

# Minnesota Department of Natural Resources

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

Office of the Commissioner

651-259-5555



June 20, 2013

Ms. Nancy Gibson  
LCCMR Co-Chair  
State Office Building #65  
100 DMLK Boulevard  
Saint Paul, MN 55155

Senator Dave Tomassoni  
LCCMR Co-Chair  
State Capitol Building #317  
75 DMLK Boulevard  
Saint Paul, MN 55155

Representative Jean Wagenius  
LCCMR Co-Chair  
State Office Building #449  
100 DMLK Boulevard  
Saint Paul, MN 55155

Dear Chairs:

This is in response to your letter of May 21, 2013 regarding the Department of Natural Resources "Direct and Necessary" expenditures from the Environment and Natural Resources Trust Fund 2013 appropriations. As you know, we have been consistent in pointing out that we no longer have the flexibility in our operating budget to pay for the costs of implementing projects and programs funded by ENRTF funding. As was pointed out in a recent legislative report from Minnesota Management and Budget on this topic, state law (MS 16A.127, Subd. 3) and MMB policy require all state funds pay their fair share of administrative costs.

The DNR has strived to develop a fair and transparent approach to identifying and allocating these costs, and we appreciate the Commission's willingness to work with us to agree on an approach to identifying those costs that is fair and equitable to both the Commission and the agency.

The DNR's Direct and Necessary expenses that were submitted with our original work plans included both Department Support Services (Human Resources, IT, Financial Management, Communications, Procurement, and Facilities) and Division Support Services.

Department Support Services are described in agency Service Level Agreements, and billed internally to divisions based on indices that have been developed for each area of service. For example, Human Resources Services are determined by indices related to number of FTEs, the number of payroll transactions, the number of personnel transactions, etc. Department leadership (Commissioner's Office and Regional Directors) are not assessed. For purposes of the ENRTF projects, we examine each element of individual projects and do not assess costs for those activities that put little or no demand on support services such as large single-source contracts, large land acquisitions, and funds that are passed-thru to other entities.



Consequently, we believe our allocation of these department services is fully consistent with the appropriation language referenced in your letter because 1) they are not broad allocations (each project element is evaluated and assessed based on whether it places demands on support services), 2) the costs support the added work required by internal DNR service providers that is directly related to and necessary for the projects to be implemented, and 3) the added work and related costs would not be generated but for receipt of the ENRTF appropriation.

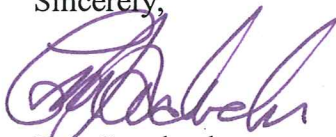
We are adding additional description in our work plans to describe how these costs are identified and allocated.

Division Support Services include costs associated with Division and regional leadership, business offices, and clerical support. After review of the appropriation language referenced in your letter, we have reduced our requests for Direct and Necessary costs by eliminating Division and regional leadership costs for five of the projects from the calculation (see attached spreadsheet). These five projects are short-term in nature and it is likely that division leadership will spend little time on these projects (versus the other five projects that are programmatic in nature, and that receive significant and ongoing support from Division leadership).

Therefore, there are little or no additional costs accruing to DNR "but for the receipt of the appropriation", and therefore the costs do not meet the requirements of the new appropriation language. We will be modifying the work plans to reflect the reduction in Direct and Necessary costs (totaling \$20,430) and re-allocating those costs to other activities. We believe the remaining Division Support Services costs associated with business offices and clerical support in Divisions meet the requirements in the appropriation similar to the Department Support Services described above.

Thank you for your consideration on this matter. We look forward to final approval of work plans so that we can begin to implement these important projects and programs on July 1 as planned.

Sincerely,



Tom Landwehr  
Commissioner



Susan Thornton, Director

May 21, 2013

Commissioner Tom Landwehr  
Dept. of Natural Resources (DNR)  
500 Lafayette Rd.  
St. Paul, MN 55155

**RE: Direct and Necessary Expenditures from Environment and Natural Resources Trust Fund 2013 Appropriations**

Dear Commissioner Landwehr:

In the work plans for the ML 2013 appropriations from the Environment and Natural Resources Trust Fund (ENRTF) for projects of the Department of Natural Resources (DNR) there are requests to allocate funds for "direct and necessary expenses." In the legislation recently signed by Governor Dayton containing the appropriations (ML 2013, Ch. 52) some clarification was provided to define what qualifies as a "direct and necessary expense" for the ENRTF:

**Subd. 9. Availability of Appropriations**

*Money appropriated in this section may not be spent on activities unless they are directly related to and necessary for a specific appropriation and are specified in the work plan approved by the Legislative-Citizen Commission on Minnesota Resources. Money appropriated in this section must not be spent on indirect costs or other institutional overhead charges that are not directly related to and necessary for a specific appropriation. Costs that are directly related to and necessary for an appropriation, including financial services, human resources, information services, rent, and utilities, are eligible only if the costs can be clearly justified and individually documented specific to the appropriation's purpose and would not be generated by the recipient but for the receipt of the appropriation. No broad allocations for costs in either dollars or percentages are allowed.*

The current documentation for DNR's "direct and necessary expenses" provided in the individual work plans does not satisfy the requirements defined in ML 2013, Ch. 52, Subd. 9. The documentation on file uses broad allocations based on applied percentage calculations with examples, stated as not being all-inclusive, of what might be included in those calculations. To meet the requirements revised documentation is requested that more clearly justifies and individually documents how the expenditures will be specific to the appropriation's purpose and would not otherwise be generated but for receipt of the appropriation.

Please work with the staff of the LCCMR to provide revised documentation that will satisfy the requirements so that the DNR's work plans for the ML 2013 appropriations, and all related and eligible expenditures, can be approved in a timely manner. Thank you for working with us. We look forward to producing the best results possible for Minnesotans.

Sincerely,

  
Nancy Gibson      Sen. David Tomassoni      Rep. Jean Wagenius  
LCCMR Co-Chair      LCCMR Co-Chair      LCCMR Co-Chair

CC: Dave Schad, Deputy Commissioner, DNR

Jeff Broberg, Tom Cook, Sen. Gary Dahms, Sen. Kari Dziedzic, William Faber, Rep. Dan Fabian, Nancy Gibson,  
Bonnie Harper-Lore, John Herman, Sen. John Hoffman, Rep. Leon Lillie, Norman Moody, Rep. John Persell,  
Sen. David Tomassoni, Rep. Paul Torkelson, Rep. Jean Wagenius, Sen. Torrey Westrom