

X. Environmental Spending Comparisons

“a comparison of the amounts spent by the state for environment and natural resources activities through the most recent fiscal year;”

The following document is from
A Fiscal Review of the 2007
Legislative Session

A

Fiscal Review

of the

2007 Legislative Session

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ENVIRONMENT, ENERGY, AND NATURAL RESOURCES

Total appropriations for the Environment, Energy, and Natural Resources budget area are \$1.5 billion for FY 2008-2009, a \$108.3 million or 7.6 percent increase compared to the previous biennium for this budget area. Relative to the February forecast base, appropriations from all funds for FY 2008-2009 are \$181.5 million higher. Of the \$1.5 billion budget, \$444.5 million is from the General Fund. Spending and budget amounts for all agencies and funds are summarized in Table 5, at the end of this chapter.

Table 1 - Environment and Energy General Fund Changes Relative to Forecast <i>(dollars in thousands)</i>				
Change Item	FY 2008	FY 2009	FY 2008-2009 Biennium	FY 2010-2011 Biennium
Pollution Control Agency				
Clean Water Legacy	31,009	-	31,009	375
Health Tracking and Biomonitoring	1,000	1,000	2,000	1,000
Other Onetime Grants	788	-	788	-
Compensation Increase	132	268	400	536
Minnesota Zoo				
Increased Utilities and Operations	561	754	1,315	1,258
Department of Natural Resources				
Compensation Increase	1,850	3,758	5,608	7,516
Clean Water Legacy	4,500	-	4,500	-
Invasive Species Control/Prevention	970	2,190	3,160	4,380
Shift Forestry Cost to Nat Resources Fund	(3,167)	(3,167)	(6,334)	(6,334)
Forest Initiatives	2,530	1,980	4,510	2,960
Increased Nonmotorized Trails Funding	1,150	1,150	2,300	1,500
Prairie Wetlands	575	575	1,150	1,150
Shoreland Rulemaking	500	500	1,000	-
Land Asset Management and Systems	1,000	500	1,500	-
Other Onetime Expenditures	2,558	175	2,733	-
Other Ongoing Expenditures	1,033	979	2,012	1,666
Board of Water and Soil Resources				
Clean Water Legacy	14,166	-	14,166	-
Wetland Conservation	1,120	1,060	2,180	1,120
Bioenergy Monitoring and RIM Standards	700	-	700	-
Other Ongoing Expenditures	736	1,191	1,927	1,382
Met Council Regional Parks				
Increase Base Funding	750	750	1,500	1,500
MN Conservation Corps				

Increase Base Funding	125	125	250	250
Stipends for Deaf Students, Interpreters	50	-	50	-
Science Museum of Minnesota				
Increase Base Funding	500	500	1,000	1,000
Public Utilities Commission				
Staffing and Compensation Increases	1,184	1,270	2,454	2,540
Department of Commerce				
Renewable/Bioenergy Initiatives	11,250	1,500	12,750	-
Other Ongoing Expenditures	1,644	1,942	3,586	3,884
TOTAL ENVIRONMENT AND ENERGY	79,214	19,000	98,214	27,683
<i>General Fund Revenue Changes</i>	<i>2,131</i>	<i>2,636</i>	<i>4,767</i>	<i>5,272</i>
Net Changes	77,083	16,364	93,447	22,411

The General Fund portion of the expenditures increased by 24 percent, from about \$359 million in FY 2006-2007 to \$445 million in the 2008-2009 biennium. As illustrated by Table 1, there was a net increase to the General Fund appropriations of about \$98.2 million when compared to the February forecast base budget for FY 2006-2007. The major focus for new spending in this budget area is funding the Clean Water Legacy Act (\$49.7 million) and renewable energy initiatives (\$36.5 million). While funding for these purposes was appropriated to various state agencies, tables later in this section provide more details on money appropriated for the Clean Water Legacy Act and renewable energy initiatives.

Pollution Control Agency

The total FY 2008-2009 budget for the Pollution Control Agency (PCA) is \$335.7 million, a \$23.5 million or 7.5 percent increase over the previous biennium and \$48.1 million over the February forecast base. The three largest sources of funding for the PCA are the Environmental Fund (39.1 percent), the Remediation Fund (23.1 percent), and the General Fund (17 percent). The three largest areas of spending by the PCA are water protection (30.1 percent), land protection (29.9 percent), and environmental assistance (14.9 percent). Most of the \$48.1 million increase over forecast base is attributable to appropriations for the Clean Water Legacy Act (over \$31 million) and biomonitoring and health tracking (\$2.0 million).

Minnesota Zoological Board

The total FY 2008-2009 budget for the Minnesota Zoological Board is \$39 million, a 13.4 percent increase over the previous biennium. Of this amount, about \$14.5 million is from direct appropriations from the General Fund and the Natural Resources Fund in Laws 2007, Chapter 57. The remaining budget of the Minnesota Zoo is from the revenue raised by the zoo and gifts.

Department of Natural Resources

The total FY 2008-2009 budget for the Department of Natural Resources (DNR) is \$689.4 million, a \$45.5 million or 7.1 percent increase over the previous biennium and

\$63.1 million more than the February forecast base. The three largest purposes of the General Fund increase to the DNR were for salary increases (\$5.6 million), implementation of the Clean Water Legacy Act (\$4.5 million), and invasive species control (about \$3.2 million).

Of the amounts appropriated to the DNR, over \$507.5 million is from direct appropriations in Laws 2007, Chapter 57. Much of the increase to the DNR is the result of an 11.3 percent increase in General Fund appropriations. The three largest sources of funding for the DNR are the General Fund (35.7 percent), the Game and Fish Fund (27.6 percent), and the Natural Resources Fund (23.2 percent). The three largest areas of direct appropriations to the DNR are Fish and Wildlife Management (24.8 percent), Forest Management (19.9 percent), and Parks and Recreation Management (11.8 percent). The following table shows the DNR budget broken down by program.

Purpose	FY 2008-2009	Percent of Total
Land and Mineral Resource Management *	66,372	9.6%
Water Resources Management	35,101	5.1%
Forest Management	136,877	19.9%
Parks and Recreation Management	81,629	11.8%
Trails and Waterways Management	71,368	10.4%
Fish and Wildlife	170,867	24.8%
Ecological Services	44,415	6.4%
Enforcement	65,834	9.5%
Operations Support	16,900	2.5%
TOTAL	689,363	100.0%
* Includes payments in lieu of taxes (PILT) and consolidated conservation (Con-Con) payments to local units of government of about \$41.2 million.		

The budget for the DNR does not include \$160,000 in General Fund appropriations that were vetoed by the Governor. The vetoed funds were for shade tree protection (\$150,000) and the Cuyuna Country State Recreation Area Citizens Advisory Council (\$10,000).

Board of Water and Soil Resources

The total FY 2008-2009 budget for the Board of Water and Soil Resources is \$52.3 million, a \$9.8 million or 23 percent increase over the previous biennium and \$19.0 million over the February forecast base. The major sources of the increase in General Fund appropriations to the board were for implementation of the Clean Water Legacy Act (about \$14.2 million), implementation of the Wetland Conservation Act (about \$2.2 million), and local assistance for implementation of the Drainage Law (over \$1.2 million). Of this amount, \$49.4 million is the result of direct appropriations from the General Fund in Laws 2007, Chapter 57.

The budget for the board does not include \$200,000 in General Fund appropriations for the Gaylord storm water and sewer reconstruction project that was vetoed by the Governor

Metropolitan Council Parks

The total FY 2008-2009 budget from the state for the Metropolitan Council Parks is \$17.2 million, a \$1.5 million or 9.5 percent increase over both the previous biennium and the February forecast base.

Minnesota Conservation Corps

The total FY 2008-2009 budget from the state for the Minnesota Conservation Corps is \$2 million, a \$300,000 or 17.9 percent increase over both the previous biennium and the February forecast base.

Science Museum of Minnesota

The total FY 2008-2009 budget from the state for the Science Museum of Minnesota is \$2.5 million, a \$1.0 million or 66.7 percent increase over both the previous biennium and the February forecast base.

Minnesota Resources

In Laws 2007, Chapter 30, the Legislature appropriated \$22.9 million in FY 2008 only from the Environment and Natural Resources Trust Fund for various projects to protect and enhance Minnesota resources. The Environment and Natural Resources Trust is funded through revenues from the Minnesota Lottery. Based on the new process established for recommending appropriations from the Environment and Natural resources Trust Fund, the Legislative-Citizens Commissioner on Minnesota Resources will recommend FY 2009 appropriations to the 2008 Legislature. For FY 2008, the two largest areas of spending under Minnesota Resources are for land protection (63.5 percent) and water resources (22.6 percent). In addition, \$500,000 of federal funds in the Land and Water Conservation (LAWCON) Fund was appropriated in Chapter 30.

Public Utilities Commission

Total FY 2008-2009 appropriations for the Public Utilities Commission (PUC) increased by \$894,000 or 6.3 percent over the previous biennium and by \$2.5 million or 19.5 percent over the FY 2008-2009 February forecast base. The General Fund portion of the appropriations to the PUC was increased by \$2.5 million over the forecast base, with most of the increase to cover increased staffing for additional duties due to various energy saving and clean energy programs. The PUC is authorized to recover their operation costs through increased assessments on utility companies.

Department of Commerce

The total budget for the Department of Commerce for the 2008-2009 biennium is \$349.3 million, including \$74.8 million directly appropriated in Chapter 57. A majority of the department's budget, about \$192.5 million, is from federal sources. The department's FY 2008-2009 General Fund appropriation increased by 38 percent from the previous biennium, from about \$40.2 million to over \$55.5 million.

A major focus of both the Governor and the 2007 Legislature was in the area of renewable energy. The Legislature approved about \$36.5 million for renewable energy projects, of which about \$12.9 million is from the General Fund, \$15.25 million is transferred from Xcel Energy’s Renewable Development Fund, and about \$8.3 million is from the Special Revenue Fund. The following table shows major renewable energy initiatives in this budget area.

Notable policy changes also occurred in the areas of residential mortgage lending, securities, and vehicle protection product warranty requirements.

Table 3 Renewable Energy Initiatives <i>(dollars in thousands)</i>	
Fund/Project	Amount
General	
E-85 Ethanol Pump Grants	3,000
Rural Wind Energy Program*	1,000
Renewable Hydrogen Initiative	3,250
St. Paul Steam/Electricity Facility	4,500
Special Revenue	
Demand Efficiency Program	7,700
Methane Digester Grants	1,000
Solar Rebate Program	1,000
Clean Energy Resource Teams	1,250
Hybrid Electric Vehicle Grants	2,000
Renewable Hydrogen Initiative	750
Next Gen Research Grants	4,250
Rural Wind Revolving Loan	2,000
Initiative for Renewable Energy and the Environment	3,000
*The Governor issued a line item veto for the second year, \$1 million appropriation of the Rural Wind Energy Program. The budget for the Department of Commerce does not include just over \$1 million in General Fund appropriations that were vetoed by the Governor. The money vetoed was for rural wind energy assistance (\$1 million) and the Linden Hills district heating and cooling project (\$45,000).	

Residential mortgage originator licensing requirements changed in that a licensee must have approval as a mortgagee by either the federal Department of Housing and Urban Development or the Federal National Mortgage Association, and by requiring a licensee to have a minimum net worth, net of intangibles, of at least \$250,000 or a surety bond or irrevocable letter of credit in the amount of \$50,000. Residential mortgage originator licensing fees were also raised from \$850 to \$2,125 for an initial license and from \$450 to \$1,125 for a renewal license.

The Vehicle Protection Product Act prohibits the sale of vehicle protection products unless the warrantor has either a warranty reimbursement insurance policy or a net worth

or stockholder's equity of \$50 million. The department may charge warrantor registrants \$250 annually to offset the cost of processing the registration and maintaining records.

The Legislature approved an industry-supported technology surcharge on Commerce Department licenses for insurance agents, real estate brokers and salespersons, and real estate appraisers. The surcharge would pay costs of technology to keep track of continuing education requirements for those professions, in order to reduce license renewal costs and delays. This program will collect and spend about \$2.3 million annually.

Clean Water Legacy Act

The 2007 Legislature appropriated a total of \$53.7 million from the General Fund for Clean Water Legacy Act purposes. Of this amount, \$49.7 million was for agencies in the Environment, Energy, and Natural Resources budget area and \$4 million for the Department of Agriculture. Much like the 2006 Legislative Session, the 2007 appropriations for Clean Water programs are onetime, with a proposed constitutional amendment dedicating ongoing resources for the Clean Water Legacy and other programs still under consideration by the Legislature.

Table 4	
Clean Water Legacy Appropriations	
<i>(dollars in thousands)</i>	
Agency/Program	Amount
Pollution Control Agency	
Water Quality Assessments	12,634
Total Maximum Daily Load Development (TMDL)	18,000
Endocrine Study	375
Department of Natural Resources	
Water Quality Assessments	1,800
TMDL Development	1,700
Nonpoint Restoration and Protection	1,000
Board of Water and Soil Resources	
Targeted Nonpoint Restoration Cost-Share	3,316
Nonpoint Technical Assistance	3,000
Applied Soil and Water Conservation	400
Individual Sewage Treatment System (ISTS) County Grants	2,450
Feedlot Water Quality Grants	3,000
Local Nonpoint Source Protection (Lakes and Rivers)	1,000
Imminent Threat/Failing ISTS Identification	1,000
Subtotal Environment & Energy Budget Area	49,675
Department of Agriculture	
Agricultural Practices Research	1,100
Technical Assistance	400
Agriculture Best Management Practices Loans	2,500
TOTAL ALL AGENCIES	53,675

Sales Tax Dedication – Constitutional Amendment

The 2007 Legislature worked on placing a constitutional amendment on the 2008 general election ballot that would impose an additional sales tax of 3/8 of one percent and dedicate the proceeds for clean water, wildlife, cultural heritage, and natural areas. The constitutional amendment was adopted by a conference committee late in the legislative session, but was not considered for final passage by the House of Representatives or the Senate. According to joint legislative rules, the bill (H.F. No. 2285) was returned to the House of Representatives at the end of the 2007 Legislative Session. The additional sales tax revenue that would be raised under the amendment is estimated to be around \$290 million per year starting in fiscal year 2010. As recommended by conference committee, the receipts from the additional sales tax revenue would be allocated by dedicating 33 percent for outdoor heritage purposes, 33 percent for clean water purposes, 14.25 percent for park and trail purposes, and 19.75 percent for arts and cultural heritage purposes.

Table 5 - Environment and Energy
All Funds Biennial Spending by Agency and Fund
(dollars in thousands)

Agency/Fund	FY 2006-07 Spending*	FY 2008-09 Fcst. Base	FY 2008-09 Budget	Change: Budget - FY 2006-07	Change: Budget - Fcst. Base
Pollution Control Agency					
General Fund	28,119	22,728	56,925	28,806	34,197
General Fund Transfers Out	(546)	-	-	546	-
Environmental Fund	115,058	117,010	131,119	16,061	14,109
Remediation Fund	91,568	77,789	77,579	(13,989)	(210)
Special Revenue Fund	29,966	26,957	26,957	(3,009)	-
State Gov Special Revenue Fund	98	98	98	-	-
Gift Fund	24	22	22	(2)	-
Federal Fund	47,960	43,004	43,004	(4,956)	-
Total Pollution Control Agency	312,247	287,608	335,704	23,457	48,096
Minnesota Zoo					
General Fund	12,878	12,878	14,193	1,315	1,315
Special Revenue Fund	18,777	21,955	21,955	3,178	-
Natural Resources Fund	270	-	275	5	275
Gift Fund	2,501	2,621	2,621	120	-
Total Minnesota Zoo	34,426	37,454	39,044	4,618	1,590
Department of Natural Resources					
General Fund**	221,062	223,944	246,083	25,021	22,139
General Fund Transfers Out	(11)	-	-	11	-
Natural Resources Fund	141,205	128,341	160,218	19,013	31,877
Game & Fish Fund	181,675	181,146	189,961	8,286	8,815
Special Revenue Fund	46,860	43,355	43,650	(3,210)	295
Remediation Fund	4,403	1,370	1,370	(3,033)	-

Endowment and Permanent School Fund	938	436	436	(502)	-
Gift Fund	4,814	3,215	3,215	(1,599)	-
Federal Fund	42,895	44,430	44,430	1,535	-
Total Department of Natural Resources**	643,841	626,237	689,363	45,522	63,126
Board of Water & Soil Resources					
General Fund	38,905	30,462	49,435	10,530	18,973
General Fund Transfers Out	(700)	-	-	700	-
Special Revenue Fund	3,785	2,876	2,908	(877)	32
Federal Fund	577	-	-	(577)	-
Total Board of Water & Soil Resources	42,567	33,338	52,343	9,776	19,005
Met Council Regional Parks					
General Fund	6,600	6,600	8,100	1,500	1,500
Natural Resources Fund	9,140	9,140	9,140	-	-
Total Met Council Regional Parks	15,740	15,740	17,240	1,500	1,500
MN Conservation Corps					
General Fund	700	700	1,000	300	300
Natural Resources Fund	980	980	980	-	-
Total MN Conservation Corps	1,680	1,680	1,980	300	300
Science Museum of Minnesota					
General Fund	1,500	1,500	2,500	1,000	1,000
Total Science Museum of Minnesota	1,500	1,500	2,500	1,000	1,000
Minnesota Resources (LCCMR)					
Environ. and Nat. Resources Trust Fund*	37,657	22,866	22,866	(14,791)	-
Minnesota Future Resources Fund	1,356	-	-	(1,356)	-
Total Minnesota Resources (LCCMR)	39,013	22,866	22,866	(16,147)	-
Public Utilities Commission					
General Fund	8,511	8,326	10,780	2,269	2,454
Special Revenue Fund	5,625	4,250	4,250	(1,375)	-
Total Public Utilities Commission	14,136	12,576	15,030	894	2,454
Department of Commerce					
General Fund	40,230	39,168	55,504	15,274	16,336
General Fund Transfers Out	(22)	-	-	22	-
Special Revenue Fund	35,199	39,041	67,141	31,942	28,100
Petroleum Tank Release Cleanup Fund	29,265	32,458	32,458	3,193	-
Workers Compensation Special Fund	1,670	1,670	1,670	-	-
State Gov Special Revenue Fd.	412	-	-	(412)	-
Gift Fund	78	-	-	(78)	-
Federal Fund	205,108	192,541	192,541	(12,567)	-

Dept. of Commerce Total	311,940	304,878	349,314	37,374	44,436
TOTALS BY FUND					
General Fund**	358,505	346,306	444,520	86,015	98,214
General Funds Transfers Out	(1,279)	-	-	1,279	-
Environmental Fund	115,058	117,010	131,119	16,061	14,109
Remediation Fund	95,971	79,159	78,949	(17,022)	(210)
Special Revenue Fund	140,212	138,434	166,861	26,649	28,427
Natural Resources Fund	151,595	138,461	170,613	19,018	32,152
Game & Fish Fund	181,675	181,146	189,961	8,286	8,815
Environ. and Nat. Resources Trust Fund*	37,657	22,866	22,866	(14,791)	-
Minnesota Future Resources Fund	1,356	-	-	(1,356)	-
Endowment and Permanent School Fund	938	436	436	(502)	-
State Gov Special Revenue Fund	510	98	98	(412)	-
Gift Fund	7,417	5,858	5,858	(1,559)	-
Petroleum Tank Release Cleanup Fund	29,265	32,458	32,458	3,193	-
Workers Compensation Special Fund	1,670	1,670	1,670	-	-
Federal Fund	296,540	279,975	279,975	(16,565)	-
TOTAL ENVIRONMENT, ENERGY, AND NATURAL RESOURCES	1,417,090	1,343,877	1,525,384	108,294	181,507
* Amounts for the LCCMR reflect actual appropriations from the Environment and Natural Resources Trust Fund rather than spending amounts reported by the Department of Finance.					
** FY 2006-07 General Fund amounts for DNR include \$33.036 million for PILT payments that Dept. of Finance includes with tax Aids and Credits.					

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