

# **Report of the Environment and Natural Resources Trust Fund Advisory Task Force**

**February 15, 2006**  
**Adopted February 7, 2006**

## Advisory Task Force authorizing law, appointments and membership

Minnesota Constitution Article XI, Sec. 14

Sec. 14. **ENVIRONMENT AND NATURAL RESOURCES FUND.** A permanent environment and natural resources trust fund is established in the state treasury. Loans may be made of up to five percent of the principal of the fund for water system improvements as provided by law. The assets of the fund shall be appropriated by law for the public purpose of protection, conservation, preservation, and enhancement of the state's air, water, land, fish, wildlife, and other natural resources. The amount appropriated each year of a biennium, commencing on July 1 in each odd-numbered year and ending on and including June 30 in the next odd-numbered year, may be up to 5-1/2 percent of the market value of the fund on June 30 one year before the start of the biennium. Not less than 40 percent of the net proceeds from any state-operated lottery must be credited to the fund until the year 2025. [Adopted, November 8, 1988; Amended, November 6, 1990; November 3, 1998]

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Per ML 2005, First Special Session, Chapter 1, Article 2, Section 156:

### Sec. 156. [ENVIRONMENT AND NATURAL RESOURCES TRUST FUND; ADVISORY TASK FORCE.]

Subdivision 1. [ESTABLISHMENT.] (a) An advisory task force to examine the process for making recommendations on expenditures from the environment and natural resources trust fund is created, consisting of:

- (1) four former members of the current Legislative Commission on Minnesota Resources from the house of representatives, appointed by the executive committee of the commission;
- (2) four former members of the current Legislative Commission on Minnesota Resources from the senate, appointed by the executive committee of the commission; and
- (3) eight public members who are not current or past members of the Legislative Commission on Natural Resources or the Citizens Advisory Council, established under Minnesota Statutes, section 116P.06, but who have submitted trust fund proposals for funding, appointed by the governor.

(b) The members of the task force shall select a chair who shall preside and convene meetings of the task force. At least two house members and two senate members appointed must be from the minority caucus. Current legislative members of the task force are entitled to reimbursement for per diem expenses plus travel expenses incurred in the services of the task force. Public members of the task force shall be compensated as provided in Minnesota Statutes, section 15.0575.

(c) The task force shall examine the current process for recommending appropriations from the environment and natural resources trust fund and make recommendations for changes in the process. (d) By February 15, 2006, the task force shall report on its recommendations to the governor and the legislative committees and divisions with jurisdiction over environment and natural resources policy and finance.

Subd. 2. [SUNSET.] The duties of the Legislative Commission on Minnesota Resources to recommend expenditures from the environment and natural resources trust fund expire on June 30, 2006.

#### **Advisory Task Force Membership**

Governor Pawlenty Appointments:

David Zentner – Co-chair, Karen Bowen, Jeff Broberg, Joe Duggan, Wayne Enger, Ryan Heiniger, Pam Landers, Craig Shaver.

LCMR Executive Committee Appointments:

Loren Solberg – Co-chair, Charlie Berg\*\*, Dave Bishop, Ron Erhardt, Phyllis Kahn, Jane Krentz, Gary Laidig, Steve Morse, Earl Renneke\*\*.

\*\* Earl Renneke resigned on January 6, 2006. He was replaced by Charlie Berg.

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# EXECUTIVE SUMMARY

The Advisory Task Force for the Environment and Natural Resources Trust Fund ("Task Force") was established in ML 2005, First Special Session, Chapter 1, Article 2, Section 156 to "examine the process for making recommendations on expenditures from the environment and natural resources trust fund...."

The Task Force was composed of sixteen members with many years of legislative and citizen expertise in the environment, natural resource and governance issues. Although Task Force members had diverse perspectives, they shared a common goal of assuring the preservation and enhancement of Minnesota's environment and natural resources through the best possible stewardship of Trust Fund expenditures. This report reflects the consensus views of the Task Force on how this goal can best be achieved.

The Advisory Task Force held its first meeting on Sept. 27, 2005, and met an additional seven times before the report deadline of February 15, 2006.

The Task Force deliberations served to balance two overriding interests:

- The interest in providing meaningful citizen involvement in the Environment and Natural Resources Trust Fund decision making process; and
- The interest in maintaining the constitutional responsibility of the legislature to appropriate money and oversee the spending of any appropriation.

The Task Force concluded that the goal of increasing citizen input could be achieved by:

- Adding non-legislative citizen appointments to make final funding recommendations by creating a joint Legislative Citizen Commission on Minnesota Resources (Commission).
- Regularly rotating the chair between the citizen and legislative members.
- Requiring a two-thirds majority vote for all final funding decision recommendations.
- Creating a Citizen Selection Committee appointed by the Governor to make recommendations for the citizen appointments.
- Providing for the establishment and use of technical expert advisory committees to assist in strategic plan development and proposal review and evaluation.
- Allocating a portion of the Trust Fund dollars to regions, to engage citizens at the local level and to invest in projects that address the unique needs of the area served.

The Task Force also concluded that the constitutional responsibility of the legislature to appropriate money and oversee the spending of any appropriation could be assured by:

- Maintaining legislative members on the Legislative Citizen Commission on Minnesota Resources to determine final project funding recommendations.
- Forwarding final project funding recommendations from the Commission to the full Legislature for review and appropriation.

### **Key Findings of the Task Force:**

- The Trust Fund expenditures must follow the constitutional “mandate” as defined in MS 116P.02 and allowed in MS 116P.08.
- The Trust Fund must be appropriated by the Legislature.
- The Trust Fund expenditures must provide a long-term benefit to Minnesota’s environment and natural resources.
- The Trust Fund expenditures must supplement and not supplant other environment and natural resource funding.

### **Summary of Task Force Recommendations:**

The Advisory Task Force Recommendations for changes to the process used for expenditures from the Environment and Natural Resources Trust Fund are in the four major areas of:

- Governance
- Long Range Planning
- Grant Administration
- Other Funds to Enhance Trust Fund Expenditures

### **The Task Force Recommendations include:**

*The full recommendations are on page 8.*

#### **Governance:**

In order to provide increased citizen involvement the Task Force recommends replacing the current Legislative Commission on Minnesota Resources (LCMR) and Citizen Advisory Committee (CAC) process for making recommendations for the Trust Fund expenditures to the Legislature with a 17 member Commission composed of citizen and legislative appointed membership.

The 17 members are composed of: 7 citizen appointees, 5 House members and 5 Senate members. The citizen members are appointed by the Governor (5), the Senate (1) and the House (1).

The citizen members are appointed by the Governor, House, and Senate from recommendations received by the Citizen Selection Committee appointed by the Governor. The House and Senate appoint the 10 legislative members.

The chair of the Commission is elected by the membership and rotates between citizen and legislative members. A super majority of 12 of the 17 members (two-thirds) is required for Trust Fund expenditure recommendations.

Technical Advisory Expert Committees must be established to assist in long range planning for expenditures and proposal review and evaluation.

Annually, the Legislature will receive the Commission's recommendations for review and appropriation to forward to the Governor for signature.

**Long Range Plan:**

The Commission must adopt a 6 –year strategic long range plan for Trust Fund expenditures with measurable outcomes and determine areas of emphasis for funding.

**Grant Administration and Funding Cycle**

To make the funding available on a more timely basis, the funding cycle is adjusted as follows:

- (1) the cycle is changed from biennial to annual;
- (2) the Legislature is asked to take action on the funding recommendations at the beginning of its annual legislative session as stand alone appropriation legislation;
- (3) regional block grants are encouraged; and
- (4) an account should be set up to fund emerging issues outside of the proposed annual grant cycle with final approval by the Governor.

**Other Funds to Enhance Trust Fund Expenditures**

- Trust Fund Expenditures should seek to maximize leveraging of non-state dollars in project funding
- The Governor and the Legislative should restore the funding for the MN Future Resources Fund for environment and natural resource expenditures.

# INTRODUCTION

## Advisory Task Force Charge

The Advisory Task Force for the Environment and Natural Resources Trust Fund was established in ML 2005, First Special Session, Chapter 1, Article 2, Section 156 to "examine the process for making recommendations on expenditures from the environment and natural resources trust fund..."

## Advisory Task Force Meetings

The Advisory Task Force held its first meeting on Sept. 27, 2005, and met an additional seven times before the report deadline of February 15, 2006. The Task Force Report was adopted on February 7, 2006 by a unanimous vote.

All materials distributed at the Advisory Task Force meetings and meeting minutes are available on the web at [www.lcmr.leg.mn](http://www.lcmr.leg.mn). In addition, the audio of all Advisory Task Force meetings is located at this web site.

Facilitation of the Advisory Task Force was conducted under contract with the Department of Administration.

## Information Gathering

The Task Force reviewed the Constitutional amendments for the Trust Fund and MS 116P, the statute that implements the constitutional amendment. Various constitutional issues related to governance structures and expenditure options were provided by House and Senate Research for discussion.

The Advisory Task Force also reviewed the current process for Trust Fund expenditures and programs and processes used by other states, local and national foundations and other state grant programs. Included in the review were presentations from:

- **House, Senate and the Office of the Governor.** House and Senate conference committee members, a representative from the Governor's office and the current LCMR chair shared their thoughts on the establishment of the Advisory Task Force and its charge.
- **Public Testimony.** The public was invited to share comments and suggestions to improve the process for Trust Fund expenditures. On November 17, 2005, twenty-three people presented testimony. An additional sixteen written comments were received.

- **Citizen Advisory Committee for the Environment and Natural Resources Trust Fund (CAC).**  
All current and former CAC members were invited to share their perspectives with the Task Force during the November 17, 2005 meeting. Three CAC members provided testimony. In addition Nancy Gibson, Chair of the CAC, provided written comments.
  
- **States with Constitutionally Dedicated Environment and Natural Resource Funding and/or Established Trust Funds.**  
Representatives of Great Outdoors Colorado, the Nebraska Environmental Trust, and the Missouri Department of Conservation presented overviews of the programs and activities in their states. House Research provided an Issue Brief on "State Environmental Trust Funds" (Appendix A).
  
- **Foundations and State Grant Programs.** The McKnight Foundation, the National Fish and Wildlife Foundation, and the Minnesota Arts Board presented overviews of their funding governance and process.

