge fees sufficient to recover the costs of services provided.

Activity: LABORATORY SERVICES
Program: PROTECTION SERVICES
Agency: AGRICULTURE DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Category:									
State Operations									
COMPENSATION	2,201	2,245	3,174	3,378	3,398	3,492	3,512	1,491	27.5%
OTHER OPERATING EXPENSES	1,753	2,647	2,873	2,373	2,373	2,337	2,337	(810)	(14.7%)
Total Expenditures	3,954	4,892	6,047	5,751	5,771	5,829	5,849	681	6.2%

Change Items:	Fund				
(B) LAB SERVICES	SR			20	20
Total Change Items				20	20

Financing by Fund:							
Direct Appropriations:							
GENERAL	1,997	2,397	2,968	2,663	2,663	2,713	2,713
SPECIAL REVENUE	1,540	0	0	0	0	0	0
Statutory Appropriations:							
SPECIAL REVENUE	60	0	83	60	60	60	60
AGRICULTURE FUND	0	1,535	2,072	1,953	1,973	1,980	2,000
FEDERAL	357	472	924	1,075	1,075	1,076	1,076
MISCELLANEOUS AGENCY	0	488	0	0	0	0	0
Total Financing	3,954	4,892	6,047	5,751	5,771	5,829	5,849

Revenue Collected:							
Dedicated							
SPECIAL REVENUE	35	0	0	0	0	0	0
AGRICULTURE FUND	0	129	306	322	342	322	342
FEDERAL	328	458	924	1,074	1,074	1,074	1,074
MISCELLANEOUS AGENCY	0	488	0	0	0	0	0
Total Revenues Collected	363	1,075	1,230	1,396	1,416	1,396	1,416

FTE by Employment Type:							
FULL TIME	45.0	47.1	55.9	56.5	56.5	56.5	56.5
PART-TIME, SEASONAL, LABOR SER	0.9	1.0	0.3	0.3	0.3	0.3	0.3
OVERTIME PAY	0.1	0.1	0.0	0.0	0.0	0.0	0.0
Total Full-Time Equivalent	46.0	48.2	56.2	56.8	56.8	56.8	56.8

BUDGET CHANGE ITEM (47882)

Budget Activity: LABORATORY SERVICES
Program: PROTECTION SERVICES
Agency: AGRICULTURE DEPT

Item Title: LAB SERVICES

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000s)				
Agriculture Fund				
-State Operations	\$20	\$20	\$20	\$20
Revenues: (\$000s)				
Agriculture Fund	\$20	\$20	\$20	\$20
Statutory Change? Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>				
If yes, statute(s) affected: M.S. 17.85				
<input type="checkbox"/> New Activity <input checked="" type="checkbox"/> Supplemental Funding <input type="checkbox"/> Reallocation				

GOVERNOR'S RECOMMENDATION:

The Governor recommends providing the MDA laboratory the authority to recover costs for analytical services provided outside the scope of its regulatory responsibilities.

RATIONALE:

Greatly expanded development in analytical technology has increased the frequency and types of analytical services the laboratory is providing to the private sector. These services are provided when equivalent capabilities have not yet evolved within private labs to support Minnesota agriculture's needs. Additionally, increased partnering and cooperation with federal and state agencies have increased the number of analyses that the Minnesota Department of Agriculture (MDA) provides to support these efforts.

In 1988, testimony was given that established the need for the laboratory to recover these costs and led to creation of M.S. 17.85, which enabled the Laboratory Services Division to receive into an account, compensation for analytical services provided outside the scope of our departments regulatory responsibilities. The language in this amendment to M.S. 17.85 is intended to re-affirm the intent of this statute and clarify our authority to recover costs for these services.

FINANCING:

- Funding for this program is in the Agriculture Fund.
- Revenues are from cost recovery of analytical services provided.
- Proposed fees will allow the laboratory to recover costs for analytical services required.
- Expenditures support the activities of providing analytical services to clientele outside of the department's programs.
- Clientele served are:
 - Minnesota Departments of Natural Resources, Health, Pollution Control Agency, and Transportation
 - US Department of Agriculture and Food and Drug Administration
 - Tribal Laboratories
 - Soybean Growers
 - Egg and Poultry Product Manufacturers
 - Environmental Service Contractors
 - General Public

OUTCOMES:

In support of the agency's Strategic Plan, this budget change item supports the following:

- Agency's Practical Vision
 - Services to enhance producers' ability to capitalize on 21st century opportunities.
 - Safe food farm to fork
 - ◆ Services provided to other entities should recover costs in order to prevent negative impact to existing agency programs.
 - ◆ Analytical services support technology needs and cooperative efforts for agriculture and a national integrated food safety system.

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BUDGET ACTIVITY SUMMARY

Budget Activity: GRAIN & PRODUCE INSPECTION
Program: PROTECTION SERVICES
Agency: AGRICULTURE DEPT

ACTIVITY PROFILE:

This activity provides official inspection and certification services determining the quality and quantity of grain and produce to trading parties, producers, and processors in order to ensure that fair market conditions exist. It certifies Minnesota seed potatoes by determining disease levels for the purpose of controlling them through the certification process and to market Minnesota certified seed potatoes nationally and internationally.

The certified seed potato program is a regulatory program. The grain and fruit and vegetable inspection activities are voluntary and promote fair and competitive trade. All services are performed under uniform, prescribed procedures with USDA designated and maintained equipment and processes to ensure consistent results in all official agencies.

STRATEGIES AND PERFORMANCE:

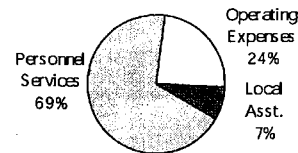
Our strategies incorporate the following agency practical visions and division outcomes.

- Services that enhance producers' ability to capitalize on 21st century opportunities.
 - Ensure that services provided continue to be professional, impartial, and accurate and confirm the value of the fruit, vegetables, grain, and seed potatoes inspected allowing the establishment of fair market prices.
 - Ensure customers and producers have access to services that identify special characteristics of commodities that affect their end use and value; e.g. presence of Bio-Tech Enhanced products, protein levels, oil content, aflatoxin, and deoxynivalenol.
 - Ensure inspection, certification, sampling and testing programs accurately identify quality and quantity of commodities by internationally known federal grades.
- Services and programs that are relevant to all of our customer's requirements.
 - Ensure that services are relevant to customer needs, as indicated by customer feedback and other information.
 - Emphasize the importance of repeatable, accurate tests that distinguish value-added characteristics for marketing and end use.
 - Organize customer and satisfaction visits with existing customers, maintaining data base on results.

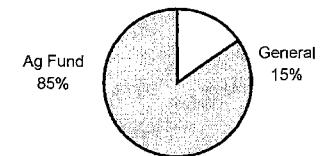
- Innovators in technology to support business and customer requirements.
 - Customers will receive inspection results and/or certificates by electronic means.
 - Develop the capability for printing certificates at the customer's location.
 - Increase use of photo imaging technology in both the seed potato and the fruit and vegetable inspection programs for training and inspection purposes.
 - Program descriptions, information and applications will be placed on the web site.
 - Web links will be generated to USDA sites dealing with standards and certification information.

FINANCING INFORMATION:

**2000-01 Expenditures
by Category**
Total \$12 Million



**2000-01 Expenditures
by Fund**
Total \$12 Million



BUDGET ISSUES:

- Management evaluated critical issues and utilized the agency's Strategic Plan to prioritize base resources allocations and prioritize budget initiatives.
 - An internal review process, completed the summer of 2000, required a full budget presentation to the Commissioner's budget team for evaluation of resources to fund this budget activity.
- MDA, with the approval of USDA, implemented a new fee in the Grain Inspection Program in FY 2000. This fee was implemented in response to the recent concerns of bio-tech products.

Activity: GRAIN & PRODUCE INSPECTION
Program: PROTECTION SERVICES
Agency: AGRICULTURE DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Category:									
State Operations									
COMPENSATION	4,134	4,254	4,237	4,338	4,338	4,429	4,429	276	3.3%
OTHER OPERATING EXPENSES	1,183	1,394	1,510	1,389	1,389	1,377	1,377	(138)	(4.8%)
Subtotal State Operations	5,317	5,648	5,747	5,727	5,727	5,806	5,806	138	1.2%
LOCAL ASSISTANCE	0	900	0	0	0	0	0	(900)	(100.0%)
Total Expenditures	5,317	6,548	5,747	5,727	5,727	5,806	5,806	(762)	(6.2%)
Financing by Fund:									
Direct Appropriations:									
GENERAL	480	1,287	616	519	519	530	530		
SPECIAL REVENUE	4,837	0	0	0	0	0	0		
Statutory Appropriations:									
AGRICULTURE FUND	0	5,261	5,131	5,208	5,208	5,276	5,276		
Total Financing	5,317	6,548	5,747	5,727	5,727	5,806	5,806		
Revenue Collected:									
Dedicated									
SPECIAL REVENUE	4,883	0	0	0	0	0	0		
AGRICULTURE FUND	0	5,297	5,151	5,151	5,151	5,151	5,151		
Total Revenues Collected	4,883	5,297	5,151	5,151	5,151	5,151	5,151		
FTE by Employment Type:									
FULL TIME	48.5	47.6	49.9	49.9	49.9	49.9	49.9		
PART-TIME, SEASONAL, LABOR SER	29.1	27.8	29.2	29.2	29.2	29.2	29.2		
OVERTIME PAY	8.1	7.7	0.0	0.0	0.0	0.0	0.0		
Total Full-Time Equivalent	85.7	83.1	79.1	79.1	79.1	79.1	79.1		

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PROGRAM SUMMARY

Program: AG MARKET & DEVELOPMENT SERVICE
Agency: AGRICULTURE DEPT

FINANCING INFORMATION:

PROGRAM PROFILE:

This program helps producers develop new markets for agricultural products and facilitates ownership or certification of agricultural production methods and agricultural products grown or processed to insure the integrity of claims made by producers, processors and others involved in the marketing process.

The program helps producers realize the economic potential in agriculture while protecting the environment by means of outreach and communication, agricultural development and economic analysis, identifying and developing needed technology, and delivering field services to producers.

The program helps producers implement practices that protect water quality while helping their farms remain economically viable.

This program involves the following budget activities:

- Agricultural Marketing Services
- Agricultural Development
- Agricultural Resources Management

STRATEGIES AND PERFORMANCE:

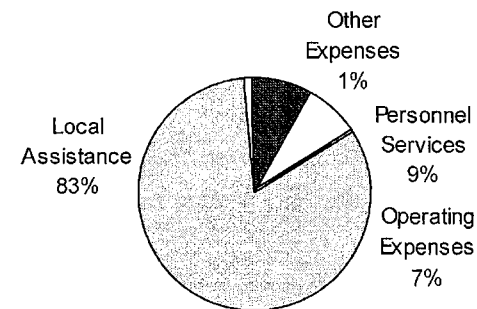
The agency developed the strategies and performance objectives for this program and for the budget activities located in this program through its Strategic Planning Process.

Stakeholder's response to the Minnesota Department of Agriculture (MDA) Agricultural Market & Development Services Program defined MDA's role as:

- Working with commodity groups to develop new markets and keep current markets;
- Helping farmers to become more market oriented through education and training;
- Continuing to promote and market Minnesota products nationally and internationally; and
- Supporting value-added enterprises by offering financial or technical assistance, feasibility studies, and resources to develop potential value-added operations or niche markets.

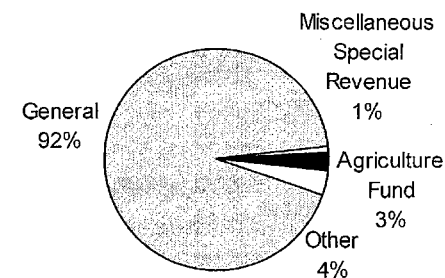
2000-01 Expenditures by Category

Total \$92 Million



2000-01 Expenditures by Fund

Total \$92 Million



PROGRAM SUMMARY (Continued)

Program: AG MARKET & DEVELOPMENT SERVICE
Agency: AGRICULTURE DEPT

BUDGET ISSUES:

Management evaluated critical issues and utilized the agency's Strategic Plan to prioritize base resource allocation and prioritize budget initiatives.

GOVERNOR'S RECOMMENDATION:

The Governor recommends the agency's base budget with the following adjustments:

- a General Fund appropriation of \$150,000 in FY 2002 and \$150,000 in FY 2003 and a reallocation of \$65,000 each year to fund the MN Certification Program, a new program to provide third-party certification for agricultural products.
- a General Fund appropriation of \$350,000 in FY 2002 and \$350,000 in FY 2003 for low-interest loans to livestock producers to make environmental improvements required under the new feedlot rules. This initiative is part of a multi-agency initiative for feedlots.
- a reallocation of \$175,000 in FY 2002 and \$175,000 in FY 2003 from the dairy diagnostic program to assist livestock producers understand and make informed decisions regarding the new feedlot rules. This initiative is part of a multi-agency initiative for feedlots.
- a General Fund appropriation of \$180,000 in FY 2002 and \$240,000 in FY 2003 to pay for the operating costs of the Quarantine Greenhouse facility.
- an increase in the license fee for wholesale produce dealers and an increase in the agency's General Fund appropriation of \$17,000 each year to cover program costs.
- an increase in the grain buyers license fee and the public warehouse license fee to support the licensing and examination activities of this regulatory program in the Agriculture Fund.
- a reduction in General Fund spending of \$310,000 each year for grants and agency operations. (Please refer to the Agency Reductions change item for more detail.)
- LCMR funding of \$205,000 for Agriculture Land Preservation and \$180,000 for Integrated Pest Management in Schools.

Program: AG MARKET & DEVELOPMENT SERVIC
Agency: AGRICULTURE DEPT

Program Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Activity:									
AG MARKETING SERVICES	30,724	38,383	40,677	38,936	39,157	38,989	39,216	(687)	(0.9%)
AG DEVELOPMENT	2,650	2,497	4,016	3,322	3,192	3,350	3,280	(41)	(0.6%)
AGRI RESOURCES MANAGEMENT	24,682	2,862	2,558	1,021	1,760	1,042	1,738	(1,922)	(35.5%)
Total Expenditures	58,056	43,742	47,251	43,279	44,109	43,381	44,234	(2,650)	(2.9%)

Change Items:	Fund				
(A) GRANT AND OPERATIONS REDUCTIONS	GEN			(65)	(65)
(A) BIO CONTROL OPERATING	GEN			(60)	(60)
(A) INFO AND DEMO GRANTS	GEN			(40)	(40)
(A) ORGANIC COST SHARE GRANTS	GEN			(50)	(50)
(A) SUS AG DEMO GRANTS	GEN			(50)	(50)
(A) MISA GRANT	GEN			(40)	(40)
(A) DEMO GRANTS	GEN			(5)	(5)
(B) WHOLESALE PRODUCE DEALERS LICENSE	GEN			17	17
(B) MN CERTIFICATION PROGRAM	GEN			150	150
(B) GRAIN BUYERS & STORAGE	SR			54	60
(B) DIVERSIFYING AG-- MN CERT REALLOCATION	GEN			(65)	(65)
(B) DIVERSIFYING AG-MN CERT REALLOCATION	GEN			65	65
(B) QUARANTINE GREENHOUSE-OPERATING	GEN			180	240
(B) FEEDLOT INFO ASSESSMENT TEAMS (FIAT)	GEN			175	175
(B) FEEDLOT LOANS-AG BMP	GEN			350	350
(B) LCMR ALLOCATION	EVT			102	103
(B) LCMR ALLOCATION	MNR			112	68
Total Change Items				830	853

Program: AG MARKET & DEVELOPMENT SERVIC
Agency: AGRICULTURE DEPT

Program Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003	
				Base	Governor Recomm.	Base	Governor Recomm.
Financing by Fund:							
Direct Appropriations:							
ENVIRONMENT & NATURAL RESOURCE	0	201	414	0	102	0	103
GENERAL	4,974	5,739	7,860	5,521	6,083	5,610	6,232
MINNESOTA RESOURCES	247	905	134	0	112	0	68
SPECIAL REVENUE	1,152	0	0	0	0	0	0
Open Appropriations:							
GENERAL	27,616	35,287	36,819	35,422	35,422	35,437	35,437
Statutory Appropriations:							
PUBLIC FACILITIES AUTHORITY	23,638	0	0	0	0	0	0
SPECIAL REVENUE	207	240	373	350	350	347	347
AGRICULTURE FUND	0	1,206	1,246	1,188	1,242	1,209	1,269
FEDERAL	100	100	238	738	738	718	718
MISCELLANEOUS AGENCY	30	25	0	0	0	0	0
GIFT	92	39	167	60	60	60	60
Total Financing	58,056	43,742	47,251	43,279	44,109	43,381	44,234
FTE by Employment Type:							
FULL TIME	59.6	57.5	74.1	74.1	77.1	74.1	77.1
PART-TIME, SEASONAL, LABOR SER	10.0	11.9	8.6	7.1	7.1	7.1	7.1
OVERTIME PAY	0.8	0.3	0.0	0.0	0.0	0.0	0.0
Total Full-Time Equivalent	70.4	69.7	82.7	81.2	84.2	81.2	84.2

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BUDGET ACTIVITY SUMMARY

Budget Activity: AG MARKETING SERVICES
Program: AG MARKET & DEVELOPMENT SERVICE
Agency: AGRICULTURE DEPT

ACTIVITY PROFILE:

This activity assists in the orderly marketing of Minnesota's agricultural commodities and products; helps Minnesota producers compete in domestic and international markets by aggressively marketing and promoting Minnesota agricultural products; furnishes information and economic analyses related to marketing opportunities; provides promotional, informational and other marketing services for agricultural producers, processors, consumers and others involved in the marketing process; administers certification services from production to processing, including activities related to the licensing, bonding, and certification of agricultural products.

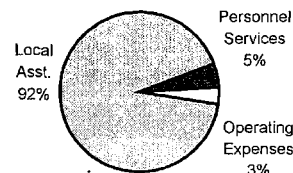
STRATEGIES AND PERFORMANCE:

Our strategies incorporate the following agency practical visions and division outcomes.

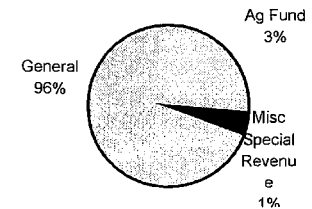
- Services to enhance producers' ability to capitalize on 21st century opportunities.
 - Producers and agricultural related industries are assisted in developing businesses and alliances that increase access to the marketplace and add value to their products.
 - New or expanding domestic and international markets are identified, analyzed, and developed.
 - Producers are assisted in developing risk management and marketing plans.
- Services and programs that are relevant to all of our customer requirements.
 - Commodity Council Oversight – Assure the fair and effective operation of the state's 12 commodity councils.
 - Wolf Depredation Claims – Assure proper administration of the Wolf Depredation Program.
 - Ag in the Classroom – Educators will effectively integrate agriculture and food system information into their curriculum.
 - Producers will have access to information regarding contracting and protections under Minnesota law relating to contracts.
- Innovative, adaptive, and resource efficient regulatory programs that effectively carry out their purpose.
 - Licensing and bonding programs will protect producers and ensure orderly marketing of agricultural products.
 - Apiary inspection program will maintain a viable beekeeping industry and minimize the spread of pests and diseases of honeybees.

FINANCING INFORMATION:

**2000-01 Expenditures
by Category**
Total \$79 Million



**2000-01 Expenditures
by Fund**
Total \$79 Million



BUDGET ISSUES:

- Management evaluated critical issues and utilized the agency's Strategic Plan to prioritize base resource allocations and prioritize budget initiatives.
 - An internal review process, completed the summer of 2000, required a full budget presentation to the Commissioner's budget team for evaluation of resources to fund this budget activity.
- This is a new budget activity. In response to the changing operating environment in which our agency works, the Minnesota Department of Agriculture (MDA) has combined the focus of the Agricultural Certification Division and the Agricultural Marketing Services Sections into a new division.
- MDA is requesting authority to reallocate \$65,000 each fiscal year from the Diversifying Agriculture program to the new MN Certification Program.
- MDA is requesting fee/expenditure increases for:
 - Grain Buyers Licenses
 - General Merchandise Warehouse Licenses
 - Wholesale Produce Dealers Licenses

Activity: AG MARKETING SERVICES
Program: AG MARKET & DEVELOPMENT SERVIC
Agency: AGRICULTURE DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Category:									
State Operations									
COMPENSATION	1,648	1,670	2,024	2,016	2,213	2,062	2,265	784	21.2%
OTHER OPERATING EXPENSES	1,136	1,049	1,532	1,235	1,259	1,237	1,261	(61)	(2.4%)
Subtotal State Operations	2,784	2,719	3,556	3,251	3,472	3,299	3,526	723	11.5%
LOCAL ASSISTANCE	27,940	35,664	37,121	35,685	35,685	35,690	35,690	(1,410)	(1.9%)
Total Expenditures	30,724	38,383	40,677	38,936	39,157	38,989	39,216	(687)	(0.9%)

Change Items:	Fund				
(B) WHOLESALE PRODUCE DEALERS LICENSE	GEN			17	17
(B) MN CERTIFICATION PROGRAM	GEN			150	150
(B) GRAIN BUYERS & STORAGE	SR			54	60
(B) DIVERSIFYING AG-- MN CERT REALLOCATION	GEN			(65)	(65)
(B) DIVERSIFYING AG-MN CERT REALLOCATION	GEN			65	65
Total Change Items				221	227

Financing by Fund:							
Direct Appropriations:							
GENERAL	1,597	1,604	2,060	1,862	2,029	1,888	2,055
MINNESOTA RESOURCES	62	4	0	0	0	0	0
SPECIAL REVENUE	1,081	0	0	0	0	0	0
Open Appropriations:							
GENERAL	27,616	35,287	36,819	35,422	35,422	35,437	35,437
Statutory Appropriations:							
SPECIAL REVENUE	153	179	320	309	309	310	310
AGRICULTURE FUND	0	1,206	1,246	1,188	1,242	1,209	1,269
FEDERAL	93	40	65	95	95	85	85
MISCELLANEOUS AGENCY	30	25	0	0	0	0	0
GIFT	92	38	167	60	60	60	60
Total Financing	30,724	38,383	40,677	38,936	39,157	38,989	39,216

Activity: AG MARKETING SERVICES
Program: AG MARKET & DEVELOPMENT SERVICE
Agency: AGRICULTURE DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003	
				Base	Governor Recomm.	Base	Governor Recomm.
Revenue Collected:							
Dedicated							
SPECIAL REVENUE	1,019	161	234	300	300	310	310
AGRICULTURE FUND	0	1,035	1,058	1,058	1,118	1,058	1,118
FEDERAL	55	65	40	95	95	85	85
MISCELLANEOUS AGENCY	30	25	0	0	0	0	0
GIFT	93	34	115	59	59	59	59
Nondedicated							
GENERAL	0	35	0	141	168	141	168
CAMBRIDGE DEPOSIT FUND	135	138	141	0	0	0	0
Total Revenues Collected	1,332	1,493	1,588	1,653	1,740	1,653	1,740

FTE by Employment Type:							
FULL TIME	30.6	27.9	34.7	35.1	36.1	35.1	36.1
PART-TIME, SEASONAL, LABOR SER	3.9	5.3	2.2	2.2	2.2	2.2	2.2
OVERTIME PAY	0.5	0.3	0.0	0.0	0.0	0.0	0.0
Total Full-Time Equivalent	35.0	33.5	36.9	37.3	38.3	37.3	38.3

BUDGET CHANGE ITEM (48888)

Budget Activity: AG MARKETING SERVICES
Program: AG MARKET & DEVELOPMENT SERVIC
Agency: AGRICULTURE DEPT

Item Title: WHOLESALE PRODUCE DEALERS LICENSE

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000s)				
General Fund				
-State Operations	\$17	\$17	\$17	\$17
Revenues: (\$000s)				
General Fund	\$27	\$27	\$27	\$27

Statutory Change? Yes ☒ No ☐

If yes, statute(s) affected: M.S. 27

☐ New Activity ☒ Supplemental Funding ☐ Reallocation

GOVERNOR'S RECOMMENDATION: The Governor recommends increasing the license fee for wholesale produce dealers and increasing MDA's General Fund appropriation by \$17,000 each year to cover program costs.

RATIONALE: The revenue generated from the licensing of wholesale produce dealers is not sufficient to recover costs of this General Fund activity. The licensing fees were last changed in 1990.

This program provides producers and sellers of wholesale produce with financial protection from non-payment by means of required bonding through the Wholesale Produce Dealers Trust. Currently, the agency licenses 150 wholesale produce dealers. The agency reviews contracts submitted by wholesale produce dealers for required producer rights disclosures. There are two major objectives for this program:

- To require regulatory compliance from purchasers of wholesale produce.
- To provide financial protection and risk management information to producers.

FINANCING:

- Funding for this program is from the General Fund and part of base level resources for this division. Currently \$79,000 is allocated to support this program.

- Revenue for this program, based on current fee levels, is projected to be \$79,000 a year. Revenues have been stable for the last several years.
 - The current license fee is \$50 plus .025% of the annual dollar amount of wholesale produce purchased with a maximum total fee of \$1,500. The proposed license fee would be \$75 plus .045% of the annual dollar amount of wholesale produce purchased with a maximum total fee of \$2,000. The impact on the individual license holder will vary. On the low end the fee would be half-again as much. On the high end, the fees would increase by one-third.
- Expenditures support the activities of this regulatory and enforcement program. The projected cost of providing services is \$106,000 a year.
- Clientele served are:
 - Minnesota Wholesale Produce Dealers
 - Minnesota Producers

OUTCOMES: In support of the Governor's *Big Plan* and the agency's Strategic Plan, this budget change item supports the following:

- Governor's *Big Plan*
 - Minnesota, World Competitor
 - ◆ This item helps maintain Minnesota's production of fresh fruit, vegetables, poultry and other perishable agricultural items needed to supply our canners, processors, and retailers.
 - Agriculture, Competitive Anywhere in the World
 - ◆ This item helps level the playing field between the producers and purchasers of wholesale produce by requiring the purchasers to abide by the terms of the contracts that they enter into with producers and by providing producers with the mechanism through which the producers can seek recourse for the failure of the purchaser to live up to the terms of the contracts.
- Agency's Practical Vision
 - Innovative, adaptive, and resource efficient regulatory programs that effectively carry out their purpose.
 - ◆ This program will increase the number of audits performed. This action will increase the likelihood that this agency may take actions before problems occur rather than waiting to react to crises after they occur. The audits can yield information that may aid in the agency's efforts to educate producers concerning risk management.
 - The agency will see more active gathering of industry contract information and how they are performing on their contracts.

BUDGET CHANGE ITEM (48473)

Budget Activity: AG MARKETING SERVICES
Program: AG MARKET & DEVELOPMENT SERVIC
Agency: AGRICULTURE DEPT

Item Title: MN CERTIFICATION PROGRAM

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000s)				
General Fund				
-State Operations	\$150	\$150	\$150	\$150
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-
Statutory Change? Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>				
If yes, statute(s) affected: M.S. 17.0125				
<input checked="" type="checkbox"/> New Activity <input type="checkbox"/> Supplemental Funding <input type="checkbox"/> Reallocation				

GOVERNOR'S RECOMMENDATION:

The Governor recommends a General Fund appropriation of \$150,000 in FY 2002 and \$150,000 in FY 2003 and an internal reallocation of \$65,000 each year to fund the MN Certification Program, a new program to provide third-party certification for agricultural products. In addition, the Governor recommends that this program sunset on 6-30-07, and that a program evaluation be conducted by that date to assess the program's effectiveness.

RATIONALE:

The Minnesota Department of Agriculture (MDA) has worked cooperatively with the University of Minnesota (U of M) to develop a pilot project of agricultural certification, which would provide Minnesota producers with a system for differentiating their products, and give them a competitive edge in the market place. Under the current pilot project authorized by the 2000 Legislature, a cooperative of Minnesota pork producers has developed a certification handbook that requires a third party (i.e. MDA) to certify their production standards in order to access a new market.

As farmers find themselves in an increasingly competitive marketplace we need to create opportunities for self-sufficiency rather than create further governmental dependency. This budget initiative would involve MDA and the U of M to provide a mechanism for Minnesota's agriculture producers to make

claims for their products that will command a premium in the market place because the accuracy of their production claims has been certified through a rigorous third party certification process. While any production process that adds value to the agricultural product could be certified, some examples are livestock raised without the use of antibiotics as growth promotants, steps to improve animal well-being, or identify preservation of corn that has not been genetically altered.

The proposal provides three steps:

- Assist producers in identifying markets looking for differentiated, non-commodity products and work with the U of M to develop verifiable production protocols that will demand premiums in the national and international marketplace.
- Develop and implement a review process similar to ISO 9000 (a world-renowned quality assurance program) to evaluate producers' proposals and to certify those which verify production methods and process claims.
- Monitor the ongoing production and marketing of certified producers, and work with the U of M, private entities and others to assure the integrity of the certification process and to build demand for the certification service and certified products. To insure the integrity of this program, any abuse of the certification process will result in immediate revocation of certification of the product.

This budget initiative was born out of requests for third-party process certification received by MDA from the private sector. While non-agricultural agencies around the world can participate in the ISO 9000 system to provide quality assurance of their production processes to their customers, no such alternative is available to farmers anywhere in the world. ISO 9000 does not certify agricultural processes. Even if ISO 9000 certification were available, the lack of profitability in agriculture combined with the costs of ISO certification would make participation in the certification process financially impossible for farmers.

This item will be evaluated on the basis of demonstrated demand for certification, value of certification, and financial self-sufficiency. The number of applications for certification received and processed will be the basis for determining the demand for certification. The value of the certification will be measured by improved prices for certified products over those that are not certified, as well as new market access brought about by certification.

FINANCING:

- Funding for this program is in the General Fund, \$65,000 is an internal reallocation from Diversifying Agriculture, and \$150,000 is new funding
- Expenditures will support the activities of this new program.

BUDGET CHANGE ITEM (48473) (Continued)

Budget Activity: AG MARKETING SERVICES
Program: AG MARKET & DEVELOPMENT SERVIC
Agency: AGRICULTURE DEPT

Item Title: MN CERTIFICATION PROGRAM

- Clientele served will be:
 - Minnesota Producers
 - Minnesota Processors

OUTCOMES:

In support of the Governor's *Big Plan* and the agency's Strategic Plan, this budget change item supports the following:

- Governor's *Big Plan*
 - Minnesota, World Competitor
 - ◆ This item will provide Minnesota producers with a system for differentiating their products and thereby giving them a cooperative edge in the marketplace.
 - Agriculture, Competitive Anywhere in the World
 - ◆ This item will help farmers implement market-tailored quality standards and facilitate the certification of their high-quality production procedures, thereby allowing them to add value to their products before they leave the farm.
 - Trade, Tapping the World's Interest in Minnesota
 - ◆ This item will provide farmers with a way to certify and market their products as "Minnesota Certified"; thereby converting the world's interest in Minnesota agricultural products into increased business opportunities.
- Agency's Practical Vision
 - Services to enhance producers' ability to capitalize on 21st century opportunities.
 - ◆ Review Process – A review process will be developed to verify certified claims. Applications for certification will be evaluated based on the integrity of the production process being implemented.
 - ◆ Training – Private and public participants will be trained in certification, auditing, and ongoing monitoring of production procedures.
 - ◆ Traceability – A website will be established to link customers with certification and production. Customers will have access to the details of the certification process and procedures and the opportunity to link their information to the Minnesota Certified website.

BUDGET CHANGE ITEM (47299)

Budget Activity: AG MARKETING SERVICES
Program: AG MARKET & DEVELOPMENT SERVIC
Agency: AGRICULTURE DEPT

Item Title: GRAIN BUYERS & STORAGE

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000s)				
Agriculture Fund				
-State Operations	\$54	\$60	\$60	\$60
Revenues: (\$000s)				
Agriculture Fund	\$60	\$60	\$60	\$60

Statutory Change? Yes ☒ No ☐

If yes, statute(s) affected: M.S. 223

☐ New Activity ☒ Supplemental Funding ☐ Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase in the grain buyer license fee and the public warehouse license fee to cover the costs of licensing and examination activities for this regulatory program.

RATIONALE:

This fee is one of six that provide revenue to the grain buyer and storage fund. This fund supports the licensing and examination activities for grain buyers, grain storage and general merchandise warehousing. The fees from these licensing programs are not recovering costs. Four of the six fees were recently increased by rule (effective 7-10-2000).

FINANCING:

- Funding for this program is in the Agriculture fund.
- Revenues are from examinations and licensing fees for grain buyers, grain storage, and general merchandising warehouses. The fees for grain buyer licensing were last increased in 1997, and the fee for public warehouse licensing was last changed in 1983.
 - Current grain buyers license fee is based on the annual volume of grain purchased. Fee range is \$100 to \$500, with an additional site

license range of \$50 to \$100. Proposed grain buyers license fee will range from \$125 to \$625, with additional site license ranging from \$100 to \$200.

- Public Warehouse Licenses are based on square footage of storage capacity. Current fee range is \$80 to \$470. Proposed fee range is \$100 to \$600.

- Expenditures support the activities of this regulatory and inspection program.

- Clientele served are:
 - Minnesota Producers.

OUTCOMES:

In support of the agency's Strategic Plan, this budget change item supports the following:

- Agency's Practical Vision
 - Innovative, adaptive, and resource efficient regulatory programs that effectively carry out their purpose.
 - ◆ Licensing and bonding programs protect producers and insure orderly marketing of agricultural products.

BUDGET ACTIVITY SUMMARY

Budget Activity: AG DEVELOPMENT
Program: AG MARKET & DEVELOPMENT SERVICES
Agency: AGRICULTURE DEPT

ACTIVITY PROFILE:

This activity helps Minnesota's agricultural sector reach its economic potential while protecting the environment. These goals are accomplished through the following business functions:

- Conducting proactive outreach and communication with producers and related stakeholders.
- Engaging in strategic agricultural development planning and implementation activities by the economic sector of agriculture.
- Evaluating, developing or transferring technical and scientific data and research in areas critical to production agriculture.
- Delivering related pest management, production and program development services and information to producers.

The activity supports the growth and development of Minnesota agriculture through activities which facilitate agricultural planning, research and development, and the transfer of technology necessary for Minnesota producers to compete globally now and in the future.

This activity will address problems of declines in production and processing industry sectors; producer participation in policy and program development; public investments to help the industry stay competitive and viable; information needs of producers in areas such as compliance with environmental regulations; need for agricultural pest incidence and management information; and the development or transfer of technical and scientific information.

This activity primarily serves agricultural producers, but indirectly serves processors and suppliers.

STRATEGIES AND PERFORMANCE:

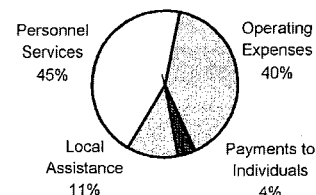
Our strategies incorporate the following agency practical visions and division outcomes:

- Assume a leadership role in environmental policy and program development.

- Identify ways producers can use land, water, and air resources to produce marketable commodities in a sustainable manner, including new commodities or products.
- Provide information or services in areas of environmental or conservation practices; science and technology transfer, technical and financial assistance; and pest detection and control.
- Increase the involvement and voice of producers in state, federal, or local environmental planning or programming.
- Services to enhance producers' ability to capitalize on 21st century opportunities.
 - Consult with producers and agri-businesses to identify issues and opportunities in areas such as science and technical needs, infrastructure, environmental compliance, etc.
 - Assess how federal, state or local policies and programs or activities affect producers, such as federal conservation policy, environmental regulation, etc.
 - Work to provide financial assistance to enable producers to make environmental improvements, develop or adopt new technologies, diversify enterprises, etc.
 - Identify opportunities for growth and development within agriculture, and recommend policies and initiatives to capitalize on growth opportunities.
- Effective internal and external two-way communication.
 - Partner with producer organizations, research and development organizations, University of Minnesota, and developmental agencies to facilitate the development of needed science and technology.
 - Provide real time pest occurrence and management information to enable producers to mitigate crop and financial losses due to pests.
 - Make research, scientific, technical or other information readily available to stakeholders on environmental practices or compliance regulation issues, feedlot odor control, manure use, etc.

FINANCING INFORMATION:

2000-01 Expenditures by Category
Total \$7 Million

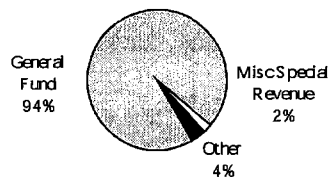


BUDGET ACTIVITY SUMMARY (Continued)

Budget Activity: AG DEVELOPMENT
Program: AG MARKET & DEVELOPMENT SERVICE
Agency: AGRICULTURE DEPT

2000-01 Expenditures by Fund

Total \$7 Million



BUDGET ISSUES:

- Management evaluated critical issues and utilized the agency's Strategic Plan to prioritize base resource allocations and prioritize budget initiatives.
 - An internal review process, completed the summer of 2000, required a full budget presentation to the Commissioner's budget team for evaluation of resources to fund this budget activity.
- MDA is requesting operating funds for the new Quarantine Greenhouse located on the U of M campus. This facility is being built with funding from the 2000 Bonding Bill.

Activity: AG DEVELOPMENT
Program: AG MARKET & DEVELOPMENT SERVIC
Agency: AGRICULTURE DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Category:									
State Operations									
COMPENSATION	1,082	1,203	1,732	1,737	1,822	1,805	1,950	837	28.5%
OTHER OPERATING EXPENSES	1,285	1,075	1,499	870	845	839	814	(915)	(35.5%)
Subtotal State Operations	2,367	2,278	3,231	2,607	2,667	2,644	2,764	(78)	(1.4%)
CAPITAL OUTLAY & REAL PROPERTY	0	0	30	0	0	0	0	(30)	(100.0%)
PAYMENTS TO INDIVIDUALS	110	95	143	135	45	135	45	(148)	(62.2%)
LOCAL ASSISTANCE	173	124	612	580	480	571	471	215	29.2%
Total Expenditures	2,650	2,497	4,016	3,322	3,192	3,350	3,280	(41)	(0.6%)

Change Items:	Fund				
(A) GRANT AND OPERATIONS REDUCTIONS	GEN			(65)	(65)
(A) BIO CONTROL OPERATING	GEN			(60)	(60)
(A) INFO AND DEMO GRANTS	GEN			(40)	(40)
(A) ORGANIC COST SHARE GRANTS	GEN			(50)	(50)
(A) SUS AG DEMO GRANTS	GEN			(50)	(50)
(A) MISA GRANT	GEN			(40)	(40)
(A) DEMO GRANTS	GEN			(5)	(5)
(B) QUARANTINE GREENHOUSE-OPERATING	GEN			180	240
Total Change Items				(130)	(70)

Financing by Fund:					
Direct Appropriations:					
GENERAL	2,333	2,375	3,790	2,638	2,508
MINNESOTA RESOURCES	185	0	0	0	0
SPECIAL REVENUE	71	0	0	0	0
Statutory Appropriations:					
SPECIAL REVENUE	54	61	53	41	41
FEDERAL	7	60	173	643	643
GIFT	0	1	0	0	0
Total Financing	2,650	2,497	4,016	3,322	3,192

Activity: AG DEVELOPMENT
Program: AG MARKET & DEVELOPMENT SERVIC
Agency: AGRICULTURE DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003	
				Base	Governor Recomm.	Base	Governor Recomm.
Revenue Collected:							
Dedicated							
SPECIAL REVENUE	28	20	14	4	4	0	0
FEDERAL	0	47	173	643	643	633	633
GIFT	0	1	0	0	0	0	0
Total Revenues Collected	28	68	187	647	647	633	633
FTE by Employment Type:							
FULL TIME	17.9	19.2	26.8	27.1	29.1	27.1	29.1
PART-TIME, SEASONAL, LABOR SER	5.1	5.6	6.3	4.8	4.8	4.8	4.8
OVERTIME PAY	0.3	0.0	0.0	0.0	0.0	0.0	0.0
Total Full-Time Equivalent	23.3	24.8	33.1	31.9	33.9	31.9	33.9

BUDGET CHANGE ITEM (48877)

Budget Activity: AGRICULTURAL DEVELOPMENT
Program: AG MARKET & DEVELOPMENT SERVICE
Agency: AGRICULTURE DEPT

Item Title: QUARANTINE GREENHOUSE-OPERATING

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000s)				
General Fund				
-State Operations	\$180	\$240	\$240	\$240
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-
Statutory Change? Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>				
If yes, statute(s) affected: M.S. 2000, Ch. 488, Art. 1, Sec. 2				
<input checked="" type="checkbox"/> New Activity <input type="checkbox"/> Supplemental Funding <input type="checkbox"/> Reallocation				

GOVERNOR'S RECOMMENDATION:

The Governor recommends a General Fund appropriation of \$180,000 in FY 2002 and \$240,000 in FY 2003 to pay for the operating costs of the Quarantine Greenhouse facility. This project was funded in the 2000 capital budget and is scheduled to be completed in October 2001.

RATIONALE:

This project requests operating funds to staff and maintain a Quarantine Greenhouse facility being built on a site located within the greenhouse complex of the University of Minnesota (U of M), St. Paul campus. The Quarantine facility was a joint Minnesota Department of Agriculture (MDA) and U of M proposal in the 2000 bonding bill. The proposal was approved by the legislature, and funds were appropriated for construction. The date of occupation is anticipated to be October 2001.

The facility was proposed to address several issues:

- With the demonstrated success of bio-control in controlling certain economically important pests, the demand for bio-control technologies and agents is increasing. Bio-control strategies are proving successful in controlling leafy spurge, alfalfa weevil, and purple loosestrife.

- MDA and U of M researchers currently must go to Montana, Ohio, Florida or California for facilities to conduct their research. The costs and availability of such facilities are unpredictable, uncontrollable, and depend upon the priorities of USDA or other states hosting such facilities.
- It can take five to eight years to clear bio-control agents through existing facilities. When field trials are added, it can result in 10 to 15 years to implement specific bio-control projects. For example, it took six years to clear leafy spurge agents through a quarantine facility and another six years of field trials to identify the best agents for Minnesota.

The facility is being built to qualify as an approved and designated quarantine facility by the US Department of Agriculture (USDA). It is a collaborative project of the MDA and the U of M. The MDA will own, oversee, and operate the facility with specific implementation projects or research initiatives jointly determined by the two agencies. The U of M will assign existing research and technical staff to conduct the scientific work associated with research initiatives or implementation projects. The facility will be a technical and research resource for producers as well as state, local, and federal land management agencies since they will be involved in identifying projects for bio-control efforts in Minnesota.

The facility responds to needs of agricultural producers, private and public land managers, private business owners and the public to provide low cost, effective, and environmentally benign alternatives for pest control and natural control agents in sensitive environments or under circumstances where they could be cost effective while controlling pests; to respond to the cancellation or restrictions being imposed by EPA on certain pesticides; to offset the accelerated introduction of exotic pests through world trade and travel; and to capitalize on the growing market opportunity for "green" products or specialty products produced according to identified production specifications.

The authority for regulatory actions stems from enabling legislation, both federal and state, that authorizes a government official, usually the Secretary of Agriculture or Commissioner of Agriculture, to issue directives, regulations, rules, etc., that have the force of law. Facility design and safeguards, as well as general operations and procedures, must be approved by a regulating agency, the U.S. Department of Agriculture. The facility is also subject to inspection by appropriate federal and state regulatory officials. The Minnesota Department of Agriculture is the appropriate agency to manage the quarantine/biocontainment facility.

FINANCING:

- Funding for this program is in the General Fund.
- Expenditures support the appointment of required personnel to manage the quarantine facility, purchase and maintain equipment, operate the facility, etc.

BUDGET CHANGE ITEM (48877) (Continued)

Budget Activity: AG DEVELOPMENT

Program: AG MARKET & DEVELOPMENT SERVIC

Agency: AGRICULTURE DEPT

Item Title: QUARANTINE GREENHOUSE-OPERATING

- Clientele served are:
 - Producers (fruit/vegetable, specialty crop, and dairy and beef producers)
 - Private Land Owners
 - All Public Land or Landscape Managers responsible for pest control on environmentally sensitive or in densely populated areas
 - Business Owners and Home Owners (concerned with landscape and indoor pest control)

OUTCOMES:

This budget change item supports the Governor's *Big Plan* and the agency's Strategic Plan, and will result in the outcomes listed below:

- Governor's *Big Plan*
 - Minnesota, World Competitor
 - ◆ Agriculture, with a significant portion of Minnesota's \$15 billion in foreign trade annually, must generate raw product at a competitive price and according to market requirements in order to capitalize on opportunities.
 - Agriculture, Competitive Anywhere in the World
 - ◆ This item will help agricultural producers remain competitive through lower costs of pest control and enhanced yields; support a diverse agriculture industry by providing pest control options for unique or specialty crops; provide natural control agents to help offset loss of certain pesticides; and provide tools to access "green markets" and provide technological expertise to respond to pest issues resulting from world trade.
- Agency's Practical Vision
 - Services and programs that are relevant to all of our customer requirements
 - ◆ Meeting growing demand from producers of specialty crops, fruit and vegetables, horticultural and beef and dairy producers for low cost or natural control agents.
 - ◆ Meeting growing demands from consumers, greenhouse operators and public land managers for pest control alternatives for public landscapes, environmentally sensitive areas and indoor environments.

- Services to enhance producers ability to capitalize on 21st century opportunities
 - ◆ Strengthening the competitiveness of Minnesota agriculture by lowering costs for pest control.
 - ◆ Providing a tool to access "green markets".
 - ◆ Providing the technological expertise to respond to the introduction of exotic pests resulting from world trade or travel.
- Assume a leadership role in environmental policy and program development.
 - ◆ Screening bio-control agents being imported into Minnesota for commercial uses to prevent the unknowing introduction of harmful, undesirable companion agents.
 - ◆ Facilitating research and development on agents to naturally control pests already present in Minnesota and causing economic losses and environmental damage.
 - ◆ Conducting research on host specificity and overall suitability before release of bio-control agents in Minnesota.

- We anticipate these specific outcomes from this project:
 - ◆ A reduction in the time required to clear a bio-control agent through a quarantine facility and conduct field trials in Minnesota from five to eight years to two to three years.
 - ◆ An acceleration in basic research on bio-control agents directed at controlling Minnesota pests as well as the results supporting ongoing U of M teaching, extension or training efforts.
 - ◆ An expansion in the variety and types of bio-control agents available to land managers, farmers/producers and business/homeowners.
 - ◆ An increase in the oversight regarding the importation and use of bio-control agents not previously tested for Minnesota conditions.
 - ◆ An increase in the number or volume of research grants attracted to Minnesota to conduct research and development in this area.

BUDGET ACTIVITY SUMMARY

Budget Activity: AGRI RESOURCES MANAGEMENT
Program: AG MARKET & DEVELOPMENT SERVICE
Agency: AGRICULTURE DEPT

conducts overall program implementation, accepts applications and reviews and rates applications. Agricultural Finance carries out the loan processing and disburses funds.

ACTIVITY PROFILE:

This activity is to help producers implement practices that protect water quality while helping their farms remain economically viable.

Agronomy and Plant Protection, Agricultural Development, and Agricultural Finance deliver services through research, information, technical, and financial assistance.

STRATEGIES AND PERFORMANCE:

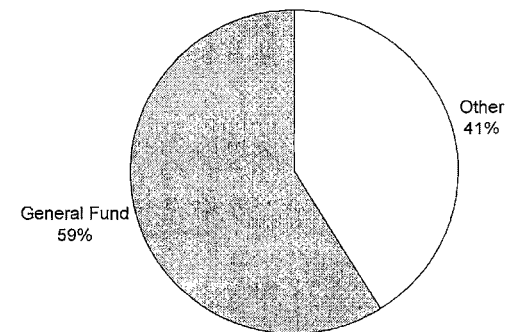
Our strategies incorporate the following agency practical visions and division outcomes.

- Agronomy and Plant Protection – Assume a leadership role in environmental policy and program development.
 - Increase the involvement and presence in state level environmental policy and program development.
 - Formally evaluate actual and potential barriers to the acceptance and adoption of nutrient Best Management Practices (BMP's) with the emphasis on fertilizers/manure by growers, including quantitative assessment of who determines application rates (growers, retailers, crop advisors, etc.) and what activities are needed to increase BMP adoption rates.
- Agricultural Development – Services and programs that are relevant to all our customers' requirements.
 - Propose legislative changes to improve the delivery system of the AgBMP Loan program.
 - Begin to quantify program and individual practice impacts on meeting water quality goals through literature searches and field audits.
 - Work with producer groups, researchers, other agencies and participating counties to accurately project future funding needs for feedlot upgrades pursuant to the new Minnesota Pollution Control Agency rules.
- Agricultural Finance—Services and programs that are relevant to all of our customers' requirements.
 - Continue the partnership with Agricultural Development on administering the AgBMP Loan Program. Agricultural Development

FINANCING INFORMATION:

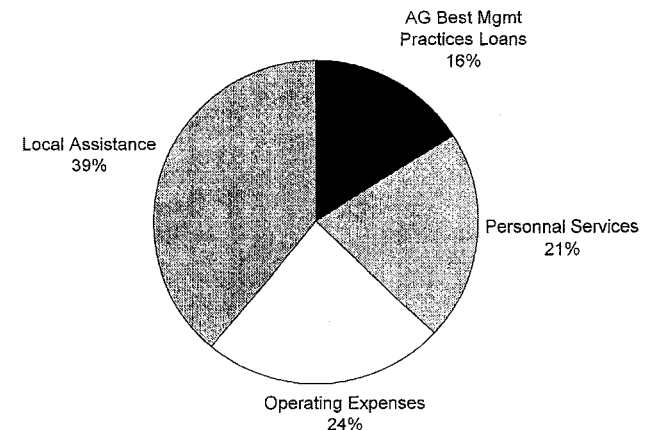
2000-01 Expenditures by Fund

Total: \$6 Million



2000-01 Expenditures by Category

Total: \$6 Million



BUDGET ACTIVITY SUMMARY (Continued)

Budget Activity: AGRI RESOURCES MANAGEMENT
Program: AG MARKET & DEVELOPMENT SERVICE
Agency: AGRICULTURE DEPT

LCMR RECOMMENDATIONS:

- *Agricultural Land Preservation.*
 - Subd.8(b) Agricultural Land Preservation \$205,000
 - Cooperation with Dakota County for educational materials, training, and workshops on agricultural land use planning tools.
- *Integrated Pest Management in Schools.*
 - Subd.10(d) Integrated Pest Management in schools \$180,000
 - To implement integrated pest management (IPM) practices in Minnesota K-12 schools.

BUDGET ISSUES:

- Management evaluated critical issues and utilized the agency's Strategic Plan to prioritize base resources allocations and prioritize budget initiatives.
 - An internal review process, completed the summer of 2000, required a full budget presentation to the Commissioner's budget team for evaluation of resources to fund this budget activity.
- The revised 7020 feedlot rules will impact a large portion of livestock producers. The cost of environmental improvements, along with current low prices, could encourage a significant number of producers to exit the industry. To assist these producers with the revised feedlot rules, MDA is requesting funding of \$350,000 each year for AgBMP loan funds for feedlot upgrades. It is also requesting to reallocate up to \$175,000 each year for feedlot information and assessment teams.

Activity: AGRI RESOURCES MANAGEMENT
Program: AG MARKET & DEVELOPMENT SERVIC
Agency: AGRICULTURE DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Category:									
State Operations									
COMPENSATION	612	614	743	714	748	740	788	179	13.2%
OTHER OPERATING EXPENSES	382	327	1,240	257	365	252	303	(899)	(57.4%)
OTHER FINANCIAL TRANSACTIONS	23,638	0	0	0	350	0	350	700	
Subtotal State Operations	24,632	941	1,983	971	1,463	992	1,441	(20)	(0.7%)
PAYMENTS TO INDIVIDUALS	35	29	0	0	0	0	0	(29)	(100.0%)
LOCAL ASSISTANCE	15	1,892	575	50	297	50	297	(1,873)	(75.9%)
Total Expenditures	24,682	2,862	2,558	1,021	1,760	1,042	1,738	(1,922)	(35.5%)

Change Items:	Fund				
(B) FEEDLOT INFO ASSESSMENT TEAMS (FIAT)	GEN			175	175
(B) FEEDLOT LOANS-AG BMP	GEN			350	350
(B) LCMR ALLOCATION	EVT			102	103
(B) LCMR ALLOCATION	MNR			112	68
Total Change Items				739	696

<u>Financing by Fund:</u>							
Direct Appropriations:							
ENVIRONMENT & NATURAL RESOURCE	0	201	414	0	102	0	103
GENERAL	1,044	1,760	2,010	1,021	1,546	1,042	1,567
MINNESOTA RESOURCES	0	901	134	0	112	0	68
Statutory Appropriations:							
PUBLIC FACILITIES AUTHORITY	23,638	0	0	0	0	0	0
Total Financing	24,682	2,862	2,558	1,021	1,760	1,042	1,738

FTE by Employment Type:							
FULL TIME	11.1	10.4	12.6	11.9	11.9	11.9	11.9
PART-TIME, SEASONAL, LABOR SER	1.0	1.0	0.1	0.1	0.1	0.1	0.1
Total Full-Time Equivalent	12.1	11.4	12.7	12.0	12.0	12.0	12.0

BUDGET CHANGE ITEM (48630)

Budget Activity: AGRI RESOURCES MANAGEMENT
Program: AG MARKET & DEVELOPMENT SERVIC
Agency: AGRICULTURE DEPT

Item Title: FEEDLOT INFO & ASSESSMENT TEAM (FIAT)

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000s)				
General Fund				
-State Operations	\$-0-	\$-0-	\$-0-	\$-0-
-Grants	\$175	\$175	\$175	\$175
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ☒ No ☐

If yes, statute(s) affected: M.S. 17.03, Subd. 1 and M.S. 17.117

☐ New Activity ☐ Supplemental Funding ☒ Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends a reallocation of \$175,000 each year from the dairy diagnostic program (in the Protection Services Program) to assist feedlot operators understand and make informed decisions regarding the revised feedlot rules.

This budget request is part of a multi-agency feedlot initiative involving the Pollution Control Agency, the Board of Water and Soil Resources, and the MDA. The multi-agency initiative will address the needs of farmers for making environmental improvements in their feedlots and provide more effective customer service to feedlot owners from regulatory agencies. Details of each agency's change request can be seen in their respective budgets.

RATIONALE:

The department requests reallocating funds to initiate a pilot project (Feedlot Information and Assessment Teams) to help producers and their lenders make informed management decisions regarding individual operations and thereby encourage producers to continue in the industry as well as comply with the 7020 feedlot rule revisions.

The livestock industry in Minnesota generates over \$9 billion a year in economic activity and employs about 153,000 persons in production, processing and supply services. This request grows out of the need to facilitate producer decision making within the context of multiple agencies, advisors and sources of help; uncertainty among producers as to what the rules require and their potential cost of compliance; and prevent unnecessary exits from the industry due to confusion, frustration or uncertainty. The proposal will assist producers answer the following questions:

- What actions do I need to take to comply with the revised rules?
- What problems do I have to address to come into compliance?
- What are my alternatives, and what is the cost of each alternative?
- Can I generate the cash flow to pay for the "fix" and remain economically viable?
- What financial assistance is available to remedy the problem?

This proposal is part of an interagency package responding to a study mandated by the 2000 legislature regarding the financial needs of producers affected by the updated feedlot rules. An Interagency Study Team drew the following conclusions based upon available data:

- The state has approximately 38,468 feedlots with 24,300 required to register.
- Of the 24,300, about 18,000 feedlots will remain in business in 2010.
- About 700 feedlots would require some compliance work annually, with 45% minor and 55% major upgrades.

Total cost for structural improvements under the rules is estimated at \$165 million. Current state and federal cost share provide about \$4.9 million and low interest state loans provide about \$3.2 million per year. Historically, state provided assistance has helped about 300 feedlots upgrade each year. However, given the different sources of as well as ambiguity and lack of precision in the data, and general uncertainty in the industry, the Interagency Team concluded that a targeted approach should be taken to assist feedlots with between 300 to 500 Animal Units during the FY 2002-03 biennium. This category was selected because those with less than 300 Animal Units generally will have a longer period of time during which to comply, and those between 300 to 500 have the greatest level of economic uncertainty at this time. Current levels of financial assistance would continue to be available to other operators. The Interagency Team will reconvene during FY 2003, following completion of the registration process, to review the current estimates.

BUDGET CHANGE ITEM (48630) (Continued)

Budget Activity: AGRI RESOURCES MANAGEMENT
Program: AG MARKET & DEVELOPMENT SERVIC
Agency: AGRICULTURE DEPT

Item Title: FEEDLOT INFO & ASSESSMENT TEAM (FIAT)

rules and regulations" and "...balance environmental protection with agricultural promotion."

We anticipate these outcomes from this proposal:

- A facilitation of the complicated decision-making process producers go through involving a variety of resource persons.
- State assistance directed to producers who intend or have the capacity to continue profitably in the livestock business.
- Progress toward rule compliance and water quality protection accelerated.

FINANCING:

- Funding for this program is from internal reallocation of dairy diagnostic grants. The expenditures will be for grants through local organizations to teams of professionals to see to it that "one-stop shopping" assistance is available to producers.
- Clientele served are:
 - Minnesota Livestock Producers
 - Minnesota Citizens
 - Local Governments
 - Minnesota Lenders

OUTCOMES:

In support of the Governor's *Big Plan* and the agency's Strategic Plan, this budget change item supports the following:

- Governor's *Big Plan*
 - Minnesota, World Competitor
 - ◆ Trade is a major component of the Governor's vision. This item will help maintain the production of products for trade.
 - Agriculture, Competitive Anywhere in the World
 - ◆ This item levels the playing field helping farmers with environmental regulations, thereby making them less burdensome.
- Agency's Practical Vision
 - Effective internal and external two-way communication.
 - ◆ Facilitate Business Decisions – On-farm assessments will help farmers decide whether to remain in the livestock business, how to upgrade in the most cost-effective manner, and how to use available assistance.
 - Assume a leadership role in environmental policy and program development.
 - ◆ Protecting Water Quality – The project will assist targeted producers bring operations into compliance while protecting water quality and maximizing state and private investment.
 - Services and programs that are relevant to all of our customer requirements. This proposal responds to stakeholder comments that the department "help producers and processors stay in compliance with

BUDGET CHANGE ITEM (60787)

Budget Activity: AGRI RESOURCES MANAGEMENT
Program: AG MARKET & DEVELOPMENT SERVICE
Agency: AGRICULTURE DEPT

Item Title: FEEDLOT LOANS-AG BMP

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000s)				
General Fund				
-State Operations	\$350	\$350	\$350	\$350
-Grants	\$-0-	\$-0-	\$-0-	\$-0-
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ☒ No ☐

If yes, statute(s) affected: M.S. 17.03, Subd. 1 and M.S. 17.117

☒ New Activity ☐ Supplemental Funding ☐ Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends a General Fund appropriation of \$350,000 in FY 2002 and \$350,000 in FY 2003 for low-interest loans to eligible livestock producers for environmental improvements required under the new feedlot rules.

This budget request is part of a joint proposal between the Pollution Control Agency, the Board of Water and Soil Resources, and the MDA that will address the needs of farmers for making environmental improvements in their feedlots and provide more effective customer service to feedlot owners from regulatory agencies. Details of each agency's change request can be seen in their respective budgets.

RATIONALE:

This request will provide low interest loans to livestock producers who are required to make environmental improvements to their feedlots as a result of the 7020 feedlot rule revisions. The initiative targets feedlots having between 300 to 500 Animal Units.

The livestock industry in Minnesota generates over \$9 billion a year in economic activity and employs about 153,000 persons in production,

processing and supply services. This request grows out of the concern that the financial cost of compliance, in combination with current prices and uncertainties, may cause many producers to exit the industry, thereby weakening this economic sector which is vital to rural Minnesota.

The initiative is part of an interagency package responding to the findings of a study mandated by the 2000 legislature regarding the financial needs of producers affected by the rule revisions. The study, conducted by an Interagency Team from the Board of Water and Soil Resources, Pollution Control Agency, Department of Finance, and MDA drew the following conclusions from data available at this time:

- Minnesota has 38,468 feedlots with about 24,300 required to register.
- Of the 24,300, 18,000 will remain in business in 2010.
- About 40% of the 18,000 require improvements with 45% of these minor and 55% major upgrades.
- An estimated 700 feedlots would require some compliance work annually.

Total cost for structural improvements under the rules is estimated at \$165 million. Current state and federal cost share provide about \$4.9 million and low interest state loans provide about another \$3.2 million per year. Historically, this assistance has helped about 300 feedlots upgrade each year. However, given the different sources of as well as ambiguity and lack of precision in the data, and uncertainty in the industry, a more targeted approach is being taken to provide financial assistance to feedlots with between 300 to 500 Animal Units. This category was selected because feedlots less than 300 Animal Units generally have a longer period of time in which to comply, and the 300 to 500 category has a higher level of economic uncertainty at this time. For these reasons, the Interagency Team decided to target additional funding toward this category during the FY 2002-03 biennium. Current levels of financial assistance will continue to be available to other feedlots. The Team intends to meet during FY 2003 to revise the current estimates once the registration process is completed (1-1-02).

FINANCING:

- Funding for this program is from the General Fund for low interest loans to qualifying producers.
- Clientele served are:
 - Minnesota Livestock Producers
 - Minnesota Citizens
 - Local Governments
 - Minnesota Lenders

BUDGET CHANGE ITEM (60787) (Continued)

Budget Activity: AGRI RESOURCES MANAGEMENT

Program: AG MARKET & DEVELOPMENT SERVICE

Agency: AGRICULTURE DEPT

Item Title: FEEDLOT LOANS-AG BMP

OUTCOMES:

This request supports the Governor's *Big Plan* and the agency's Strategic Plan:

- Governor's *Big Plan*
 - Minnesota, World Competitor
 - ◆ Trade is a major component. This item helps maintain the production of products for trade.
 - Agriculture, Competitive Anywhere in the World
 - ◆ This item levels the playing field for farmers by helping finance improvements to come into compliance with environmental regulations, thereby making the regulations less burdensome.
- Agency's Practical Vision
 - Assume a leadership role in environmental policy and program development.
 - ◆ Protecting Water Quality – The project will assist producers come into compliance in a manner that protects water quality while maximizing state and private investment.
 - ◆ Relevant Services – This proposal responds to stakeholder comments that the department “help producers and processors stay in compliance with the rules and regulations” and “...balance environmental protection with agricultural promotion.”

We anticipate these outcomes from this proposal:

- Impacting unnecessary exits by livestock producers.
- State assistance to help producers continue in the livestock business.
- An acceleration of progress toward compliance with the rules.

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PROGRAM SUMMARY

Program: ADMIN & FINANCIAL ASSISTANCE
Agency: AGRICULTURE DEPT

FINANCING INFORMATION:

PROGRAM PROFILE:

This program provides overall policy direction and supervision of department programs, provides division staff for legislative and media relations service.

The budget activities also provide administrative support services including accounting, human resources and diversity, information systems, financial assistance and collecting agricultural statistics.

This program involves the following budget activities:

- Grants & Claims
- Rural Finance
- Administrative Services

STRATEGIES AND PERFORMANCE:

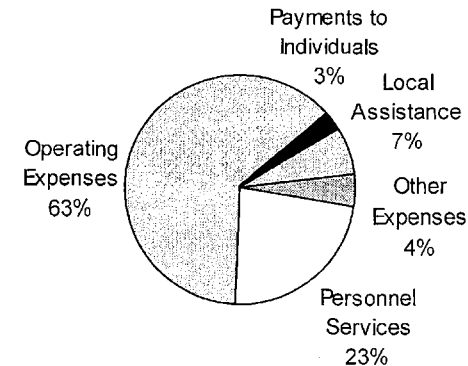
The agency developed the strategies and performance objectives for this program and for the budget activities located in this program through its Strategic Planning Process.

This program is responsible for leading and coordinating agency efforts for all practical visions identified in the strategic plan.

- Facilitating Minnesota agriculture in adapting to changes in the 21st century.
- Services and programs that are relevant to all of our customer requirements.
- Services to enhance producers' ability to capitalize on 21st century opportunities.
- Safe food farm to fork.
- Assume a leadership role in environmental policy and program development.
- Innovators in technology to support business and customer requirements.
- Effective internal and external two-way communication.
- An organization that values and recognizes its people, teamwork, and excellence in their work.
- Innovative, adaptive, and resource efficient regulatory programs that effectively carry out their purpose.

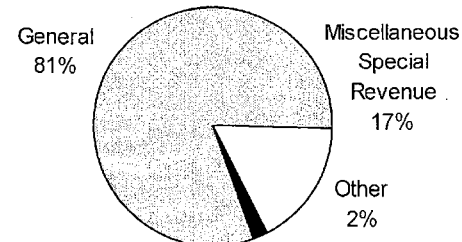
2000-01 Expenditures by Category

Total \$36 Million



2000-01 Expenditures by Fund

Total \$36 Million



PROGRAM SUMMARY (Continued)

Program: ADMIN & FINANCIAL ASSISTANCE
Agency: AGRICULTURE DEPT

BUDGET ISSUES:

- Management evaluated critical issues and utilized the agency's Strategic Plan to prioritize base resources allocations and prioritize budget initiatives.
 - An internal review process, completed the summer of 2000, required a full budget presentation to the Commissioner's budget team for evaluation of resources to fund this budget activity.

GOVERNOR'S RECOMMENDATION:

The Governor recommends the agency's base budget and the following adjustments:

- A General Fund appropriation of \$849,000 in FY 2002 and \$401,000 in FY 2003 to complete the third stage of Project Unity, an information technology initiative.
- Reductions of \$93,000 in FY 2002 and \$99,000 in FY 2003 in General Fund spending. (Please refer to the change Agency Reduction change item for details on the reductions.)

Program: ADMIN & FINANCIAL ASSISTANCE
Agency: AGRICULTURE DEPT

Program Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Activity:									
GRANTS AND CLAIMS	2,277	1,639	20,630	1,633	1,626	1,635	1,628	(19,015)	(85.4%)
RURAL FINANCING	7,990	1,410	1,204	915	829	928	836	(949)	(36.3%)
ADMINISTRATIVE SERVICES	4,319	5,133	6,398	5,733	6,582	5,880	6,281	1,332	11.6%
Total Expenditures	14,586	8,182	28,232	8,281	9,037	8,443	8,745	(18,632)	(51.2%)
Change Items:	Fund								
(A) FAMILY FARM PAYMENT ADJUSTMENTS	GEN				(36)		(42)		
(A) PASSING ON THE FARM GRANT	GEN				(50)		(50)		
(A) RED RIVER DAIRYMENT'S ASSOC GRANT	GEN				(1)		(1)		
(A) RED RIVER VALLEY LVSTK ASSOC GRANT	GEN				(6)		(6)		
(B) COMPLIANCE ENHANCEMENT-PROJ UNITY	GEN				849		401		
Total Change Items					756		302		
Financing by Fund:									
Direct Appropriations:									
GENERAL	12,092	4,771	6,756	4,866	5,622	4,935	5,237		
Open Appropriations:									
GENERAL	0	0	18,000	0	0	0	0		
Statutory Appropriations:									
SPECIAL REVENUE	2,140	3,122	3,071	2,910	2,910	3,004	3,004		
AGRICULTURE FUND	0	2	6	6	6	5	5		
FEDERAL	312	287	397	497	497	497	497		
MISCELLANEOUS AGENCY	0	0	2	2	2	2	2		
GIFT	42	0	0	0	0	0	0		
Total Financing	14,586	8,182	28,232	8,281	9,037	8,443	8,745		
FTE by Employment Type:									
FULL TIME	57.9	60.9	72.8	73.1	75.1	73.1	75.1		
PART-TIME, SEASONAL, LABOR SER	2.4	2.2	1.5	1.5	1.5	1.5	1.5		
OVERTIME PAY	0.1	0.1	0.0	0.0	0.0	0.0	0.0		
Total Full-Time Equivalent	60.4	63.2	74.3	74.6	76.6	74.6	76.6		

BUDGET ACTIVITY SUMMARY

Budget Activity: GRANTS AND CLAIMS
Program: ADMIN & FINANCIAL ASSISTANCE
Agency: AGRICULTURE DEPT

ACTIVITY PROFILE:

This budget activity contains various on-going grants administered by the agency. These include grants to agricultural societies, county fairs, agricultural information centers, the Duluth Seaway Port Authority, and the Northern Crops Institute, and various others. It also includes the grants and operating costs for the Farmers Market Nutrition Program.

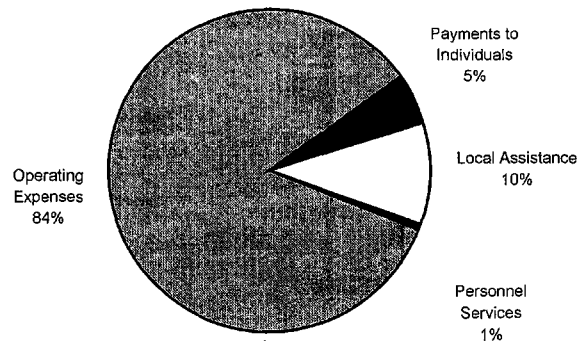
STRATEGIES AND PERFORMANCE:

Our strategies incorporate the following agency practical vision and division outcome.

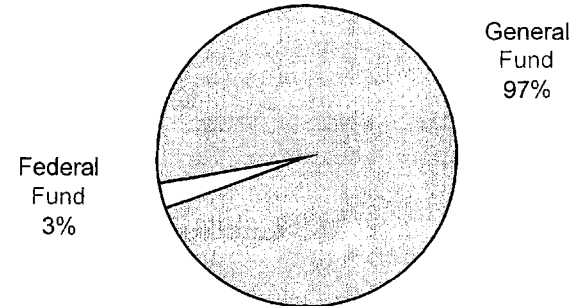
- Services and programs, in this instance grants and claims, are relevant to all of our customer requirements.
 - Insure that all grants and claims are used for the purpose/intent of legislation providing these funds.

FINANCING INFORMATION:

2000-01 Expenditures by Category
Total \$22 Million



2000-01 Expenditures by Fund
Total \$22 Million



BUDGET ISSUES:

- Management evaluated critical issues and utilized the agency's Strategic Plan to prioritize base resources allocations and prioritize budget initiatives.
 - An internal review process, completed the summer of 2000, required a full budget presentation to the Commissioner's budget team for evaluation of resources to fund this budget activity.
- Laws of 2000, Chapter 490, Article 2, provided \$18 million for payments to farmers. This one-time program was called Agricultural Assistance. The payments are included in the category "Operating Expenses."

Activity: GRANTS AND CLAIMS
 Program: ADMIN & FINANCIAL ASSISTANCE
 Agency: AGRICULTURE DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Category:									
State Operations									
COMPENSATION	669	46	99	52	52	56	56	(37)	(25.5%)
OTHER OPERATING EXPENSES	265	248	18,469	299	299	297	297	(18,121)	(96.8%)
OTHER FINANCIAL TRANSACTIONS	46	0	0	0	0	0	0	0	
Subtotal State Operations	980	294	18,568	351	351	353	353	(18,158)	(96.3%)
PAYMENTS TO INDIVIDUALS	483	522	578	532	532	532	532	(36)	(3.3%)
LOCAL ASSISTANCE	814	823	1,484	750	743	750	743	(821)	(35.6%)
Total Expenditures	2,277	1,639	20,630	1,633	1,626	1,635	1,628	(19,015)	(85.4%)

Change Items:	Fund				
(A) RED RIVER DAIRYMENT'S ASSOC GRANT	GEN			(1)	(1)
(A) RED RIVER VALLEY LVSTK ASSOC GRANT	GEN			(6)	(6)
Total Change Items				(7)	(7)

Financing by Fund:							
Direct Appropriations:							
GENERAL	1,329	1,382	2,255	1,158	1,151	1,160	1,153
Open Appropriations:							
GENERAL	0	0	18,000	0	0	0	0
Statutory Appropriations:							
SPECIAL REVENUE	655	0	0	0	0	0	0
FEDERAL	293	257	375	475	475	475	475
Total Financing	2,277	1,639	20,630	1,633	1,626	1,635	1,628

Revenue Collected:							
Dedicated							
SPECIAL REVENUE	1,625	(1)	0	0	0	0	0
FEDERAL	2	0	0	0	0	0	0
Nondedicated							
GENERAL	1	3	0	0	0	0	0
Total Revenues Collected	1,628	2	0	0	0	0	0

Activity: GRANTS AND CLAIMS
 Program: ADMIN & FINANCIAL ASSISTANCE
 Agency: AGRICULTURE DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003	
				Base	Governor Recomm.	Base	Governor Recomm.
<u>FTE by Employment Type:</u>							
FULL TIME	12.4	0.6	0.5	0.6	0.6	0.6	0.6
PART-TIME, SEASONAL, LABOR SER	0.5	1.0	1.0	1.0	1.0	1.0	1.0
OVERTIME PAY	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Total Full-Time Equivalent	13.0	1.6	1.5	1.6	1.6	1.6	1.6

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BUDGET ACTIVITY SUMMARY

Budget Activity: RURAL FINANCING
Program: ADMIN & FINANCIAL ASSISTANCE
Agency: AGRICULTURE DEPT

ACTIVITY PROFILE:

This activity provides for administration of Rural Finance Authority (RFA) loan programs and monitors compliance with the corporate and alien farm laws. RFA loan programs are designed to develop the state's agricultural resources by offering affordable financing to farmers and rural businesses.

The RFA administers several loan programs that provide financial assistance to farmers and agricultural businesses. They include:

- Beginning Farmer
- Loan Restructuring
- Seller-Assisted
- Agricultural improvement
- Livestock Expansion
- Ethanol Development
- Stock Loan
- Disaster Recovery
- Aggie Bond

STRATEGIES AND PERFORMANCE:

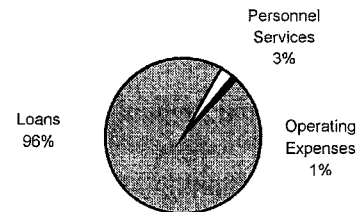
Our strategies incorporate the following agency practical visions and division outcomes.

- Services and programs that are relevant to all of our customer requirements.
 - The RFA's affordable-interest loan programs are administered effectively and efficiently.
 - Rural financial needs are evaluated in cooperation with participating lenders.
 - Technology, delivery systems and communications are updated and enhanced to meet customer needs and enhance Minnesota's agricultural production and processing capacity.
- Services to enhance producers' ability to capitalize on 21st century opportunities.

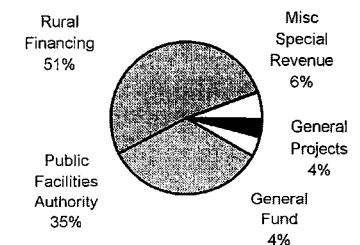
- The corporate and alien farm acts are effectively enforced, helping to protect the viability of Minnesota's family-owned farms.

FINANCING INFORMATION:

2000-01 Expenditures by Category
Total \$27 Million



2000-01 Expenditures by Fund
Total \$27 Million



BUDGET ISSUES:

- Management evaluated critical issues and utilized the agency's Strategic Plan to prioritize base resources allocations and prioritize budget initiatives.
 - An internal review process, completed the summer of 2000, required a full budget presentation to the Commissioner's budget team for evaluation of resources to fund this budget activity.

Activity: RURAL FINANCING
Program: ADMIN & FINANCIAL ASSISTANCE
Agency: AGRICULTURE DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Category:									
State Operations									
COMPENSATION	373	368	386	391	391	404	404	41	5.4%
OTHER OPERATING EXPENSES	6,996	63	87	87	87	87	87	24	16.0%
OTHER FINANCIAL TRANSACTIONS	546	929	679	385	349	385	343	(916)	(57.0%)
Subtotal State Operations	7,915	1,360	1,152	863	827	876	834	(851)	(33.9%)
CAPITAL OUTLAY & REAL PROPERTY	0	0	2	2	2	2	2	2	100.0%
LOCAL ASSISTANCE	75	50	50	50	0	50	0	(100)	(100.0%)
Total Expenditures	7,990	1,410	1,204	915	829	928	836	(949)	(36.3%)

Change Items:	Fund				
(A) FAMILY FARM PAYMENT ADJUSTMENTS	GEN			(36)	(42)
(A) PASSING ON THE FARM GRANT	GEN			(50)	(50)
Total Change Items				(86)	(92)

Financing by Fund:							
Direct Appropriations:							
GENERAL	7,468	486	558	539	453	552	460
Statutory Appropriations:							
SPECIAL REVENUE	522	924	644	374	374	374	374
MISCELLANEOUS AGENCY	0	0	2	2	2	2	2
Total Financing	7,990	1,410	1,204	915	829	928	836

Revenue Collected:							
Dedicated							
SPECIAL REVENUE	1,231	642	516	515	515	515	515
RURAL FINANCE ADMINISTRATION	8,920	8,035	9,513	8,743	8,743	8,888	8,888
MISCELLANEOUS AGENCY	3	0	2	2	2	2	2
Nondedicated							
GENERAL	516	1,353	1,383	1,569	1,569	983	983
CAMBRIDGE DEPOSIT FUND	33	37	78	0	0	0	0
Total Revenues Collected	10,703	10,067	11,492	10,829	10,829	10,388	10,388

<u>FTE by Employment Type:</u>							
FULL TIME	6.1	5.9	5.9	5.9	5.9	5.9	5.9
PART-TIME, SEASONAL, LABOR SER	0.4	0.4	0.0	0.0	0.0	0.0	0.0
Total Full-Time Equivalent	6.5	6.3	5.9	5.9	5.9	5.9	5.9

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BUDGET ACTIVITY SUMMARY

Budget Activity: ADMINISTRATIVE SERVICES
Program: ADMIN & FINANCIAL ASSISTANCE
Agency: AGRICULTURE DEPT

ACTIVITY PROFILE:

This budget activity provides leadership and general support services to the department. The following divisions are included in this budget activity:

- Commissioner's Office
- Finance & Budget Division
- Human Resources & Diversity Division
- Agricultural Statistics Division
- Information Services

STRATEGIES AND PERFORMANCE:

Our strategies incorporate the following agency practical visions and division outcomes.

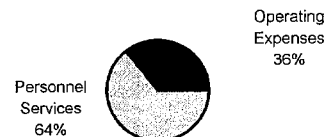
- Facilitating Minnesota agriculture in adapting to changes in the 21st century.
- Services and programs that are relevant to all of our customer requirements.
- Services to enhance producers' ability to capitalize on 21st century opportunities.
- Safe food farm to fork.
- Assume a leadership role in environmental policy and program development.
- Innovators in technology to support business and customer requirements.
- Effective internal and external two-way communication.
- An organization that values and recognizes its people, teamwork, and excellence in their work.
- Innovative, adaptive, and resource efficient regulatory programs that effectively carry out their purpose.

The following performance objectives have been adopted:

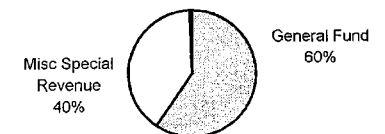
- Commissioner's Office – To work toward a diverse agricultural industry that is profitable as well as environmentally sound; to protect the public health and safety regarding food and agricultural products; and to ensure orderly commerce in agricultural and food products.
- Finance & Budget Division – to provide quality financial information, budgetary, and ancillary support services, innovative decision support to agency divisions, and to foster efficient use of agency resources through cooperation and the creative use of information technology.
- Human Resources & Diversity Division – to support managers and supervisors in maintaining a well-trained, flexible and diverse workforce to meet the challenges of a changing environment and to ensure a safe workplace.
- Agricultural Statistics Division – to provide statistical services and conduct surveys of farm operator and agri-businesses to provide accurate, timely, and relevant Minnesota statistics of crop acreages, yield, production, and stocks, livestock inventories, farm prices, expenses, and income, weekly crop and weather conditions, and agricultural chemical usage.
- Information Services Division – to strategically and operationally support business needs and customer requirements by aligning information technology and business goals.

FINANCING INFORMATION:

2000-01 Expenditures by Category
Total \$12 Million



2000-01 Expenditures by Fund
Total \$12 Million



BUDGET ISSUES:

- Management evaluated critical issues and utilized the agency's Strategic Plan to prioritize base resources allocations and prioritize budget initiatives.
 - An internal review process, completed the summer of 2000, required a full budget presentation to the Commissioner's budget team for evaluation of resources to fund this budget activity.

BUDGET ACTIVITY SUMMARY (Continued)

Budget Activity: ADMINISTRATIVE SERVICES
Program: ADMIN & FINANCIAL ASSISTANCE
Agency: AGRICULTURE DEPT

- MDA is requesting authority to reallocate up to \$25,000 each fiscal year from the Dairy Litigation Support program to focus on new emerging agricultural issues.
- MDA is requesting funding for Phase 3 of our Project Unity – information technology project.

Activity: ADMINISTRATIVE SERVICES
Program: ADMIN & FINANCIAL ASSISTANCE
Agency: AGRICULTURE DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Category:									
State Operations									
COMPENSATION	2,338	3,327	4,059	4,228	4,378	4,384	4,544	1,536	20.8%
OTHER OPERATING EXPENSES	1,981	1,806	2,339	1,505	2,204	1,496	1,737	(204)	(4.9%)
Total Expenditures	4,319	5,133	6,398	5,733	6,582	5,880	6,281	1,332	11.6%

Change Items:	Fund				
(B) COMPLIANCE ENHANCEMENT-PROJ UNITY	GEN			849	401
Total Change Items				849	401

Financing by Fund:							
Direct Appropriations:							
GENERAL	3,295	2,903	3,943	3,169	4,018	3,223	3,624
Statutory Appropriations:							
SPECIAL REVENUE	963	2,198	2,427	2,536	2,536	2,630	2,630
AGRICULTURE FUND	0	2	6	6	6	5	5
FEDERAL	19	30	22	22	22	22	22
GIFT	42	0	0	0	0	0	0
Total Financing	4,319	5,133	6,398	5,733	6,582	5,880	6,281

Revenue Collected:							
Dedicated							
GENERAL	389	0	0	0	0	0	0
SPECIAL REVENUE	1	1,875	2,161	2,457	2,457	2,429	2,429
AGRICULTURE FUND	0	7	5	2	2	2	2
FEDERAL	247	275	395	395	395	395	395
GIFT	1	0	0	0	0	0	0
Nondedicated							
MINNESOTA RESOURCES	0	1	0	0	0	0	0
Total Revenues Collected	638	2,158	2,561	2,854	2,854	2,826	2,826

FTE by Employment Type:							
FULL TIME	39.4	54.4	66.4	66.6	68.6	66.6	68.6
PART-TIME, SEASONAL, LABOR SER	1.5	0.8	0.5	0.5	0.5	0.5	0.5
OVERTIME PAY	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Total Full-Time Equivalent	40.9	55.3	66.9	67.1	69.1	67.1	69.1

INFORMATION TECHNOLOGY CHANGE ITEM (48482)

Activity: ADMINISTRATIVE SERVICES
Program: ADMIN & FINANCIAL ASSISTANCE
Agency: AGRICULTURE DEPT
IT Change Item: COMPLIANCE ENHANCEMENT-PROJ UNITY

ITEM DESCRIPTION AND PURPOSE:

To develop a comprehensive Compliance Enhancement System that will enable us to improve our regulatory inspection functions and will provide citizens, Department of Health, Pollution Control Agency, United States Department of Agriculture, and others with remote access to information. This is the third part of a three-part department-wide information management initiative tying together our licensing, laboratory analysis, and inspection information. It will include clientele listings, inspection history, laboratory analyses, and licensing status. This will replace our current outdated stand-alone systems that cannot provide information across divisions, requiring users to seek information from multiple sources.

The objective of this initiative is to add inspection data to other licensing data and laboratory data already maintained in a centralized database. This addition will provide office/field staff a more current and complete report of past/current activities, findings, and correspondence that will improve service. This information will also be accessible to citizens, state agencies, and other governmental units.

FUNDING: (Dollars in Thousands)

Funding Distribution	2002-03 Biennium		2004-05 Biennium		2006-07 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Personnel	150	160	160	160	160	160
Supplies	9	4	4	4	9	4
Hardware	80	5	5	5	80	5
Software	0	0	0	0	0	0
Facilities	8	7	7	7	7	7
Services	590	220	100	100	100	100
Training	12	5	5	5	5	5
Grants	0	0	0	0	0	0
Total	849	401	281	281	361	281

The 1999 Legislature provided funds that enabled the design of the Compliance Enhancement System and some of the early development phases. Additional funding requested in this initiative will be used to complete the application including: workflow, correspondence, and case management. Investments to date include: requirements analysis, business process diagrams, data models and other preliminary requirements to support the design and development of this complex software application.

The majority of the "Services" funding will be used to contract with professional/technical vendor(s) with the skills to complete the application. This is necessary because MDA does not have personnel to undertake this responsibility. In addition, MDA plans to hire two new FTEs to augment existing staff to support both web and geographic information activities related to this project. "Hardware" funds will be used to purchase equipment such as a new web server, GIS tools and GIS licensing, and high-end computer workstations for these specialized areas.

RATIONALE:

The MDA has recently developed custom applications to support the operation of our laboratory and licensing functions. This initiative will allow us to add inspection information and customized tools to aid in inspection activities, storage and retrieval of inspection information, and access to real-time data. These applications are closely linked and use the same data and structure, a feature that has enabled us to save money as we develop each new application.

Completion of the Compliance Enhancement System will allow for greater collaboration among divisions and increased efficiencies in our daily operations. We will also be making this comprehensive data available on the Internet for our customers, state agencies, and other governmental units. This will facilitate cross-agency collaboration because data will be available in a format that can be viewed, downloaded quickly and used immediately.

This request supports the Governor's Big Plan and the MDA's Strategic Plan in these ways:

Governor's Big Plan:

Service, Not Systems - Electronic Government Services Initiative

This initiative represents a big step toward e-government services by placing our data in a standardized electronic format in a central location. One aspect of this initiative includes an analysis of business functions that will lend themselves to improved service delivery through electronic government transactions.

Agency's Strategic Plan, Practical Vision:

To be Innovators in Technology to Support Business and Customer Requirements

A modern information infrastructure that links all areas of the state and can communicate effectively with markets throughout the world will provide comprehensive information to assist in decision making, sales and electronic transactions.

Our goal is to develop a technology infrastructure that will allow MDA to provide superior service and performance. It will be adaptable to new developments in the field of technology that will enable Minnesota to stay on the cutting edge,

INFORMATION TECHNOLOGY CHANGE ITEM (48482) (Continued)

Activity: ADMINISTRATIVE SERVICES

Program: ADMIN & FINANCIAL ASSISTANCE

Agency: AGRICULTURE DEPT

IT Change Item: COMPLIANCE ENHANCEMENT-PROJ UNITY

giving us a competitive advantage in the world markets. It will offer our customers access to government services and greater ease in complying with our regulations.

LIFE CYCLE ANALYSIS:

Life Cycle Status	2002-03 Biennium		2004-05 Biennium		2006-07 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Development	X	X				
Operations	X	X	X	X	X	X
Modification		X	X	X	X	
Retirement						

Two development phases, requirements analysis and design, have already been completed. The Minnesota Department of Agriculture (MDA) plans to add the functional elements of the application in stages until full implementation is accomplished in December 2002. Subsequently, we expect that modifications will be added throughout the application's lifetime to respond to new legal requirements, technology advancements, program changes, and department priorities. Retirement/replacement is projected in six years.

OFFICE OF TECHNOLOGY ANALYSIS:

This initiative supports the business through a comprehensive Compliance Enhancement System. Deliverables/Objectives: This system will support inspection functions through an integrated data/information system to track regulatory data and provide citizens access to information. The initiative addresses the Big Plan (Service, Not Systems -Electronic Government Services Initiative), EGS and infrastructure criteria. This initiative is identified as a priority in the agency SIRMP. Conclusion: This initiative meets information technology criteria for funding. Development needs to occur in collaboration with statewide EGS efforts.

GOVERNOR'S RECOMMENDATION:

The Governor recommends a General Fund appropriation of \$849,000 in FY02 and \$401,000 in FY03 to complete the third phase of Project Unity.

ANIMAL HEALTH BOARD - EXECUTIVE SUMMARY

AGENCY MISSION AND VISION:

The Board of Animal Health is the official animal disease control and eradication agency of the state. (M.S.Ch.35)

Mission: To protect, maintain, and improve the health of the state's domestic animals. In carrying out its mission, the board strives to protect the public's health and assure an abundant and wholesome food supply.

Vision: To ensure minimal disease impact to livestock and poultry in an effort to enhance productivity and marketability, and to protect the public's health through animal health programs.

KEY SERVICE STRATEGIES:

- Inspect, identify, diagnose, prevent, control, and eradicate infectious and communicable diseases affecting livestock and poultry.
- Educate veterinarians and the public about animal diseases utilizing current scientific/technology information.
- Cooperate with other Minnesota state agencies, the University of Minnesota, and the federal government.
- Assist local governments and other agencies in the development of emergency plans for animals during incidences of natural disasters, bioterrorism, nuclear accidents, or foreign animal diseases.

PERFORMANCE SUMMARY:

- Increased surveillance and diagnosis of turkey flocks infected with Avian Pneumovirus. Two thousand one hundred ninety four flocks were tested in FY 1999. Two thousand six hundred seven flocks were tested in FY 2000.
- Reduced Avian Influenza from 179 infected turkey flocks in 1995 to 25 infected turkey flocks in FY 2000.
- Reduced incidence of Pseudorabies disease from 903 infected swine herds in 1992 to one infected swine herd in September 2000.
- Strengthen biosecurity procedures to control the spread of animal diseases, such as influenza in poultry, pseudorabies in swine and Johne's disease in cattle by educating livestock producers and instructing field personnel from the Department of Natural Resources, Department of Agriculture, Pollution Control Agency, and county field inspectors in procedures to prevent the spread of diseases between premises.
- Eradicated brucellosis, tuberculosis, hog cholera, pullorum-tyhoid, and Mycoplasma gallisepticum in poultry breeder flocks.

REVENUES:

The Board anticipates receiving approximately \$1 million for the biennium in federal grant dollars for overtime, travel, and surveillance expenses for pseudorabies eradication. Nondedicated revenues are from fee collection (M.S. 35.71 and M.S. 347.33), brand registrations (M.S. 35.824) and penalties (M.S. 35.95). The amount of fees and penalties are set in statute.

GRANTS:

The Board has one pass through grant of \$40,000, which partially funds the Companion Animal Resource Education (CARE) Program with the University of Minnesota, College of Veterinary Medicine and with the Extension Service. This program provides scientifically based educational information on the selection, health, and care of pets.

ISSUES AFFECTING AGENCY'S OPERATIONS:

- Increased public concern for food safety and consumer protection.
- Public concern for diseases of animals transmissible to humans, such as rabies and anthrax.
- The ability to maintain an economic advantage in world trade by being free of certain animal diseases.
- Industry requests for a Johne's Disease Program and an Avian Pneumovirus Program.
- The need for epidemiological expertise for designing and leading investigations of specific diseases in animals.
- The lack of on-going resources to maintain recent improvements in information technology.
- The ability to respond quickly to critical disease outbreaks.
- Development of emergency plans for animals with cooperating entities during incidences of natural disasters, bioterrorism, nuclear accidents, and disease outbreaks.

GOVERNOR'S RECOMMENDATION:

The Governor recommends the agency's base funding, except for the following adjustments: a biennial increase in funding of \$330,000 to maintain current level information technology services and an increase in FY 2003 of \$119,000 to continue the Avian Pneumovirus program. In addition, the Governor recommends reallocating \$40,000 each year from the CARE program to the Johne's Disease program.

Agency: ANIMAL HEALTH BOARD

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Category:									
State Operations									
COMPENSATION	1,865	1,961	2,152	2,149	2,200	2,097	2,148	235	5.7%
OTHER OPERATING EXPENSES	1,786	2,098	1,342	1,155	1,269	1,129	1,362	(809)	(23.5%)
Subtotal State Operations	3,651	4,059	3,494	3,304	3,469	3,226	3,510	(574)	(7.6%)
LOCAL ASSISTANCE	43	37	40	40	40	40	40	3	3.9%
Total Expenditures	3,694	4,096	3,534	3,344	3,509	3,266	3,550	(571)	(7.5%)
Change Items:	Fund								
(A) AVIAN PNEUMOVIRUS	GEN							119	
(A) JOHNE'S DISEASE	GEN				40			40	
(A) SMALL AGENCY INFRASTRUCTURE	GEN				165			165	
(A) CARE REALLOCATION	GEN				(40)			(40)	
Total Change Items					165			284	
Financing by Fund:									
Direct Appropriations:									
GENERAL	3,270	3,597	3,237	2,823	2,988	2,763	3,047		
Statutory Appropriations:									
FEDERAL	424	499	297	521	521	503	503		
Total Financing	3,694	4,096	3,534	3,344	3,509	3,266	3,550		
Revenue Collected:									
Dedicated									
FEDERAL	424	499	297	261	261	240	240		
Nondedicated									
GENERAL	0	0	0	3	3	3	3		
CAMBRIDGE DEPOSIT FUND	2	3	3	0	0	0	0		
Total Revenues Collected	426	502	300	264	264	243	243		
FTE by Employment Type:									
FULL TIME	31.9	32.3	33.5	32.7	32.7	32.7	32.7		
PART-TIME, SEASONAL, LABOR SER	0.0	0.4	0.4	0.4	0.4	0.4	0.4		
OVERTIME PAY	0.7	1.3	0.1	0.1	0.1	0.1	0.1		
Total Full-Time Equivalent	32.6	34.0	34.0	33.2	33.2	33.2	33.2		

Agency: ANIMAL HEALTH BOARD

Base Budget Report (Dollars in Thousands)	All Funds		General Fund		Other State Funds		Federal Funds	
	FY 2002	FY 2003	FY 2002	FY 2003	FY 2002	FY 2003	FY 2002	FY 2003
FY 2001 Budgeted	3,285	3,267	2,764	2,764	0	0	521	503
<u>Base Adjustments</u>								
2002-03 SAL. & BEN. BASE	59	117	59	117	0	0	0	0
PROGRAM/AGENCY SUNSET	0	(118)	0	(118)	0	0	0	0
Subtotal Base Adjustments	59	(1)	59	(1)	0	0	0	0
Base Budget	3,344	3,266	2,823	2,763	0	0	521	503

BUDGET CHANGE ITEM (46131)**Agency: ANIMAL HEALTH BOARD****Item Title: AVIAN PNEUMOVIRUS**

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000s)				
General Fund				
-State Operations	\$-0-	\$119	\$119	\$119
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-
Statutory Change? Yes _____ No <input checked="" type="checkbox"/>				
If yes, statute(s) affected:				
_____ New Activity <input checked="" type="checkbox"/> Supplemental Funding _____ Reallocation				

GOVERNOR'S RECOMMENDATION:

The Governor recommends \$119,000 from the General Fund in FY 03 to identify and investigate Avian Pneumovirus disease in turkeys.

RATIONALE:

Avian Pneumovirus is a relatively new disease of turkeys, which has already cost the turkey industry in Minnesota over \$35 million. Since this disease is found only in Minnesota and a few flocks in North Dakota and South Dakota, the Minnesota Turkey Industry is at significant economic risk compared to the rest of the country. Minnesota is a leading turkey producing state, exporting 90% of its turkey products, and is a competitor in the world market. Because of this serious disease, there is a possibility that other states and/or countries could embargo Minnesota turkey products, which would devastate the turkey industry and affect the economy of the state.

Testing for Avian Pneumovirus shows that the disease is spreading in Minnesota. In 1998, the disease was highly prevalent in five counties and in 2000 seven counties had over 50% of the turkey flocks infected with the disease. The disease is now present in turkey flocks in 31 counties.

The poultry industry cooperates in a joint effort with the board and the University of Minnesota to identify infected flocks and study the disease's epidemiology. The turkey industry pays for all costs associated with blood collection, handling, and delivery of the blood samples to our poultry testing

laboratory for the Avian Pneumovirus Prevalence Program. The industry also pays for early diagnostic tests and the expenses of vaccine research trials at their farms.

The state provides the laboratory testing of blood samples from all turkey flocks grown or processed in Minnesota.

This year the Minnesota Turkey Research and Promotion Council donated over \$125,000 to the University of Minnesota for research for poultry diseases, most of it for Avian Pneumovirus.

FINANCING:

	Dollars in Thousands			
	FY 2002	FY 2003	FY 2004	FY 2005
Operating Expenditures		\$119	\$119	\$119
Current Base Funding	\$119	\$-0-	\$-0-	\$-0-

Funding for this activity is from the General Fund.

OUTCOMES:

- Minnesota produces 45 million turkeys annually. The additional funding will be used to continue the Avian Pneumovirus Prevalence Program in FY 03. Funds will be used to identify infected turkey flocks through blood testing and to investigate other potential virus reservoirs.
- In FY 1998 there were 517 infected flocks, in FY 1999 there were 679 infected flocks, and in FY 2000 there were 993 infected flocks. In order to control the spread of the disease, the industry is working with the University of Minnesota to develop a vaccine.
- By identifying infected flocks and investigating the epidemiology, the board will compile data on the spread of Avian Pneumovirus. With this information, control measures can be developed to eradicate the disease.

BUDGET CHANGE ITEM (46254)

Agency: ANIMAL HEALTH BOARD

Item Title: JOHNE'S DISEASE

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000s)				
General Fund				
-State Operations	\$40	\$40	\$40	\$40
-Local Assistance	(\$40)	(\$40)	(\$40)	(\$40)
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-
Statutory Change? Yes _____ No <u>X</u>				
If yes, statute(s) affected:				
_____ New Activity _____ Supplemental Funding <u>X</u> Reallocation				

GOVERNOR'S RECOMMENDATION:

The Governor recommends that \$40,000 be reallocated in FY 02 and \$40,000 in FY 03 from the Companion Animal Resource Education Grant to the control of paratuberculosis in livestock.

RATIONALE:

Johne's disease (also called paratuberculosis) is an infectious bacterial disease, primarily affecting the intestinal tract of ruminants (cattle, sheep, goats, etc.). Johne's disease typically starts as an infection in calves though clinical signs do not usually appear until two to five years later. The disease is difficult to find in its early stages. It reduces milk production, the productive life of cattle, and has no cure. While there is no conclusive evidence, researchers are examining the similarity between Johne's Disease and human Crohn's Disease, a chronic intestinal disease. The NAHMS Dairy '96 Study conducted by USDA-APHIS-VS, estimates that in infected herds where at least 10% of the cull cows showed clinical signs like those of Johne's disease, the average cost to those producers was \$227 for each cow in the herd per year. This cost represents an estimated \$200 million loss to the U.S. dairy industry. Results of this study estimated that about 22% of U.S. dairies are infected with the Johne's disease organism.

The board has held four industry advisory meetings to solicit input on how Minnesota's Johne's disease program should be structured. Based on the input from these meetings and the statutory directions, the board has designed and

implemented a voluntary Johne's disease program. The Minnesota Voluntary Johne's Disease Program is a cooperative effort between cattle producers, their herd veterinarians, the University of Minnesota (Extension Service and College of Veterinary Medicine), and the Board of Animal Health. The program provides information about the disease, information about herd control programs, financial assistance to producers testing for the disease, and a scientifically sound herd status program to classify cattle herds that are at low risk for having the disease (U.S. Voluntary Johne's Disease Herd Status Program for Cattle, USVJDHSP).

The goals of the Minnesota Voluntary Johne's Disease Program are to raise the level of awareness of Johne's disease, identify infected herds, provide assistance with control programs, and identify herds with a low risk of being infected with Johne's disease to provide a source of low risk replacement cattle.

Additional funds are necessary to maintain the current level of activity and to provide additional assistance with on farm risk assessments. These risk assessments are designed to identify the critical control points on a farm that lead to continued transmission of the disease. Assessing these risks and changing the way a herd is managed, in addition to testing for the disease will allow herd owners to make more rapid progress in reducing the prevalence of the disease within their herd.

FINANCING:

	Dollars in Thousands			
	FY 2002	FY 2003	FY 2004	FY 2005
Operating Expenditures	\$40	\$40	\$40	\$40
Current Base Funding	\$200	\$200	\$200	\$200

The board would reallocate the grant for the Companion Animal Resource Education Program to the Johne's Disease Program.

OUTCOMES:

- 2,801 Herds have been identified with cattle that have tested positive for Johne's disease.
- 226 Herds have filed herd plans with the board.
- 51 Herds have enrolled in the US Voluntary Johne's Disease Herd Status Program for Cattle.

INFORMATION TECHNOLOGY CHANGE ITEM (53581)

Agency: ANIMAL HEALTH BOARD
IT Change Item: SMALL AGENCY INFRASTRUCTURE

ITEM DESCRIPTION AND PURPOSE:

The Board of Animal Health is requesting a continuation of the one time funding received in FY 2000-2001 to maintain current level technology services. With the FY 2000-01 funding, the Board was able to enhance technology operations that increased employee productivity, offered the public access to information pertaining to the Board by developing a web page, and provided reliable electronic communications between personnel based in different locations in Minnesota.

FUNDING: (Dollars in Thousands)

Funding Distribution	2002-03 Biennium		2004-05 Biennium		2006-07 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Personnel	51	51	51	51	51	51
Supplies	0	0	0	0	0	0
Hardware	60	60	60	60	60	60
Software	15	15	15	15	15	15
Facilities	15	15	15	15	15	15
Services	20	20	20	20	20	20
Training	4	4	4	4	4	4
Grants	0	0	0	0	0	0
Total	165	165	165	165	165	165

The request for funding is a continuation of the one time funding received in FY 2000-01 to maintain current level services. The funding received in FY 2000-01 was a transfer from the Office of Technology as part of the Small Agency Infrastructure Initiative.

RATIONALE:

Today's explosive information technology growth is creating unprecedented levels of demand on the information technology infrastructure. The reliance on office automation for business-critical applications is higher than ever. Well designed office automation using current technology will continue to provide users and citizens with access to critical data. It is important that current technology infrastructures are maintained and, when necessary, enhanced or replaced to meet the ever changing needs of information technology.

The Board aims to achieve the following outcomes through this initiative:

Secure on-going funding for an Information Technology Specialist position to support current applications and hardware.

Via the website, provide customers and business partners with continuous, round-the-clock electronic government services and access to critical data.

Implement a compatible interface with business partners and customers.

Utilize data base applications to track interstate and intrastate movement of livestock.

Utilize data base applications to analyze the epidemiology of animal diseases.

Increase network stability and security.

LIFE CYCLE ANALYSIS:

Life Cycle Status	2002-03 Biennium		2004-05 Biennium		2006-07 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Development	X	X	X	X	X	X
Operations	X	X	X	X	X	X
Modification	X	X	X	X	X	X
Retirement						

The life cycle is primarily for operations with some development and modification.

OFFICE OF TECHNOLOGY ANALYSIS:

This initiative is requested to continue the funding appropriated during the 2000-2001 biennium in order to maintain the current level of service for information technology. Deliverables/Objectives: Requested funding is distributed to staff, hardware, software, facilities and services. This project is a continuation of the small agency infrastructure initiative. It supports infrastructure components. The initiative is defined in the agency SIRMP. Conclusion: This initiative meets information technology criteria for funding.

GOVERNOR'S RECOMMENDATION:

The Governor recommends a General Fund appropriation of \$165,000 in FY '02 and \$165,000 in FY '03 to provide on-going support for current level technology services.

HORTICULTURAL SOCIETY - EXECUTIVE SUMMARY

AGENCY MISSION AND VISION:

Mission: Minnesota State Horticultural Society (MSHS) is a state chartered, semi-state supported, nonprofit educational agency established in 1866 and dedicated to encourage and improve the science and practice of northern horticulture through the public's enjoyment, appreciation and understanding of plants.

Vision:

- Use the collective knowledge of 23,000 members and publish the information in *Northern Gardener* magazine to teach children and adults about the importance of gardening.
- Foster environmental stewardship among the public.
- Assist the public in strengthening their communities across MN through the Minnesota Green Program. Minnesota Green provides educational opportunities, technical assistance and plant donations to hundreds of community gardening and greening groups throughout the state.

KEY SERVICE STRATEGIES:

MSHS educates the public by publishing *Northern Gardener* magazine, providing financial assistance for educational programs statewide, distributing donated plant material to community gardens statewide, delivering quality educational programs, and making books available to all residents through our bookstore and library.

PERFORMANCE SUMMARY:

- In one year, increased the circulation of the magazine by 20% to 25,000.
- Via Minnesota Green, donated 15,000 plants, 1,200 seed packets and 150 bulbs in 2000 to 200 community gardens throughout the state. These gardens are planted and cared for by 77 different, registered volunteer-operated organizations.
- Expanded our web site in 2000, resulting in 4,000 visitors during the first four months of operation. The web site allows us to reach and serve more of the public by disseminating horticultural information to a wider audience.
- Increased circulation of our statewide lending library to the highest level in the organization's history.
- Sponsored youth horticulture awards at each county fair, as MSHS has done for more than 40 years.
- Attended 44 events throughout the state, bringing books and other educational materials to each site and reaching more than 100,000 people.
- Taught over 110 classes, attended by more than 6,000 people, at our location and at Home and Garden shows in St. Paul and Minneapolis.

- Increased sales of books and educational merchandise by 20%. MSHS carries more than 300 titles of books for gardening in cold climates and many state and University publications not readily available to the public.
- Judged many flower shows throughout the state, including county fairs and the state fair, using MSHS-trained volunteer judges.
- Utilized 552 MSHS volunteers who donated 3,070 hours of time valued at over \$44,000 to meet our educational mission.

REVENUES:

Membership dues: \$409,000 (41%), advertising sales: \$126,000 (13%), educational merchandise sales-\$288,000 (29%), donations-\$56,000 (6%), state grant-\$82,000 (8%) and educational program fees-\$28,000 (3%).

GRANT:

MSHS receives its annual appropriation from the state as a grant. The grant is used to fund a portion of the agency's operations, including printing and production costs of the magazine, educational activities, web site maintenance, and Minnesota Green plant donation activities.

ISSUES AFFECTING AGENCY'S OPERATION:

- *Increasing demand for services.* Gardening is the number one hobby in the country, as shown in dramatically increasing membership levels over the past five years. While one third of our membership live in greater Minnesota, MSHS is not able to consistently offer educational programs out state.
- *Increased cost of producing the magazine.* To improve the quality of the magazine, MSHS began to pay writers for articles for the first time in 1999. In 2000, MSHS will begin to pay photographers and expand circulation.
- *Increased costs for upgrading technological aspects of the agency,* such as computer systems, additional web site development and satellite transmission of classes and educational programs to greater Minnesota.
- *Program expansion.* To better serve communities statewide with technical assistance, plant materials and educational information, the Minnesota Green program needs to expand.
- *Affordability of Membership Rates.* As costs go up, MSHS has increased the costs of membership, with rates increasing an average of 35% over the past two years. While many members can afford this increase, members with limited incomes may lose access to the magazine and membership.

GOVERNOR'S RECOMMENDATION

The Governor recommends the agency's base budget.

Agency: HORTICULTURAL SOCIETY

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>Expenditures by Category:</u>									
LOCAL ASSISTANCE	82	82	82	82	82	82	82	0	0.0%
Total Expenditures	82	82	82	82	82	82	82	0	0.0%
<u>Financing by Fund:</u>									
Direct Appropriations:									
GENERAL	82	82	82	82	82	82	82		
Total Financing	82	82	82	82	82	82	82		

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AGRICULTURE UTILIZATION RESRCH - EXECUTIVE SUMMARY

AGENCY MISSION AND VISION:

AURI is a nonprofit corporation created by the legislature in M.S. 1160.09. AURI provides applied scientific assistance in the development of new products and uses for Minnesota agricultural commodities. Assistance is given at the very early stages of product or process development and in many cases focuses on issues of feasibility.

Mission: To identify and expand existing markets for new or existing commodities, ingredients and products, and to develop new uses or value improvements for Minnesota agricultural commodities.

Vision: To improve the economy of rural Minnesota through new uses that add value to the state's abundant agricultural commodities.

AURI operates from field offices in Crookston, Marshall, Morris, and Waseca to provide accessibility for rural clientele. Laboratory and pilot plant facilities in Crookston, Marshall and Waseca assist clients with applied research, formulation, feasibility, testing and analysis and product scale-up for products and ideas that are in the very early stage of development. The St. Paul AURI office helps link markets and businesses with rural clients and serves as a liaison to state agencies and university services. Further, AURI services help provide for the diversification and competitiveness of the rural economy in Minnesota by assisting in the facilitation of new or increased agricultural based processing and utilization efforts.

KEY SERVICE STRATEGIES:

- Conduct industry-wide research to review emerging opportunities in value added processing which will have the greatest producer and commodity impact;
- Provide early stage technical services and support for product development, prototyping and analysis for small and medium-sized processors, and on a fee-for-service basis with larger organizations;
- Assist with applied research services in fats and oils, food and meat product development, bioproducts, waste utilization, aquaculture and fiber;
- Provide access to laboratory and pilot plant facilities using new technology for product or process development;
- Facilitate the technical and business elements of new product and process development;
- Actively collaborate with private industry, universities, state and federal agencies to access and leverage all available resources.

PERFORMANCE SUMMARY:

In the past two years AURI has assisted in the development of industry-wide projects resulting in more producers being able to participate in value added projects, increased commodity utilization and processing potential, and improved collaboration among agricultural stakeholders. Key indicator examples include:

- Early-stage project feasibility and assessment services resulting in a combined infrastructure investment potential of over \$65 Million in FY 2000;
- Major research and feasibility initiatives in soybean processing, sugar beets, ethanol co-products, meat processing, identity preserved crops, hemp;
- Direct collaboration with over forty state, federal and private organizations in order to maximize project goals.

In the past biennium, AURI staff has provided technical and project facilitation services to clients on a statewide basis resulting in increased access to technical assistance and support to further diversify the rural economy, as well as foster more active participation by producers and others in regional processing efforts. Key indicator examples include:

- Statewide, over 280 projects have received technical assistance in the last two years;
- AURI project efforts involved all of Minnesota's major commodities, as well as other selected commodities for a total of 39 commodities impacted;
- Customer survey information indicates 94% of clients express a "high level" of satisfaction with AURI services and information;
- In each of FY 1999 and FY 2000, AURI provided tens of thousands of hours of direct client services including technical consulting, pilot plant facilities, lab and analytical resources for projects.

AGRICULTURE UTILIZATION RESRCH - EXECUTIVE SUMMARY (Continued)

REVENUES AND EXPENDITURES:

	Dollars in Thousands			
	FY 2000	FY 2001	FY 2002	FY 2003
Balance Forward:	\$512	\$395	\$87	\$106
<u>Operating Revenue:</u>				
State Appropriations:				
Gen. Oper. (GF)	\$3,430	\$3,930	\$3,930	\$3,930
Hybrid Poplar (GF)	200	200	200	200
State Pesticide/PRO	200	200	200	200
(Spec. Rev/Ag Fund)		-0-	-0-	-0-
LCMR/AquaCulture Passthrough	400	-0-	-0-	-0-
Loan Repayments (Principal)	130	72	72	72
Commercialization	277	271	271	271
Repayments & Interest				
Federal & Other	195	165	165	165
TOTAL	\$5,344	\$5,233	\$4,925	\$4,944
<u>Expenditures:</u>				
Industry Initiatives	\$917	\$1,101	\$1,127	\$1,127
Client Services	2,635	2,617	2,617	2,616
PRO	200	200	200	200
Hybrid Poplar	280	280	280	280
LCMR/AquaCulture Passthrough	247	153	-0-	-0-
Administrative Services	595	595	595	595
Capital Investment	75	200	-0-	-0-
TOTAL	\$4,949	\$5,146	\$4,819	\$4,818
Balance Forward:	\$395	\$87	\$106	\$126

FTE's = 34.0

ISSUES AFFECTING AGENCY'S OPERATIONS:

The past ten years have been a critical time for agriculture in Minnesota. The following issues represent some of the core challenges that impact the operating environment:

- Persistent low commodity prices, reduced federal price supports, high crop yields and competition from foreign markets all result in lower farm income; this places more focus on the need to increase the utilization of commodities within Minnesota, and in particular to facilitate the development of value added opportunities;
- Strong demand for readily accessible assistance on issues of feasibility and technical soundness for rural value added agricultural initiatives;
- Continuing strong interest of producers in developing new options for participation in value added processing ventures;

- Changing consumer specifications that necessitate the identification of new technologies and value added products to meet new demands remains essential to the future economic success for Minnesota-based processors and agricultural enterprises;
- Ongoing issues involving food safety, clean air and water, and product performance have spawned new state and federal regulations, which present both challenges and opportunities for Minnesota-based producers and companies, but which require technical solutions.

GOVERNOR'S RECOMMENDATION:

The Governor recommends the agency's base budget.

Agency: AGRICULTURE UTILIZATION RESRCH

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Category:									
LOCAL ASSISTANCE	4,330	4,230	4,330	4,330	4,330	4,330	4,330	100	1.2%
Total Expenditures	4,330	4,230	4,330	4,330	4,330	4,330	4,330	100	1.2%

Financing by Fund:									
Direct Appropriations:									
GENERAL	4,130	3,630	4,130	4,130	4,130	4,130	4,130		
MINNESOTA RESOURCES	0	400	0	0	0	0	0		
SPECIAL REVENUE	200	200	0	0	0	0	0		
AGRICULTURE FUND	0	0	200	200	200	200	200		
Total Financing	4,330	4,230	4,330	4,330	4,330	4,330	4,330		

ACADEMY OF SCIENCE - EXECUTIVE SUMMARY

AGENCY MISSION AND VISION:

Mission: The mission of the Academy is to provide opportunities for interactions between practicing scientists and Minnesota students.

Vision: To foster lifelong learning and the passion for the process of science for all Minnesota students.

The Minnesota Academy of Science (MAS) is a volunteer driven organization of scientists and engineers who value education, science, engineering, technology and their applications. "Best practice in science has always included extensive inquiry and investigation, but it is frequently given less emphasis in the face of competing demands for student time and teacher resources."ⁱ

The MAS has been helping teachers and parents make better use of out-of-school resources, expanding the classroom walls and breaking down traditional boundaries that limit students in engaging in extended projects. These projects integrate several subjects and encourage performance-based assessment.

KEY SERVICE STRATEGIES:

Educational Elements That Most Excite and Motivate Students ⁱⁱ

- Education takes place out of the school building
- Students really want to do it and have a choice in what they pursue.
- Students have an opportunity to collaborate with others
- Students produce something. There is a product and an audience beyond the teacher.
- Students' efforts are useful to other people.
- Students have an opportunity for reflection and refinement

All MAS youth science programs include at least four of the above motivators and many include all six.

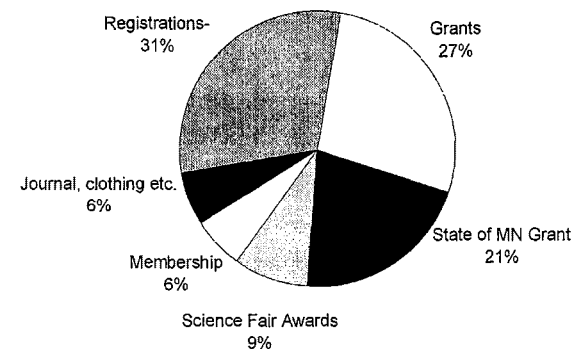
PERFORMANCE SUMMARY:

- **State Science Fair and Junior Science and Humanities Symposium** have doubled the number of participants in the last ten years.
- **REAP** (The summer high school research program), Science Bowl, Science Olympiad, Breakfast with the Scientist, Display at the Capitol and MAS/INTEL Award are programs added since 1990.
- **Share Science** (a service-learning program where high school students work with elementary school children in science) will begin this year. In

August a workshop for teachers was held, training them to incorporate service-learning into the existing curriculum.

- MAS youth science programs have reached more than 50% of the junior high and high schools in Minnesota in the last three years.

MAS 2000 Source of Funds



REVENUES:

The 2000 MAS sources of revenue have been about 37% membership and program fees, 36% corporations and grants and 21% the state.

ISSUES AFFECTING AGENCY'S OPERATIONS:

The Minnesota Academy of Science is requesting the same level of funding.

GOVERNOR'S RECOMMENDATION:

The Governor recommends the Science Academy's base budget.

ⁱ National Center on Education and the Economy and the University of Pittsburgh, New Standards Volume 3, p. 81, 1997.

ⁱⁱ Joe Nathan-Center for School Change, Humphrey Institute of Public Affairs, University of Minnesota.