

Lessard-Sams Outdoor Heritage Council

MEMO: **Agenda Item #9-B**

DATE: May 27, 2026

SUBJECT: Review and Approval of Eligible/Reimbursable Expenses

PRESENTER: Sandy Smith, Project Analyst Manager

Action/ Suggested Motion:

- 1) Discuss, make changes to, and approve the recommended Reimbursable Expenses document
- 2) Discuss, define, and approve Outreach Expenses

Background

As noted in the 2026 [OLA Performance Audit of Outdoor Heritage Fund Grants](#), “The Department of Natural Resources should work with the Lessard-Sams Outdoor Heritage Council to establish comprehensive guidelines regarding allowable costs and activities for grants funded with Outdoor Heritage Fund money, and communicate these guidelines to grantees.”

OHF Session Law under Availability of Appropriation states, “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 accomplishment plan approved by the LSOHC. 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 specific appropriation.”

The 2011 [OLA Internal Controls and Legal Compliance Audit](#) describes,

“The Legislature has tried to limit the use of Legacy money for administrative costs. When the Legislature first appropriated money from each Legacy fund in *Laws of Minnesota 2009*, Chapter 172 and *Laws of Minnesota 2010*, Chapter 361, it put percentage caps on some appropriations to limit the amount that could be used for administrative costs. In the 2010 appropriations from the Outdoor Heritage Fund, the Legislature specified that appropriated money could only be used for costs “directly related to and necessary for a specific appropriation and included in the project’s accomplishment plan;” it also specifically prohibited funding “indirect costs or other institutional overhead.” The 2011 appropriations law allowed money from all four funds to be used only for costs that were “directly related to and necessary for” a specific appropriation of Legacy money. Legislators took this approach to allow more discretion in using Legacy money for administrative costs. Organizations that receive Legacy money must be able to show that all costs – including administrative costs – charged to a Legacy appropriation are “directly related to and necessary for” the specific appropriation they received.”

Review Process

LSOHC staff reviewed several items in completing this recommended Reimbursable Expenses List:

- Evaluated a system report and summarized previous accomplishment plan entries in the Capital Equipment, Contracts, and Equipment/Tools budget items (this text box was added in 2019). (**Attachment A**)
- Reviewed current Budget Terms Definition List, original to the inception of the OHF, against the above budget items.
- Project managers were asked to respond to questions regarding outreach expenses. It became clear that some organizations have been reimbursed for items that others had thought to be disallowed.
- Reviewed: a) MMB Office of Grants Management policies completed after the 2011 audit, b) LCCMR policies and eligible and ineligible expenses list for comparison, and c) CPL grant program eligible costs for consistency.
- Created and discussed a draft list of eligible and ineligible expenses. This list was shared with DNR Grants Management, who suggested edits which were incorporated. LSOHC staff met with DNR Grants Management to review items, have general discussion on expenses, and discuss trends among partners.
- From that meeting, a finalized list was returned to DNR for final review.
- That list is presented today for discussion.

Council Considerations

LSOHC staff seek specific direction on the Outreach Expenses document (**Attachment B-1**).

- Some items under outreach border on marketing beyond necessary outreach.
- Should Outdoor Heritage Funds be spent on outreach?
- How does LSOHC/DNR determine if outreach is “direct to and necessary for?”
- What is a reasonable threshold to spend on outreach? There has been inconsistency in costs reimbursed to partners. Some organizations have not requested postcards or postage while others stated that they spent \$10,000 on outreach for every \$1-\$2 million in OHF monies.
- How much outreach is necessary and reasonable for multiple phased programs, or for established programs funded in multiple consecutive years?

Options to consider:

- 1) Review and approve all Outreach Expenses *Allowable and Not Allowable* items. This is the staff recommendation. (**Attachment B-1**)
- 2) Review Outreach Expenses in the “*may be allowable with prior approval*” category and determine for each item: a) if they should be allowed or disallowed, or b) should be listed in the accomplishment plan with estimated costs associated with activities for Council approval. (**Attachment B-1**)
- 3) Review and approve *Reimbursable Expenses* (**Attachment A**), which is consistent with current and past practices.