

**ENVIRONMENT & NATURAL RESOURCES TRUST FUND
ADVISORY TASK FORCE**

100 REV. DR. MARTIN LUTHER KING JR. BLVD. - ROOM 65
ST. PAUL, MINNESOTA 55155-1201

PHONE: 651/296-2406 FAX: 651/296-1321

TTY: 651/296-9896 OR 1-800-657-3550

EMAIL: lcmr@commissions.leg.state.mn.us

WEB: www.lcmr.leg.mn

MINUTES

October 18, 2005

Time: 1:00 – 4:00 p.m.

**Location: Room 5, State Office Building
St. Paul, MN**

Members Present:

Dave Bishop	Ryan Heiniger	Earl Renneke
Karen Bowen	Phyllis Kahn	Craig Shaver
Jeff Broberg	Jane Krentz	Loren Solberg
Joe Duggan	Gary Laidig	Dave Zentner
Wayne Enger (phone)	Pam Landers	
Ron Erhardt	Steve Morse	

Members Absent: none

LCMR members present: Rep. Kathy Tingelstad, Sen. Dallas Sams, Rep. Pete Nelson, Sen. Ellen Anderson, Sen. David Tomassoni,

Other Legislators Present: Rep. Dennis Ozment, Sen. Tom Bakk

Meeting called to order: 1:11 p.m.

1. Welcome and introductions

Dave Zentner welcomed Steve Morse and asked him to introduce himself.

Wayne Enger joined the group by phone.

2. Review meeting objectives and agenda

Ryan Church reviewed the agenda and meeting objectives. Objectives stated were: complete the review of the current situation; presentations followed by discussion; review of meeting schedule and sequence; discuss strengths/weaknesses of the current LCMR process, and discuss the qualities they want to see in a process. A worksheet was handed out for Task Force member's notes. He asked members if they had any changes or additions. No changes or additions were noted.

Task Force Members: Dave Bishop, Karen Bowen, Jeff Broberg, Joe Duggan, Wayne Enger, Ron Erhardt, Ryan Heiniger, Phyllis Kahn, Jane Krentz, Gary Laidig, Pam Landers, Steve Morse, Earl Renneke, Craig Shaver, Loren Solberg, David Zentner
Ex-Officio: Kathy Tingelstad and Bob Schroeder

3. Review and approve minutes of Sept. 27, 2005

Motion by Craig Shaver to approve the 9/27/2005 Advisory Task Force minutes as presented. Motion passed.

4. Review draft meeting schedule

Dave Zentner commented that November 29 is the only date with a meeting scheduled for that month. He suggested a meeting date the week of November 14th, and suggested Friday the 18th. Loren Solberg suggested Thursday might be better than Friday and suggested the 17th. In addition, he suggested that this meeting might be a good time to schedule an evening meeting for public testimony. Dave Zentner thought that was a good idea as there was a fair amount of interest from people who wanted to speak before the task force. After member discussion, it was decided to schedule a public testimony meeting the evening of November 17th.

Ryan Church, facilitator, passed out a tentative meeting work schedule. Dave Zentner asked for input into the list – additions or changes.

The task force decided to send out and publicize an open invitation for those who wanted to speak before the task force. Task Force members indicated they wanted to hear from the CAC, grant recipients and the public.

Steve Morse asked that the task force look into how different entities manage processes such as: State Arts Board and other existing models already in the existence within the state. He thought it was a good way to see how these things actually work in state government. Once that information has been reviewed, the group should circle back and question how the information may or may not change the process the group has envisioned.

5. Establish procedures for motions and voting

Dave Zentner confirmed that at the Sept. 27th meeting the group agreed that seconds to motions are not required. From his memory, the task force wanted to keep ideas open and flowing and that a requirement for a second to a motion could stifle the open process. Members agreed. He confirmed again for the record that the task force agreed, seconds are not required to carry motions.

Dave Zentner brought up the issue of how the group wants to operate, issues of democracy – options, building a consensus document, simple majority.

Members discussed how the group should operate.

Craig Shaver moved that the advisory Task Force should operate in the format of a conference committee; majority votes on each side.

Dave Bishop said that he was suspicious of this idea, not of motives but of the potential deadlocks this could cause. He asked Craig Shaver to rationalize why the group should operate in this manner.

Shaver responded that the only way to get consensus is to get a majority on both sides, the conference committee model is well established and seems to work well.

Dave Bishop moved to lay the motion on the table. He stated that this was too important of an idea to decide that day and that members should take the time to think about it before voting. Motion to lay the Craig Shaver motion on the table passed.

Loren Solberg stated that the idea had some merit, but he did not want to divide along appointment lines and they should work to build consensus.

Jane Krentz questioned what happens if the advisory task force cannot come to an agreement – does the trust fund money go to enhance the committee budgets? She said this would not be what the citizens of MN had wished.

Loren Solberg responded that they will get to that discussion later in the agenda.

Steve Morse stressed that the group should think of themselves as one task force, with two different appointing bodies. He stated, “we are still ONE committee and should work to reach consensus”. He was appointed by the legislative body but he is a citizen. Wayne Enger stated that consensus is slow and tedious process, and that a democratic process has proven to work. He gave the example of the difficulties there were with the Wolf Management Plan roundtable.

Dave Zentner stated that he has had good experiences when a strong majority is required. He gave examples and stated that the key is how we deal, with and respect each other. He stated, “Let’s not jump to conclusions, but open our minds when reviewing alternatives”.

Jane Krentz stated that it makes some sense to come to unanimity on the final report.

Ryan Church said there are several models to use to achieve consensus in a less formal way and he would bring those models of different processes to the next meeting for member consideration.

Members agreed to bring this up again at the next meeting.

6. Overview of Environment and Natural Resources Constitutional Amendments and MS 116P – Greg Knopff, Senate Research

Greg Knopff, went through MS 116P and the constitutional amendments for the Environment and Natural Resources Trust Fund. He indicated that the word “process” in the Advisory Task Force legislation was meant to be a broad term. He began by clarifying some earlier discussion by the Task Force regarding MS 116P. The duties of the LCMR to recommend expenditures from the Trust Fund are sunset. Other duties, such as work program approval for Trust Fund projects, remain. All of MS 116P is not repealed on July 1.

For the constitutional provisions, the key is the third sentence of the constitution. “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”. This is very broad as to the purpose of the fund. In addition, the change in 1998 to the 5.5% available for appropriation is important.

Task Force Members: Dave Bishop, Karen Bowen, Jeff Broberg, Joe Duggan, Wayne Enger, Ron Erhardt, Ryan Heiniger, Phyllis Kahn, Jane Krentz, Gary Laidig, Pam Landers, Steve Morse, Earl Renneke, Craig Shaver, Loren Solberg, David Zentner
Ex-Officio: Kathy Tingelstad and Bob Schroeder

He pointed out that in the findings of 116P “other natural resources” is defined to include the state outdoor recreation system and MPOSC (Metropolitan Parks System). This has been a provision of the statutes since 1988 when the first of the constitutional amendments went to the voters.

Mr. Knopff proceeded to walk through 116P. In particular he noted the following sections:

- 116P.03 not to supplant existing funding. Benefits to be over an extended period of time.
- 116P.05, Established the LMCR. The important part is Subd 2. This part expires July 1, 2006, unless changed legislatively.
- Condition of the acceptance of the work program and progress report duties will still exist as well as the land acquisition provisions. The Peer Review panel and CAC will remain after July 1, 2006.
- 116P.08 Items for expenditure, RIM is but one of the items. Subd. 2 is exceptions. All of the above were part of the original 1988 legislation.
- 116P.12 was part of the original legislation (Water system loans) and has not been used.
- 116P.13, Future Resources Fund, This was transferred to the general fund in 2003.
- 116P.15, was added and amended in 2005 session with the addition of 116P.16 regarding the transfer of property purchased with the Trust Fund.

Loren Solberg -116P.09, Subd. 7. One of the criticisms is responsiveness. Could the cycle be done on an annual basis without a change in the law?

Greg Knopff responded that they could do an annual cycle. The biannual cycle has been used because it lines up with the budget process.

Phyllis Kahn – 116P.12, Water system improvement loan program. They should figure out something useful that could fit into that line of the Constitution. Maybe the clean water legacy bill. Long term, low interest loans might be of interest as part of that discussion.

Jeff Broberg asked about the definition for environment and natural resources. Common terms but undefined.

Greg Knopff responded that with the exception of the definition of natural resources to include the outdoor recreation system, it is assumed to be defined in an expansive way.

Loren Solberg requested the Greg Knopff delineate in writing the other duties of the LCMR. Mr. Knopff responded that he would provide that to the Task Force.

Bishop asked about the CAC and its duties. He expressed concern about the CAC not being appointed so it is not able to advise the LCMR. Is this one more way to undermine the LCMR responsibilities?

Greg Knopff replied that they may want to ask the Governor's office. The CAC threatened to resign so the Governor is reluctant to make new appointments.

There was further discussion about the appointments of the CAC.

Dave Zentner stated that the CAC is not functioning while legislature is deliberating different models.

7. Environment and Natural Resources Trust Fund

- **Lottery Receipts**
- **History of dollars available for expenditure (Trust Fund and Future Resources Fund (FRF))**
- **Projected Trust Fund Growth and dollars available for expenditure (5.5% each year available from the Trust Fund market value)**

Susan Thornton, went through the above handouts. \$100 million is the annual lottery's contribution to the state, not just the trust fund. The Trust Fund receives \$20-\$26 million per year which is invested in the endowment. The unclaimed prize fund (approx. \$2-3 million per year) changed in 2003. Trust Fund used to get the money and now it goes to the general fund.

Phyllis Kahn stated she felt what happened to the unclaimed prize money in 2003 was in violation of the Constitution.

Susan Thornton pointed out on the Lottery Financial spreadsheet the lines indicating the lottery in lieu sales tax which does not go to the Trust fund but to the Game and Fish Fund and Natural Resources Fund (about \$20 million per year). She also pointed out that 59 cents of each dollar spent goes to prizes.

She has requested an update from the State Board of Investment on the projected Trust Fund growth and will provide that to the Task Force an upcoming meeting. The most recent growth projection is from 1998. There have been a variety of dollar figures spoken about (ranging from \$70 to \$250 million) being available for expenditure. The Task Force should have the growth projections clarified for them as they continue their discussions.

Dave Zentner agreed, because he has heard a wide variation in the dollars projected for expenditure.

8. Review Current LCMR Process for Environment and Natural Resources Trust Fund Expenditure Recommendations

- **Citizen Advisory Committee for the Trust Fund (CAC) – past advice and recommendations on Strategic Plans and Project Funding.**
- **Past LCMR Strategic Plans and Request for Proposals**

John Velin reviewed the documents in their packet related to the process and the role of the LCMR and the CAC.

John focused on the one page color-coded chart under tab 10 in the notebooks. The six-sided figures emphasize how the CAC is integrated into the overall process. Outside experts are consulted at the beginning, middle and end of the process, in both formal and informal settings. This includes the site visits and evaluations, resources forums, again while proposals are reviewed and finally a formal peer review process for research proposals. The MN process from application to notice of funding is 4 months. The Nebraska process is 8 months from application to notice. But Nebraska also releases

Task Force Members: Dave Bishop, Karen Bowen, Jeff Broberg, Joe Duggan, Wayne Enger, Ron Erhardt, Ryan Heiniger, Phyllis Kahn, Jane Krentz, Gary Laidig, Pam Landers, Steve Morse, Earl Renneke, Craig Shaver, Loren Solberg, David Zentner
Ex-Officio: Kathy Tingelstad and Bob Schroeder

the money after the notice. MN waits for the regular budget cycle of the legislature in the odd numbered years. This could be adjusted to annual cycles, but obviously there is no additional money and this would require a mechanism to limit the range and number of proposals accepted. The whole process is also explained in the Request for Proposals newsletters in more narrative form as well as a sequence chart, both of which are found in the material under tab #3. He also commented that most projects are not ready to implement when they receive their notice of approval and most are still not ready on July 1 of the odd numbered years. One such example is the Habitat Corridors project where the first phase from 2001 had spent less than half their money in 2 years and did not complete their spending until almost 2005. The LCMR staff follows the projects closely and is both very responsive and flexible in approving adjustments over time to the detailed project work programs. All the Trust Fund projects including final results have been displayed on the LCMR website and have been since the early 1990's.

Steve Morse asked about the strategic plan. John Velin responded that when the strategic plan is adopted, the RFP is adopted. There used to be a series of different documents. This caused confusion and it evolved that the strategic plan for expenditures is embedded in the adopted RFP.

Steve Morse asked about the six year plan relationship to a 2 year RFP. John Velin responded that it is a plan which is reviewed and revised every 2 years. However, it essentially has remained the same with long term priorities of habitat, water, recreation and energy.

Susan Von Mosch reviewed three handouts related to the Citizen Advisory Committee. The first handout focused on the role of the CAC and reiterated information presented by Greg Knopff, Senate Research, and John Velin. The second handout presented a comparison of CAC and LCMR recommendations from 1991 to 2005 on what proposals to call in for a hearing and what proposals to fund. For example, for projects funded starting July 1, 2005, the CAC recommended that 30 proposal be called in for presentation and the LCMR called in all of these proposals. Then the CAC recommended that 33 proposals be funded for \$33 million. The LCMR recommended that 29 (or 88 percent) of these proposals be funded for \$20.8 million, or 63 percent of the CAC funding level. The final 2005 LCMR recommendations consisted of 70 proposals funded for a total of \$39.3 million. Generally, the LCMR packet of recommendations contain more projects funded at lesser amounts than the CAC funding recommendations.

The third handout compared the CAC 2003 and 2005 recommendations for a strategic plan with the final LCMR adopted strategic plans for the same years. For example, in 2005, the LCMR adopted the CAC's recommended strategic plan and added two funding priorities for "state parks, recreation areas, trails, and other enhancements to the State Outdoor Recreation System" and "continuation projects," which involved two trail projects and various research projects.

BREAK

9. Discussion of Strengths and Weaknesses of the current LCMR process

This topic was not discussed and agreed to be included on the next meeting agenda.

10. PRESENTATION: PERSPECTIVES ON “HOW WE GOT HERE”

Representative Dennis Ozment, Senator Dallas Sams and Senator Tom Bakk, Co-chairs, 2005 Agriculture and Environment Finance Conference Committee.

Representative Dennis Ozment:

He is no longer a member of the LCMR even though he is a designee by statute. He asked the speaker of House to designate someone for his place. There was a Task Force in 2001 and 2002 with a facilitator to review what should be the function and roles of the CAC and the LCMR. There was a series of meetings and there was consensus on an enhanced role for the CAC. It appears this agreement didn't last very long. The LCMR had worked hard to bring fairness to the process. He was very offended by the resignation letter offered by the CAC. They have tried hard to find common ground. During the negotiations during the conference committee last year he was pushing for some kind of resolution to this issue to address legitimate issues that had been raised. LCMR first had the dollars from the cigarette tax (a source of funding with no direct connection to the environment). The cigarette tax was taken away and LCMR was primary manager of the Trust Fund dollars. So a legitimate concern was brought forward to review how the decisions are matching up with the Constitution. Minnesota needs to be confident that the dollars being spent are being spent wisely.

They should look at the vision of Willard Munger for the Trust Fund. It will be a tremendous challenge to change the pork barrel traditions of the past and even find citizen without biases and conflicts of interest. There needs to be accountability to the people overall.

Step back and look at the big picture and make the Trust Fund all that it can be. It can provide a tremendous enhancement for wildlife and natural resources in general. Regarding energy issues; some people perceive it as high priority and it is up to interpretation. Politics will always play a part. Everyone has their own opinions, biases based on philosophies and values. It will be interesting to see what they can come up with.

Senator Dallas Sams:

He wished to echo fact that he appreciates the Advisory Task Force members time and input. This issue is fairly new for him. It is his third year on the LCMR and the third year chairing the senate environment finance division. It was a big surprise to him that there were some issues and that there was a Governor's initiative. He thought things were going very well, very non-partisan and he has never seem a system work as well in the legislative process. Apparently there were problems with the CAC. However, they seemed to interact well with the LCMR. It takes a lot of time, travel, and hundreds of hours of testimony of projects. There needs some sort of commission to look at these projects and issues and the governor's office doesn't have the time to do that either. The LCMR looks across the state, evaluates the past projects and commitments to ensure they have been carried positively. One of the big problems is not near enough money appropriated for the environment. The \$15 million from the Future Resource Fund was lost, and the state's environment funding went from 2 percent to 1 percent of the appropriations. Some people think the Trust Fund money is going to replace this loss of funding to their areas of interest.

He authored the 3/16 initiative for water, wildlife and parks. So far it has not passed the finance committee in the House. There is not enough money for the environment and not enough through bonding.

A negative survey was sent out about how the LCMR is doing their job. There are 100s of projects that were not funded and this is a problem. It is a biased survey – send out a negative survey and negative replies will be received.

There was no support in the Senate and there were arms twisted on the House floor to sunset the LCMR. So, there is not a lot of support from the Legislature for such a change as the Governor proposed.

To reform the process they need to ask where is the problem; is it focus, annual cycles? A few hours before state parks were to shut down for the fourth of July there was a third vote on the conference committee report. He was the third vote to say o.k. let's do the advisory task force. Let's see what is good for the whole state and then see what the problem is. The governor signed the conference committee report and vetoed the administrative budget (staff). The staff knows exactly what they are doing and it is an excellent job. Without the LCMR this (the Trust Fund expenditures) will land in the governors appropriation bill and then we (the legislature) will have to make the determination and it will become political. There are usually no changes to the LCMR recommendations and it is ready to come to the committees. It is a bill that is not touched and makes life a lot easier for all because of the extra work and hours that have gone into the preparation.

This task force needs to come to a strong consensus as to what to do. He said, are willing to go with some changes and need to ensure a better life for MN. More dollars are needed into the natural resources of the State. He thanked the Task Force for their help and time.

Senator Tom Bakk:

He thanked the task force for their time. He asked if they were thinking; is it really going to make a difference? He understands their apprehension. The Governor was wrong. He proposed a wholesale overhaul of the Commission. Much good work has been done. He has never served on the LCMR but has reviewed the projects and visited with staff about the continuity of the projects and the system. The current process does not need to be totally abandoned. It took the Governor several months to find an author for the bill in the Senate. This is a large policy initiative and is too big to do on the back side of a napkin. It was not the year to do it. Everyone was consumed with the budget. A more thoughtful deliberate process will produce a better outcome. He asked the members of the Senate into a meeting to see what the Senate LCMR members thought about the process. Some members expressed some interest in some change. Some of the feedback included, concern about too many members, and the process takes too long. These are both o.k. criticisms. There is a desire of the people who serve on it to make the process smoother and ensure the outcomes that people expect. There is interest in putting the FRF back in place for environmental funding. It is easy to criticize, but hard to identify meaningful solutions. There is an interest in a longer vision to ensure a statewide benefit. This is something that the LCMR can do. They need to point to something in 20 years and say, "see, this is what we did" and show that everyone in the state benefited.

He stated his concern about forestry issues. Every month more pulpwood comes from Canada. Minnesota has timber, but is not managing it as intensively as it could. A serious concern is a stronger wood products industry and more wildlife to hunt. Forest fragmentation is something LCMR could take a look at. There is no turning back. Other issues are clean water. The TMDL development will take a great deal of money.

There is a need to take a longer vision. That is a valid criticism for this group to consider. However, the governor's proposal has no legislative oversight and this is not right. It is public money and there needs to be oversight among the people and the people who represent them.

Rep. Dennis Ozment;

They all agree the need to see long term vision and planning. One of the ideas to surface when they looked at LCMR is to have it move toward a policy setting visions; This is hard for the committees to do. How the money is actually spent, how are they selected, was it in the overall vision? There is room for creative thinking. The LCMR could assign money going to different resource categories, not projects. Projects would then be selected by a different group. This is how we deal with the departments. Name the umbrella activity, but don't select the project, let the bureaucrats select those. There is room for all of us to work together and still have accountability.

Loren Solberg asked if LCMR could set aside dollars for bonds – revenue bonds to create additional funds. Discussion continued about the need to ask if this could be done and how it could leverage dollars by paying the debt service. There was also discussion about the focus of the Trust Fund language on only preservation and not utilization and the possibility of another constitutional amendment.

Dave Bishop stated that he needed the information presented today. They need more positive suggestions and proposals on what incremental changes would be beneficial, The legislative members are very qualified to make such suggestions to the panel. LCMR provides an extra service of legislators. The actions and tone of the LCMR meetings are substantially different from others in the legislature. There is a sense of collaboration that exists in the LCMR. This is the best way.

Senator Sams responded that he will follow through. In addition, regarding the Task Force's early discussion of operating like a conference committee, he thinks this would be a mistake. He hoped they will strive for consensus.

Rep. Ozment: He will provide more detail to the task force in the form of draft legislation. He suggested they look at the process used by the "rump" group in the legislature. There was agreement among the group to identify the problem, listen to the positive ideas and they were not allowed to criticize ideas. They also agreed to avoid stonewalls and concentrate on positive results.

Senator Bakk: The senate members thought that the LCMR was too big. There are many applicants for the money and the process takes too long. He has also heard suggestions about term limits and rotation.

Joe Duggan indicated that if the 3/16 was adopted they would be done on this topic.

Phyllis Kahn gave a history of the number of LCMR members appointed and that the goal was to have a political balance, but the dedicated seats upset that goal.

Dave Zentner asked if there was a chance for reform and asked for their support. He said they will check back with the legislature and executive branch. Loren Solberg suggested that they need to review other models, not to emulate them, but to glean ideas. A hybrid might work or it might not.

Rep. Ozment. It was contentious to get this group here so they will look to them for direction.

11. Confirm future schedule of meeting topics and objectives

Ryan Church did a wrap up. He pointed out the blue sheets he handed out earlier in the meeting and indicated that this was their homework. What things stood out in the discussion today? Strengths? What is not working? At the next meeting they will talk about the qualities and characteristics in a process for the future. He indicated that members could keep these notes for the next discussion or send them to him.

Next meeting – Thursday, November 17, 2005 for public testimony at 7 p.m.

Meeting adjourned: 4:17 p.m.