

# Minnesota Department of Natural Resources

500 Lafayette Road · Saint Paul, Minnesota · 55155-4037

Office of the Commissioner

651-259-5555



08 - 0759

October 3, 2008

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

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

Commissioner Tom Hanson  
Department of Finance and Employee Relations  
658 Cedar Street  
St. Paul, Minnesota 55155

Dear Senator Anderson, Representative Wagenius and Commissioner Hanson:

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

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

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

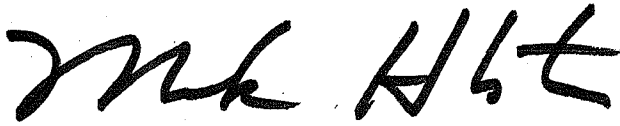
	<b>Original Assumption</b>	<b>Actual Outcome</b>
<b>Annual Fee Increase</b>	4%	4%
<b>Average Investment Rate of Return</b>	8%	5.84%
<b>Annual License Activations</b>	75%	80.80%

Attached are two additional tables that demonstrate the impact of original assumptions and actual outcomes on the lifetime license fund balance. Table 1 reflects the status of the fund balance given the original assumptions. Under these assumptions, the fund balance remains positive throughout the life of the model. Table 2 reflects the status of the fund balance based on actual outcomes. This table shows a negative balance for the lifetime license fund by 2051.

A key difference between the original assumptions and the actual outcomes is the average investment rate of return. To balance the fund, the DNR would need to raise lifetime license fees approximately 15-20 percent. Given the fund balance will remain adequate for more than 40 years and due to the current instability of interest rates, the DNR will not request changes to lifetime license fees at this time.

The DNR will continue to monitor the fund balance and report to the legislature on a biennial basis.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark Holsten". The signature is stylized and cursive.

Mark Holsten, Commissioner  
Department of Natural Resources

Attachments (Table 1 and Table 2)

c: Laurie Martinson  
Bob Meier  
Denise Anderson

**Table 1**  
**PROJECTION OF FUND BALANCE**  
 (Based on Original Assumptions)

<b>Assumptions</b>		
Activation rate	<b>75.00%</b>	Life expectancy: live to age 78
Annual license increase rate	<b>4.00%</b>	No new lifetime licenses sold
Annual investment return	<b>8.00%</b>	

Based on Existing Lifetime License Sales through License Year 2006

Year	License Year	Resident					Non-Resident		TOTAL
		Fish	Deer-Firearm	Deer-Archery	Small Game	Sporting	Fish	Small Game	
0	2006	1,171,386	1,177,390	164,093	96,087	2,415,728	12,983	0	5,037,668
5	2011	1,467,734	1,507,099	210,372	116,902	3,113,007	15,850	34	6,430,998
10	2016	1,835,131	1,937,578	271,350	142,828	4,001,723	19,640	50	8,208,300
15	2021	2,266,116	2,498,970	353,084	175,124	5,032,087	24,143	73	10,349,597
20	2026	2,813,107	3,262,078	464,546	218,023	6,323,063	30,158	108	13,111,082
25	2031	3,592,680	4,331,375	620,648	277,704	8,052,514	38,670	158	16,913,748
30	2036	4,758,667	5,835,422	845,318	364,128	10,450,044	51,810	233	22,305,623
35	2041	6,394,323	7,969,753	1,169,170	486,355	13,729,247	70,540	342	29,819,730
40	2046	8,708,902	11,067,033	1,640,747	661,624	18,271,701	96,852	502	40,447,362
45	2051	12,022,212	15,596,945	2,334,310	918,590	24,680,097	135,648	738	55,688,540
50	2056	16,809,702	22,259,524	3,357,811	1,297,885	33,829,104	192,128	1,084	77,747,237
55	2061	23,808,506	32,139,712	4,872,869	1,861,577	47,058,630	274,217	1,593	110,017,105
60	2066	34,083,721	46,662,588	7,106,546	2,698,550	66,367,634	394,407	2,340	157,315,787
65	2071	49,343,061	68,211,941	10,398,315	3,940,529	95,202,216	570,140	3,438	227,669,639
70	2076	71,845,954	99,882,504	15,256,074	5,772,089	137,548,992	828,277	5,052	331,138,944
75	2081	104,976,789	146,639,988	22,392,509	8,464,321	200,204,356	1,208,525	7,423	483,893,911
80	2086	154,142,294	215,459,526	32,896,826	12,434,572	293,880,679	1,779,712	10,907	710,598,517
85	2091	226,485,601	316,514,466	48,336,231	18,270,465	431,807,132	2,606,165	16,027	1,044,036,086

**TABLE 2**  
**PROJECTION OF FUND BALANCE**  
(Based on actual outcomes)

<b>Assumptions</b>	
Activation rate	<b>Variable</b>
Annual license increase	<b>4.0%</b>
Annual investment rate	<b>5.8%</b>

Life expectancy: live to age 78  
No new lifetime licenses sold

**Based on Existing Lifetime License Sales  
through License Year 2006**

**Activation rates based on historical records thru license year 2006.**

Activation rate	<b>82.0%</b>	<b>88.0%</b>	<b>84.0%</b>	<b>74.0%</b>	<b>77.0%</b>	<b>80.0%</b>	
-----------------	--------------	--------------	--------------	--------------	--------------	--------------	--

Yr	License Year	Resident					Non-Resident		TOTAL
		Fish	Deer-Firearm	Deer-Archery	Small Game	Sporting	Fish	Small Game	
0	2006	1,171,386	1,177,390	164,093	96,087	2,415,728	12,983	0	5,037,668
5	2011	1,289,436	1,312,679	184,983	104,587	2,778,099	13,912	0	5,683,696
10	2016	1,372,870	1,431,048	205,194	111,335	3,124,593	14,457	0	6,259,497
15	2021	1,361,575	1,504,277	223,234	114,333	3,308,674	13,899	0	6,525,994
20	2026	1,233,705	1,522,837	236,975	112,486	3,319,614	12,079	0	6,437,697
25	2031	963,180	1,460,931	244,732	103,481	3,114,746	9,109	0	5,896,178
30	2036	532,375	1,296,792	245,439	87,071	2,614,288	4,041	0	4,780,004
35	2041	(11,280)	1,022,331	242,521	64,986	1,764,617	(1,957)	0	3,081,217
40	2046	(695,230)	592,802	234,364	32,601	376,942	(7,783)	0	533,696
45	2051	(1,493,554)	(30,303)	219,067	(14,561)	(1,670,779)	(14,871)	0	(3,005,002)
50	2056	(2,405,257)	(792,808)	196,147	(68,675)	(4,057,639)	(22,974)	0	(7,151,206)
55	2061	(3,417,942)	(1,536,187)	171,224	(121,261)	(6,742,301)	(30,745)	0	(11,677,213)
60	2066	(4,507,661)	(2,256,783)	145,772	(170,881)	(9,718,398)	(39,864)	0	(16,547,815)
65	2071	(5,619,817)	(2,872,560)	127,168	(211,465)	(12,870,308)	(48,739)	0	(21,495,723)
70	2076	(6,625,986)	(3,329,923)	115,124	(238,164)	(15,849,456)	(59,538)	0	(25,987,943)
75	2081	(7,422,344)	(3,638,807)	118,207	(258,005)	(18,188,152)	(69,391)	0	(29,458,492)
80	2086	(8,233,825)	(3,926,656)	124,494	(278,177)	(20,628,768)	(80,516)	0	(33,023,448)
85	2091	(8,573,674)	(4,034,075)	145,483	(287,934)	(21,614,760)	(86,120)	0	(34,451,080)

DATE: 10/7/2008

**LEGISLATIVE REPORT – Cost of Preparation**

NAME OF LEGISLATIVE REPORT – Adequacy of Lifetime License Fees

Based on:

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

Prepared by: André Prah, Department of Natural Resources

Phone: 651-259-5548

E-Mail: Andre.Prah@dnr.state.mn.us

Description of Cost	Further explanation if necessary	Amount
Staff Time	9 weeks salary among 4 staff	\$13,005
Duplication Cost (includes paper)		\$20.00
Other:		
<b>TOTAL TO PREPARE REPORT</b> <i>(Note: Right click on amount cell and choose update to complete)</i>		<b>\$13,025</b>