



Non-General Funds

November 2007 Forecast

Health Care Access Fund
Temporary Assistance for Needy Families
Highway User Tax Distribution Fund
Trunk Highway Fund
Environmental Fund
Remediation Fund
Natural Resources Fund

Non-General Funds

NOVEMBER 2007 FORECAST

FUND STATEMENTS

This document presents fiscal information from several major non-general funds as updated in the November 2007 forecast. Typically, forecast information focuses on the impact to the general fund, which supports more than 60 percent of state activities. The following information helps to explain changes in other major state revenue and spending funds that may impact significant sources of state activity.

For more information on the state's finances, please visit <http://www.finance.state.mn.us> to see other documents including the Consolidated Fund Statement that provides information on all state funds.

BACKGROUND ON STATE FORECASTS

The Department of Finance prepares formal forecasts of state revenues and expenditures in November and February each year as required by state law. Quarterly Economic Updates are also prepared in January, April, July and October each year. These updates are not formal forecast but report on year-to-date revenue collections compared to previous forecasts, but make note of any significant economic or revenue developments that have occurred since the last formal forecast.

This November forecast provides an update to the financial outlook for each of these funds, the first since the end of the September 2007 special legislative session. Three more forecasts will occur before the end of the biennium. This forecast contains revised revenue and expenditure estimates for the 2008-09 biennium based on the most recent information about the national and state economic outlook, caseloads, enrollments, and cost projections. Additionally, the FY 2010-11 planning estimates are also updated with this forecast to assist in assessing the sustainability of budget decisions over the longer term.

The forecast does not reflect the governor's budget recommendations or potential legislative action, only current law. A forecast change in spending for any area in the current biennium or the next biennium does not preclude the governor or the legislature from proposing budget changes that would lead to significantly different spending levels than are shown in this forecast.

Health Care Access Fund

PURPOSE OF FUND

The health care access fund (HCAF) was created to increase access to health care for the uninsured, contain health care costs and improve the quality of health care services.

PRIMARY REVENUE SOURCES

Money in the fund comes from the following sources:

- 2 percent tax on providers;
- 1 percent gross premium tax;
- the state share of MinnesotaCare enrollee premiums;
- investment income from money in the fund; and
- federal match on administrative costs.

In addition, federal Medicaid and S-CHIP funds are used to support selected activities. While not directly deposited to or spent from this fund, this money offsets \$294 million in expenses in FY 2008-09.

PRIMARY EXPENDITURES AND USES

MinnesotaCare, a program that provides subsidized health care coverage to families and individuals, constitutes the majority of spending out of the HCAF. Other expenditures out of the fund support health care access and quality improvement initiatives. Appropriations from this fund go to several state agencies including the departments of Health, Human Services and Revenue. Other governmental organizations receiving funds include: University of Minnesota, the legislature and the Board of Dentistry.

FUND BALANCE AND RESERVE CHANGES

MinnesotaCare expenditures are down \$137 million (16 percent) in FY 2008-09 and \$14.6 million (1.4 percent) in FY 2010-11 from end-of-session estimates. Due to the significant reduction in the current biennium, the HCAF balance is projected to be much larger than it was at the end of the 2007 legislative session. This forecast projects a fund balance of \$313 million at the end of FY 2011; end-of-session estimates showed \$137 million.

The overall reduction in MinnesotaCare spending estimates can be attributed to lower than anticipated managed care rates and enrollment. Managed care rates for the program as a whole are projected to increase an average three percent for calendar year 2008, not by 8.5 percent as previously anticipated. This amounts to a decrease in estimated spending from end-of-session of \$46.4 million in FY 2008-09 and \$92.8 million in FY 2010-11. In addition, MinnesotaCare enrollment declined in 2007 by roughly 10,000 average monthly enrollees and is expected to remain at current levels through FY 2008, reducing base expenditure estimates in both biennia. Another downward adjustment to enrollment estimates has been made to reflect a Department of Human Services (DHS) administrative decision to continue the practice of verifying unearned income during the eligibility determination process. The overall enrollment decline is partially offset by an upward adjustment to reflect the fact that the MinnesotaCare application will be reduced from 24 to seven pages effective January 1, 2008, which is expected to gradually increase enrollment.

(\$ in thousands)	November 2007 Forecast				Change from End-of-Session			
	FY 2008	FY 2009	FY 2010	FY 2011	FY 2008	FY 2009	FY 2010	FY 2011
Beginning Balance	165,783	248,915	297,947	312,283	24,649	92,144	162,807	178,031
Revenues								
2% Provider Tax	430,400	455,500	484,700	517,300	(3,187)	(6,195)	(7,511)	(8,555)
1% Gross Premium Tax	74,300	79,400	85,100	91,000	(500)	(1,400)	(2,000)	(2,700)
State Share of MnCare Premiums	19,053	20,393	25,916	29,515	(374)	913	6,491	10,226
Investment Income	8,098	10,467	11,861	12,226	2,706	5,207	7,666	9,947
Federal Match on Administrative Costs	5,553	6,284	6,982	6,649	-	-	-	-
Revenue Refunds	(10,500)	(10,500)	(10,500)	(10,500)	500	500	500	500
Other Revenues	70	70	70	70	-	-	-	-
Total Revenues	526,974	561,614	604,129	646,260	(855)	(975)	5,146	9,418
Expenditures & Uses								
MinnesotaCare Direct Appropriation	318,786	392,108	469,754	523,892	(70,974)	(66,293)	(16,519)	1,915
Other DHS	56,047	53,751	60,332	62,490	-	-	-	-
Department of Health	14,798	14,135	7,089	6,489	-	-	-	-
University of MN (TR Out)	2,157	2,157	2,157	2,157	-	-	-	-
State Government	1,882	1,912	1,912	1,912	-	-	-	-
Interest on Tax Refunds	500	550	550	600	(50)	(50)	(50)	(50)
Transfers Out	49,672	48,000	48,000	48,000	-	(6,178)	-	-
Total Uses	443,842	512,613	589,794	645,540	(68,350)	(71,638)	(10,078)	12,091
Ending Balance	248,915	297,916	312,251	312,971	92,144	162,776	177,999	175,325

This forecast also includes a change in assumptions around HealthMatch, the automated eligibility determination system that is being developed for Minnesota's publicly funded health care programs. Due to the uncertainty around the timing of implementation of the system, this forecast does not include any shift of enrollees from MinnesotaCare to Medical Assistance. This results in an additional cost to the HCAF of \$19 million in FY 2008-09 and \$127 million in FY 2010-11, with a corresponding reduction in general fund spending, compared to end-of-session estimates.

STRUCTURAL BALANCE

The chart below shows the projected structural balance of the HCAF for FY 2007-11. The term "current year resources" refers to revenues and transfers received within a fiscal year. Balances or deficits from prior years are excluded. When compared with projected total uses, the difference highlights the "structural" balance - how much more is being collected than spent.

Structural Analysis of the Health Care Access Fund November 2007 Forecast (\$ in thousands)

	Closing FY 2007	Budgeted FY 2008	Projected FY 2009	Projected FY 2010	Projected FY 2011
Current Year Resources	503,405	526,974	561,615	604,129	646,260
Total Uses	453,625	443,842	512,613	589,794	645,540
Difference	49,780	83,132	49,002	14,335	720
Adjusted Resources	503,405	526,974	561,615	604,129	646,260
Limited Time Transfers	(58,695)	(1,672)	0	0	0
Adjusted Uses	394,930	442,170	512,613	589,794	645,540
Structural Balance	108,475	84,804	49,002	14,335	720

Temporary Assistance for Needy Families

PURPOSE OF FUND

The temporary assistance for needy families (TANF) fund was established to segment the TANF block grant from other federal funds for budgeting and reporting purposes. The purpose of the TANF grant is to increase the flexibility of states in providing assistance to needy families to move them toward self-sufficiency.

PRIMARY REVENUE SOURCES

TANF replaced the federal Aid to Families with Dependent Children (AFDC) entitlement program when the federal welfare reform law, the Personal Responsibility and Work Opportunity Reconciliation Act, was enacted in 1996. Minnesota receives federal TANF block grant funds based on the state's historical expenditures for AFDC and related programs.

PRIMARY EXPENDITURES AND USES

TANF expenditures primarily fund the Minnesota Family Investment Program (MFIP), the Diversionary Work Program (DWP) and Support Services Grants. MFIP and DWP grants pay for cash benefits for eligible families. Support Services Grants provide employment, education, training and other support services to help low income families. Transfers are made out of the TANF fund to the federal Title XX and child care and development funds. Transfers are also made to the general fund for the Working Family Tax Credit.

FUND BALANCE AND RESERVE CHANGES

At the end of the 2007 session, the TANF balance for FY 2009 was projected to be \$56.5 million. This forecast increases it to \$92 million with the balance expected to grow to \$105 million at the end of FY 2011. MFIP TANF expenditures are down \$29.5 million in FY 2008-09 and \$29.4 million in FY 2010-11 from previous estimates.

These forecast changes are primarily related to maintenance of effort (MOE) rather than changes in program costs or enrollment. Under TANF, states are required to spend a certain amount of state funds to provide assistance to needy families. This is known as MOE. Federal law requires that states meet an MOE requirement based on 75 to 80 percent of the amount the state spent in federal fiscal year 1994 under its AFDC and related programs. States that meet work participation requirements must meet a 75 percent MOE; states that do not meet work participation requirements must meet 80 percent.

TANF was recently reauthorized under the federal Deficit Reduction Act of 2005. The reauthorization includes provisions that make it more difficult for states to meet work participation requirements. The November 2006 and the February 2007 forecasts incorporated the 80 percent MOE standard, under the assumption that Minnesota would not be able to meet the new requirements.

At the end of the 2007 legislative session, the MOE standard was reduced to 75 percent beginning in FY 2010 to recognize the passage of a new Work Participation Bonus. The new program is projected to increase work participation rates to the required level for 75 percent MOE. Because the Department of Human Services has delayed implementation of this new program due to system changes, however, the current forecast assumes a change from 75 to 80 percent MOE beginning in federal fiscal year 2010. This is a shift in federal TANF spending to general fund spending of approximately \$9 million of spending in FY 2010 and \$3 million in FY 2011.

In addition, MFIP Child Care expenditures in the general fund are down \$25.6 million in FY 2008-09 and \$14.1 million in FY 2010-11 from previous estimates. Because MFIP Child Care expenditures are down, more general fund dollars (and less TANF) are spent on MFIP in both biennia.

(\$ in thousands)	November 2007 Forecast				Change from End-of-Session			
	FY 2008	FY 2009	FY 2010	FY 2011	FY 2008	FY 2009	FY 2010	FY 2011
Beginning Balance	55,705	81,940	92,005	105,068	5,901	26,597	34,471	52,019
Revenues								
Block Grant	263,434	263,434	263,434	263,434	-	-	-	-
Total Revenues	263,434	263,434	263,434	263,434	-	-	-	-
Expenditures & Uses								
MFIP/DWP+CS Pass-through	54,370	72,935	67,948	78,619	(21,534)	(7,906)	(17,602)	(11,683)
Support Services Grants	112,679	107,861	107,861	107,111	-	-	-	-
Other DHS	8,118	8,218	8,068	8,068	-	-	-	-
Health Department	11,418	11,733	11,733	11,733	-	-	-	-
Transfers Out	51,614	53,622	55,761	58,004	28	32	54	52
Total Uses	238,199	254,369	251,371	263,535	(21,506)	(7,874)	(17,548)	(11,631)
Cancellation	(1,000)	(1,000)	(1,000)	(1,000)	-	-	-	-
Ending Balance	81,940	92,005	105,068	105,967	27,596	35,471	53,019	64,650

Highway User Tax Distribution Fund

PURPOSE OF FUND

The highway user tax distribution fund (HUTD) was established by the Minnesota Constitution to be used solely for highway purposes. The fund receives revenue from motor vehicle related taxes and fees for transfer to various highway related funds. An amendment to the constitution passed in 2006 will fully dedicate the sales tax on motor vehicles to transportation purposes by FY 2012, with the HUTD to receive no more than 60 percent of the full dedication.

PRIMARY EXPENDITURES

The Minnesota Constitution requires that 95 percent of the revenues deposited into the HUTD be distributed as follows: 62 percent to the trunk highway fund (TH), 29 percent to the county state aid highway fund (CSAS), and 9 percent to the municipal state aid street fund (MSAS). The remaining five percent of HUTD revenues are distributed to the same three funds in accordance with a formula that the legislature periodically establishes.

SOURCE OF FUNDING

Revenues are from the motor vehicle license tax (tab fees), motor vehicle sales tax (MVST), and gasoline and special fuels taxes. All interest and profits from the investments of the fund must be credited to HUTD.

FORECAST COMPARISON

This forecast anticipates that state revenues into the HUTD will grow more slowly than prior estimates (1.5 percent lower growth in each of fiscal years 2009 – 2011). Since the trends are somewhat different, each major revenue source is described separately.

Tab fees: FY 2007 revenue of \$484 million was \$7 million above the prior estimate. Tab fee revenue is fairly flat and the forecast is unchanged.

MVST: FY 2007 revenue to the HUTD of \$160 million was \$3 million higher than previously forecast. The constitutional dedication of MVST to highways and transit means that more revenues will be deposited in the HUTD, but the rate of growth has slowed. The current estimate for the HUTD's share of MVST in FY 2011 is \$312 million, down about \$12 million (4 percent) from the previous forecast.

Gas tax: FY 2007 revenues of \$644 million were down \$6 million from the prior forecast. Gas tax revenues for fiscal years 2008-11 are projected to be \$12 million (2 percent) lower per year, compared to previous estimates.

Overall: state revenues are forecast to yield about \$10 million less in FY 2008 for the HUTD, and \$20-24 million less in each of the next three years, compared to the last forecast. It is important to note that the constitutional dedication of MVST means that state revenues for highways will continue to increase in this forecast, by about \$30 million in FY 2008, another \$40 million in FY 2009, \$50 million in FY 2010, and almost \$60 million in FY 2011. However, the magnitude of these increases has declined from previous estimates.

The forecast transfers from the HUTD have been reduced, reflecting lower state revenues.

(\$ in thousands)	November 2007 Forecast				Change from End-of-Session			
	FY 2008	FY 2009	FY 2010	FY 2011	FY 2008	FY 2009	FY 2010	FY 2011
Beginning Balance	3,043	-	-	-	3,043	-	-	-
Revenues								
Motor Vehicle License Tax	482,141	486,962	491,832	496,750	-	-	-	-
Motor Vehicle Sales Tax	191,747	222,135	263,059	312,075	1,874	(8,363)	(10,402)	(11,644)
Gasoline and Special Fuel Taxes	642,455	646,500	650,379	654,283	(12,000)	(11,882)	(11,950)	(12,012)
Other	3,009	3,059	3,109	3,159	-	-	-	-
Total Revenues	1,319,352	1,358,656	1,408,379	1,466,267	(10,126)	(20,245)	(22,352)	(23,656)
Expenditures & Uses								
Appropriations to Mn/DOT, Revenue, DPS	11,436	11,736	12,036	12,336	-	-	-	-
Transfers--DNR	14,593	14,852	14,928	15,003	(527)	(343)	(343)	(307)
Transfers--Flexible Highway Account	64,716	66,500	68,967	71,842	(326)	(994)	(1,100)	(1,167)
Transfers--County State-Aid Highway	356,584	366,414	380,008	395,851	(1,798)	(5,479)	(6,060)	(6,429)
Transfers--Municipal State-Aid Highway	110,664	113,715	117,934	122,850	(558)	(1,700)	(1,881)	(1,995)
Transfers--Trunk Highway	762,353	783,368	812,431	846,303	(3,843)	(11,714)	(12,955)	(13,745)
Other	2,050	2,072	2,076	2,081	(31)	(14)	(14)	(12)
Total Uses	1,322,395	1,358,656	1,408,379	1,466,267	(7,083)	(20,245)	(22,352)	(23,656)
Ending Balance	-	-	-	-	-	-	-	-

Trunk Highway Fund

PURPOSE OF FUND

The trunk highway fund was established by the Minnesota Constitution for highway construction, improvement and maintenance.

SOURCE OF FUNDING

The trunk highway fund receives 62 percent of the 95 percent of state highway user tax distribution (HUTD) fund revenues distributed by the constitutional allocations, money from the federal government as aid in construction and maintenance of trunk highways, and other sources of direct income. Trunk highway bond proceeds from the sale of bonds as authorized by Article XIV of the constitution are deposited in a separate trunk highway bond fund.

FORECAST COMPARISON

Compared to the end-of-session estimates, state revenues in FY 2008 are forecast to be about \$4 million lower, and \$12-14 million per year lower in FY 2009 to FY 2011. This lower distribution from the HUTD reflects lower gas tax and motor vehicle sales tax (MVST) collections than previously forecast, but no change to tab fee revenues.

The only other major item in FY 2008 is the recognition of \$60 million of federal Emergency Relief funds as revenue corresponding to the increase in appropriations of \$60 million authorized in October 2007. Any remaining federal emergency relief funds relating to the I35W bridge from the congressional authorization of \$195 million and the federal Department of Transportation allocation of \$123.5 million will be recognized in future updates as appropriation authority is authorized.

The actual trunk highway fund balance for FY 2007 was \$56 million, about \$40 million higher than last forecast. The change was due to higher federal agreement revenues recognized in FY 2007 as conversion of previous advance construction agreements continued, and lower actual spending.

A \$39 million balance is forecast for FY 2009 – up about \$32 million from prior estimates. The higher closing balance from FY 2007 is somewhat offset by weaker state revenues.

(\$ in thousands)	November 2007 Forecast				Change from End-of-Session			
	FY 2008	FY 2009	FY 2010	FY 2011	FY 2008	FY 2009	FY 2010	FY 2011
Beginning Balance	60,957	(33,254)	38,787	50,068	44,677	41,703	31,871	19,314
Receipts:								
HUTD transfer	762,353	783,367	812,431	846,303	(3,843)	(11,714)	(12,955)	(13,745)
Federal aid agreements	344,700	394,442	305,000	305,000	60,000	-	-	-
Other income	107,904	106,154	104,831	103,898	-	-	-	-
Total Revenues	1,214,957	1,283,964	1,222,262	1,255,201	56,157	(11,714)	(12,955)	(13,745)
Actual & Estimated Uses								
Mn/DOT	1,176,869	1,074,457	1,074,457	1,074,457	60,000	-	-	-
DPS and other	80,129	82,843	82,843	82,843	-	-	-	-
Debt service	52,170	54,622	53,681	52,540	(869)	(1,882)	(398)	60
Total Expenditures	1,309,168	1,211,922	1,210,981	1,209,840	59,131	(1,882)	(398)	60
Ending Budgetary Balance	(33,254)	38,787	50,068	95,429	41,703	31,871	19,314	5,509

Environmental Fund

PURPOSE OF THE FUND

The environmental fund uses the revenues from environmentally related fees, taxes, and activities to monitor and control environmental problems.

PRIMARY REVENUE SOURCES

Major sources of revenues to the fund include the following:

- Solid waste tax (54 percent of revenue)
- Air/water permit fees (20 percent)
- Motor vehicle transfer fee (14 percent of revenue)
- Hazardous waste fees (6 percent of revenue)

PRIMARY EXPENDITURES AND USES

Money in the fund is used to address environmental problems, including air and water pollution, hazardous and solid waste, and other pollutants. The Minnesota Pollution Control Agency (MPCA) receives the largest share of the fund for permitting and enforcement activities, environmental monitoring, pollution prevention, emergency response, public education and financial assistance programs.

Several state agencies including the departments of Revenue, Public Safety and the Attorney General's Office also receive appropriations from this fund.

STRUCTURAL BALANCE

The Environmental Fund now shows a projected negative balance in FY 2009 under current revenue and expenditure projections. Because many PCA revenues are dependent upon economic activity, any general downturn in housing

or business development can impact the stability of this fund. Particular fees affected by economic activity include the solid waste tax, the motor vehicle transfer fee and water and hazardous waste fees.

FORECAST COMPARISON

Compared to end-of-session estimates, forecast revenues are projected to decline by \$4.2 million in the FY 2008-2009 biennium and by \$ 9.4 million FY 2010-2011. This decrease is partly due to a slowdown in home and commercial construction. Less construction reduces solid and hazardous waste receipts and water permit fees. The forecast for solid waste tax receipts declined \$500,000 in FY 2008 and \$1.5 million annually in FY 2009 through FY 2011. Forecast amounts for the Motor Vehicle Transfer Fee have also been lowered by \$1.5 million per year. Fewer water permits and hazardous waste fees account for most of the remaining revenue losses.

Expenditures have declined by \$1.7 million in FY 2008 and by \$2.5 million in FY 2009 from end-of-session estimates. Expenditures in the out-years are consistent with prior projections.

TRANSFERS TO THE REMEDIATION FUND

The legislature authorized transfers from the environmental fund as necessary for the purposes of the remediation fund. Dollar amounts transferred to the remediation fund are projected to decrease by \$2.2 million in FY 2008-2009 from end-of-session estimates. The reduction in transfers reflects an updated schedule of pending remediation projects.

(\$ in thousands)	November 2007 Forecast				Change from End-of-Session			
	FY 2008	FY 2009	FY 2010	FY 2011	FY 2008	FY 2009	FY 2010	FY 2011
Beginning Balance	16,404	7,051	(2,891)	(7,779)	1,151	2,436	(109)	(4,609)
Revenues								
Solid Waste Mgmt. Tax	46,183	46,891	48,236	49,766	(572)	(1,287)	(1,519)	(1,620)
Dept. Earnings	36,263	34,043	33,047	33,335	(38)	(1,857)	(3,107)	(3,107)
Other Taxes	2,238	2,238	2,238	2,238	-	-	-	-
Other Revenue	1,972	1,835	1,462	1,375	(119)	(331)	51	(132)
Total Revenues	86,656	85,007	84,983	86,714	(729)	(3,475)	(4,575)	(4,859)
Expenditures & Uses								
Pollution Control	65,705	65,672	61,472	61,472	58	200	(200)	(200)
Other Agencies	510	516	516	516	69	140	140	140
Transfers								
Remediation Fund	29,794	28,761	27,883	25,212	(1,758)	(468)	(276)	895
Total Uses	96,009	94,949	89,871	87,200	(1,631)	(128)	(336)	835
Ending Balance	7,051	(2,891)	(7,779)	(8,265)	2,053	(911)	(4,348)	(10,303)

Remediation Fund

PURPOSE OF THE FUND

The fund was created to provide a source of public money for response and corrective actions to releases of hazardous substances, pollutants or contaminants, agricultural chemicals, petroleum; and for actions at qualified landfill facilities for which the agency has assumed such responsibility.

PRIMARY REVENUE SOURCES

Revenue sources to the fund include superfund reimbursements and penalties, insurance claims settlements, interest earnings, other fines and fees charged for remediation of specific sources of environmental damages. Revenue sources to the remediation fund include the following:

- Closed landfill insurance recovery (64.5 percent)
- Superfund reimbursements (16 percent)
- Investment income (9 percent)

PRIMARY EXPENDITURES AND USES

The fund is used for closure and post-closure care of certain mixed municipal solid waste disposal facilities for a 30-year period; to address incidents involving releases of agricultural chemicals and petroleum; to reimburse local government units for eligible costs to remediate methane at closed disposal facilities; to clean up sites that have been contaminated due to dry cleaning operations; and for related administrative, enforcement, and cost recovery actions.

FORECAST COMPARISON

FY 2008 receipts are nearly \$6 million higher than projected at the end of the 2007 legislative session. Potential receipts from legal settlements are not projected for current or future fiscal years. In a year when proceeds from a settlement are received and deposited to the remediation fund, the difference between forecast to actual receipts can be significant. Forecast receipts are projected to decrease from \$12.9 million in FY 2008 to \$4.8 million in FY 2009.

Transfers to the remediation fund from the environmental fund are \$2.2 million less than the end-of-session forecast for FY 2008-09. Total FY 2008-09 expenditures are projected to be \$8.1 million higher. Changes in planning for remediation projects in MPCA's Land Program account for most of the increase in estimated spending increase.

STRUCTURAL BALANCE

The remediation fund is not structurally balanced. Recognizing that revenues from lawsuit settlements are declining, the legislature authorized transfers from the environmental fund as necessary for the purposes of the remediation fund. The current forecast is based on continued reliance on transfers from the environmental fund to carry out remediation activities. In FY 2006, transfers from the environmental fund totaled 27 percent of remediation fund expenditures; in FY 2008 this will total 56 percent and in FY 2009, 69 percent.

(\$ in thousands)	November 2007 Forecast				Change from End-of-Session			
	FY 2008	FY 2009	FY 2010	FY 2011	FY 2008	FY 2009	FY 2010	FY 2011
Beginning Balance	7,992	7,798	8,096	8,444	1,382	779	610	429
Revenues								
Net Receipts	12,946	4,776	4,417	4,413	7,800	201	-	(37)
Transfers:								
Environmental Fund	29,794	28,761	27,883	25,212	(1,758)	(468)	(276)	895
Petro Tank Release	10,216	8,616	8,616	8,616	-	-	-	-
Total Transfer In	40,010	37,377	36,499	33,828	(1,758)	(468)	(276)	895
Total Revenues	52,956	42,153	40,916	38,241	6,042	(267)	(276)	858
Expenditures & Uses								
Pollution Control	48,156	37,507	36,221	33,494	7,878	206	206	1,356
Other Agencies	4,922	4,347	4,346	4,347	295	(300)	(300)	(300)
Transfers Out	72	-	-	-	72			
Total Uses	53,150	41,854	40,567	37,841	8,173	(94)	(94)	1,056
Ending Balance	7,798	8,096	8,444	8,843	(749)	606	428	231

Natural Resources Fund

PURPOSE OF THE FUND

The natural resources fund provides the resources needed to manage and maintain public recreational facilities like trails and public water access points. It also provides funds for the acquisition and development of land, and for improving the state's fish and wildlife.

PRIMARY REVENUE SOURCES

Most of the funding is provided directly by users of the state's recreational facilities through boat and motor vehicle license registration fees. The fund also derives significant revenue indirectly, through gasoline taxes and lottery proceeds. Investment earnings are also credited to the fund.

PRIMARY EXPENDITURES AND USES

Money in the fund is spent on operations and maintenance of state parks; development and maintenance of motorized and non-motorized trails; certain forestry, ecology, and minerals management programs designed to preserve, protect and enhance the state's natural resources. This fund also provides the money to maintain 1,500 public boat access sites, over 275 fishing piers and shorefishing sites across the state, and to pay for enforcement of natural resources rules and laws.

STRUCTURE

The fund is composed of a series of accounts, each of which derive revenue from specific land management or recreational activities. Revenues are dedicated to each individual account and are generally directly appropriated by the legislature. Any discussion of this fund usually involves focusing attention on one or more of these accounts.

FORECAST COMPARISON

FY 2008 expenditures are projected to be \$4 million above end-of-session estimates. The increase is the result of carry forward and a one-time transfer of \$2.4 million in expenditures and revenues from the special revenue fund. Without this transfer, FY 2008 revenues to the fund declined by \$2.2 million from previous estimates. Declining departmental earnings from forestry and snowmobile registrations and a forecast decrease in gas tax revenues account for much of this change.

Negative balances are forecast for several accounts within the natural resources fund. These are described below:

The Forest Management Investment Account is projected to have a \$3.5 million negative fund balance by the end of FY 2009. Timber revenues are projected to decline by \$4 million in FY 2008-09 as a result of timber mill closings and less demand for construction lumber. Loss of timber revenues may also reduce receipts from the Department of Natural Resource's (DNR's) land management activities on school and university trust lands, reducing fund transfers to the Permanent School and Permanent University funds.

The Snowmobile Account is projected to have a \$1.5 million negative balance by 2011. This is due to declining snowmobile registrations over the past few years. Since FY 2005, annual revenues from registrations have declined from 1 to 2.5 percent per year. According to DNR, this trend is a temporary, weather-related phenomenon. However, it will be important to monitor this account for potential problems in collecting sufficient funds to operate trails and enforcement programs.

The invasive species account is projected to have a \$195,000 negative balance beginning in FY 2009. This account received a one-time appropriation from the general fund. Long-term funding for this program has yet to be determined.

The Off-Highway Vehicle (OHV) and Off-Highway Motorcycle (OHM) accounts are both projected to have a negative balance by 2010 and 2011 respectively. This is due to declining registrations resulting from the reclassification of certain vehicles to all-terrain vehicles (ATV's). While revenues are increasing in the ATV account, they continue to decline in off-highway vehicle accounts.

INCREASING RELIANCE ON DEDICATED FUNDING

The DNR has become increasingly dependent on fee income to provide services. Fee increases have helped sustain the fund, but have not increased revenues substantially. DNR data show that per capita outdoor recreational use is declining. Population increases will make up for some of this loss, but at less than historical rates.

(\$ in thousands)	November 2007 Forecast				Change from End-of-Session			
	FY 2008	FY 2009	FY 2010	FY 2011	FY 2008	FY 2009	FY 2010	FY 2011
Beginning Balance	35,022	21,801	11,495	4,692	5,369	2,421	(1,349)	(4,539)
Prior Year Adjustments	200	200	200	200				
Beginning Balance	35,222	22,001	11,695	4,892				
Revenues								
Department Earnings	42,132	42,544	43,574	43,697	(1,759)	(1,896)	(2,320)	(702)
Sales Tax	10,267	10,342	10,411	10,411	-	-	-	-
Other Revenue	3,545	3,487	3,472	2,984	(582)	495	479	491
Total Revenues	55,945	56,372	57,456	57,092	(1,178)	(1,402)	(1,841)	(210)
Transfers In								
Gas Tax Revenue	14,593	14,852	14,928	15,003	(527)	(343)	(343)	(307)
Forest Suspense Acct	4,100	4,100	4,100	4,100	(350)	(350)	(350)	(350)
Forestry Receipts	4,804	2,425	2,425	2,425	2,252	(174)	(174)	(174)
Other Transfers In	295	525	524	524	4	349	348	348
Total Transfers In	23,792	21,901	21,977	22,052	1,379	(518)	(519)	(483)
Total Revenues	79,737	78,273	79,433	79,143	201	(1,920)	(2,360)	(693)
	114,959							
Expenditures & Uses								
DNR	85,161	81,265	79,913	79,352	5,115	1,547	1,523	1,998
Met Council	4,570	4,570	4,570	4,570	-	-	-	-
MN Zoo	137	138	138	138	-	-	-	-
MN Conservation Corps	490	490	490	490	-	-	-	-
Total Expenditures	90,359	86,462	85,111	84,550	5,115	1,547	1,523	1,998
Transfers Out								
Permanent University Fund	1,060	877	500	1,000	(395)	405	28	529
Permanent School Fund	1,729	1,430	816	1,632	(547)	692	77	893
Other Transfers Out	10	10	9	9				
Total Transfers Out	2,799	2,317	1,325	2,641	(942)	1,097	105	1,422
Total Uses	93,158	88,779	86,436	87,191	4,173	2,644	1,628	3,420
Ending Balance	21,801	11,495	4,692	(3,156)	1,896	(2,216)	(5,750)	(8,910)

State Funds

Aside from the general fund, which accounts for roughly 60 percent of state spending, there are over 130 other funds that have designated revenues for specific purposes. The legislature designates certain revenues to be deposited into the fund and certain types of payments the fund can make. The purpose of a fund is that it allows the legislature to monitor money and ensure that it is being spent for intended purposes.

Some funds are administered by one agency, which has all their spending activity allocated to the particular fund. These types of funds are often referred to as agency funds. Other funds are referred to as shared funds because many agencies will deposit money and spend from the fund. Additionally, there are also separate 'accounts' within a fund that have even more specified depositing and spending rules.

Most funds are held in the State Treasury. The commissioner of finance and the State Board of Investment have the responsibility to invest the money deposited into these funds. However, only the commissioner of finance can authorize money to be deposited into a fund or to be moved out of a fund.

There are eight different types of funds that have been identified for sound accounting administration including: the general fund, special revenue funds, capital projects funds, debt service funds, permanent funds, enterprise funds, internal service funds, and trust and agency funds.

Expanded definitions of these funds can be found at:

http://www.budget.state.mn.us/budget/summary/fund_inventory/index.shtml.

CONSOLIDATED FUND STATEMENT, NOVEMBER 2007 FORECAST

The Consolidated Fund Statement, a document that provides detailed information about revenue and expenditures by fund and omnibus bill, can also be found on the Finance Department website. (<http://www.finance.state.mn.us>)