

Lessard-Sams Outdoor Heritage Council

MEMO: Agenda Item # 9

DATE: December 11, 2014

SUBJECT: Minnesota Statutes 97A.056, Subd. 8(b), Revenues

PRESENTER: Mark Johnson, LSOHC staff

Background:

MS 97A.056 provides “When a parcel of land that was previously purchased with outdoor heritage funds is transferred to the state, the owner of the land shall disclose to the council and commissioner of natural resources:

(1) all revenues generated from activities on the land from the time the land was purchased with outdoor heritage funds until the land was transferred to the state;

(2) all holding costs associated with managing the land between the time of purchase with outdoor heritage funds and the time the land was transferred to the state; and

(3) the total net revenues as determined by subtracting the costs described in clause (2) from the revenues described in clause (1).

In essence, current statute only requires disclosure of net revenues. Lacking is final direction as to how remaining net revenues are to be handled, spent or kept.

Suggested rider language:

Subd. 8. Revenues.

Amend as follows:

Subd. 8. Revenues.

(a) When a parcel of land that was previously purchased with money from the outdoor heritage funds fund is transferred to the state, the owner of the land shall disclose to the council and commissioner of natural resources:

(1) all revenues generated from activities on the land from the time the land was purchased with money from the outdoor heritage funds fund until the land was transferred to the state;

(2) all holding costs associated with managing the land between the time of purchase with money from the outdoor heritage funds fund and the time the land was transferred to the state; and

(3) the total net revenues as determined by subtracting the costs described in clause (2) from the revenues described in clause (1).

(b) The owner of the land shall submit the total net revenues determined under paragraph (a), clause (3) to the state no later than XX days after the land is transferred to the state.

Suggested Procedure:

Discuss issue. If council decides to recommend that revenues be paid back to the fund, council to recommend a change to existing statute.

Attachment: Pheasants Forever Recommendations for OHF Program Income (Eran Sandquist)

Amanda Brazee

From: Amanda Brazee
Sent: Friday, December 05, 2014 2:07 PM
To: Amanda Brazee
Subject: FW: Program Income Follow Up
Attachments: Program Income LSOHC Recommendations.pdf

From: Mark Johnson
Sent: Friday, December 05, 2014 2:01 PM
To: Amanda Brazee
Subject: FW: Program Income Follow Up

From: Eran Sandquist [<mailto:esandquist@pheasantsforever.org>]
Sent: Tuesday, November 25, 2014 6:24 PM
To: Mark Johnson
Subject: Program Income Follow Up

Mark,

Thanks again to you and your staff for your time today. We also appreciate the opportunity to provide some recommendations and perspective regarding program income.

We have attached our comments in this email. Please advise if you have any questions or need anything further.

Have a great Thanksgiving!

Eran Sandquist | State Coordinator - Minnesota

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Pheasants Forever Recommendations for OHF Program Income

Background:

Current legislative language and grant program guidance documents do not provide for the treatment of program income. Pheasants Forever manages program income using the additive method described in OMB Circular A-110, C.24. The federal standard requires the recipient to add program income to the funds committed in the grant and requires that they be used only for costs which are otherwise allowable under the terms of and conditions of the award.

In other words, any revenue generated as a result of the appropriation is held in a reserve account for use only on grant-eligible expenses that are either unanticipated, or further the conservation benefit of the award.

EXAMPLE: PF receives an appropriation for \$1,000,000 to acquire and restore 2 parcels. One parcel has an existing crop lease which PF honors, earning \$10,000 in rental income. The \$10,000 is held in a reserve account. This increases the total project budget, allowing total project costs of \$1,010,000.

In federal awards, program income frequently remains in the grantee's account at the end of the project period. When this occurs, these funds are held in the grantee's restricted account until spent on eligible activities.

EXAMPLE: PF's grant period ends and \$5,000 of program income remains in the restricted account. In the subsequent year, a tract restored with grant funds requires an herbicide treatment and spot clipping. PF could use the \$5,000 of remaining program income for the tract even though the grant has been closed.

Recommendation:

- 1) Program income should be retained by the grantee for use on expenses which would otherwise be eligible for grant reimbursement under the appropriation language and applicable grant standards.
- 2) Net program income remaining at the time the final report is submitted should be either:
 - a. Reduced from the final invoice;
 - b. Held in a reserve account for future use on program-associated expenses; or
 - c. Returned to the Outdoor Heritage Fund.