

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

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HOUSE RESEARCH

Information Brief

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State Environmental Trust Funds

This information brief provides summary background on the known environment and natural resources trust funds that have been established in states around the country. It addresses four basic questions for each state:

- (1) Is the trust fund established in the state's constitution or by statute?
- (2) Is the trust fund money for broad-based purposes or only limited spending?
- (3) Are there any specific restrictions on spending the trust fund money?
- (4) Who makes up the trust fund governing board, and who appoints its members?

Alabama

How the fund is established	Constitutionally dedicated as the <i>Forever Wild Trust Fund</i> . (Ala. Const. of 1901, Amendment 543)
Spending purposes	The constitutional language is broad for spending purposes, which include spending to: <ul style="list-style-type: none"> • “Protect, manage, and enhance certain lands and waters of Alabama with full recognition that this generation is a trustee of the environment for succeeding generations; • Protect, to the fullest extent practicable, recreational lands and areas of unique ecological, biological and geological importance; and • Promote a proper balance among population growth, economic development, environmental protection, and ecological diversity.”

This publication can be made available in alternative formats upon request. Please call 651-296-6753 (voice); or the Minnesota State Relay Service at 1-800-627-3529 (TTY) for assistance. Many House Research Department publications are also available on the Internet at: www.house.mn/hrd/hrd.htm.

Spending restrictions The governing board may not construct or improve buildings, structures, or facilities used for human lodging, feeding, or entertainment, including hotels, restaurants, convention centers, meeting halls, golf courses, dancing pavilions, tennis courts, recreational dams, and similar facilities.

Who makes up the governing board The governing board is composed of 15 members: nine citizens whom are appointed by the governor and who must reside in geographic locations throughout the state, the state forester, the director of the Marine Environmental Sciences Consortium, the Commissioner of Conservation and Natural Resources, and three members with scientific background chosen by three separate Alabama colleges.

Arizona

How the fund is established Created in 1990 through a ballot initiative and established in state statute as the *Arizona Heritage Fund*. (Ariz. Rev. Stat. § 41-502)

Spending purposes The funding is for local, regional, and state parks and trails, water conservation, and historic preservation, with specific percentages for the various programs:

- 5 percent for local, regional and state trails
- 35 percent for local, regional, and state parks for outdoor recreation purposes
- 17 percent for acquisition of natural areas
- 17 percent for local, regional, and state historic preservation programs
- 4 percent on maintenance, operation, and management of natural areas
- 17 percent on state park acquisition and development
- 5 percent on environmental education

Spending restrictions No entity may receive more than 20 percent of the funds available annually, and any interest earned in the trust fund must be expended according to the exact percentages identified above.

Who makes up the governing board The State Parks Board administers the trust fund and is made up of the state land commissioner and six citizens at-large, appointed by the governor.

Colorado

How the fund is established

Article XXVII of the Colorado Constitution (1980) allots state lottery proceeds (capped at \$35 million, adjusted annually for inflation) to the *Great Outdoors Colorado Trust Fund*, called GOCO.

Spending purposes

There are four major categories—outdoor recreation, wildlife, open space, and local government—where the constitutional language requires trust fund expenditures to be made on a substantially equal basis for projects. Five competitive grant cycles are outlined:

- Open space and natural areas: projects in urban, suburban, and rural areas
- Local government: awarded to local governments to acquire, establish, expand, and enhance park and outdoor recreation facilities, including environmental education
- Legacy: major regional or statewide projects that combine two or more of the board's four funding categories
- Trails: construction of new trails, trail renovation, acquisition of land or permanent easements for trail access, and trailhead development
- Planning and capacity: seed grants to local governments and nonprofit organizations primarily for land conservation planning

Spending restrictions

The constitutional language explicitly provides that the expenditures of the funds "...shall not be subject to legislative appropriation or restriction." Money also cannot be used in condemnation proceedings.

Who makes up the governing board

The governing board is composed of 17 members, 14 appointed by the governor from the seven congressional districts—and no two in each district from the same political party—and the executive director of the Department of Natural Resources, a representative from the State Parks Board, and a representative from the State Wildlife Commission.

Florida

How the fund is established

Established in state statute (1999) as the *Florida Forever Act*. (Fla. Stat. § 259.105)

Spending purposes

The act primarily functions for land acquisition needs of natural resources through the sale of state bonds, and the funds are divided as follows:

- 35 percent to the Department of Environmental Protection (DEP) for acquisition of lands that are necessary to implement water management district's priority lists

- 35 percent to DEP for acquisition of lands and capital project expenditures
- 22 percent to the Department of Community Affairs (DCA) for grants to local governments or nonprofit environmental organizations that are tax exempt under subchapter S for the acquisition of community-based projects, urban open spaces, parks, and greenways to implement local government comprehensive plans
 - ▶ 75 percent of the funds available for land acquisition shall be matched by local governments on a dollar-for-dollar basis and at least 30 percent of the total allocations must be used in Standard Metropolitan Statistical Areas, but one-half that amount shall be used in localities in which the project site is located in built-up commercial, industrial, or mixed-use areas to intersperse open spaces within congested urban spaces
 - ▶ No less than 5 percent shall be used to acquire lands for recreational trail systems
 - ▶ Any lands purchased by nonprofit organizations using trust funds must provide for such lands to remain permanently in public use through a reversion of title to local or state government, conservation easement, or other appropriate mechanism
- 2 percent to the DEP for grants “to qualified local governmental entities to acquire or develop land for public outdoor recreation purposes.” Fla. Stat. § 375.075(1).
- 1.5 percent to DEP for the purchase of inholdings and additions to state parks and for capital project expenditures as described in this section. Capital project expenditures may not exceed 10 percent of the trust funds.
- 1.5 percent to the Division of Forestry of the Department of Agriculture and Consumer Services to fund the acquisition of state forest inholdings and additions, the implementation of reforestation plans or sustainable forestry management practices, and for capital project expenditures. Capital project expenditures may not exceed 10 percent of the funds allocated to the department.
- 1.5 percent to the Fish and Wildlife Conservation Commission to fund the acquisition of inholdings and additions to lands managed by the commission that are important to the conservation of fish and wildlife and for capital project expenditures as described in this section. Capital project expenditures may not exceed 10 percent of the funds allocated to the commission.

- 1.5 percent to DEP for the Florida Greenways and Trails Program, to acquire greenways and trails or greenways and trail systems including, but not limited to, abandoned railroad rights-of-way and the Florida National Scenic Trail and for capital project expenditures. Capital project expenditures may not exceed 10 percent of the funds allocated under this paragraph.

Spending restrictions

No specific statutory restrictions are specified.

Who makes up the governing board

Governed under the Acquisition and Restoration Council, which has nine members: four appointed by the governor who have scientific backgrounds, and five executive cabinet members from the Department of Community Affairs, DEP, divisions of forestry and historical resources, and the Fish and Wildlife Conservation Commission.

Indiana

How the fund is established

Created in state statute (1995) as the *Indiana Heritage Trust Fund*. (Ind. Code § 14-12-2-1)

Spending purposes

Established to provide funds for land acquisition and preservation for the purposes of protecting outstanding natural features and habitat, historical and archaeological preservation, and conservation and restoration of biological diversity.

Spending restrictions

Money may not be expended on the costs of constructing structures, removal and remediation of hazardous substances, and wastewater treatment projects. No eminent domain may be utilized for land acquisition.

Who makes up the governing board

The governing foundation board has 17 members: 12 appointed by the governor from each congressional district, and two members each from the legislative House and Senate, and the state treasurer.

Maryland

How the fund is established

Established in statute (1973) as the *Maryland Environmental Trust*. (Md. Code Ann. § 3-201)

Spending purposes

The statute is very broad for the purpose of land acquisition. The stated purpose of the trust fund is to "...perpetuate the aesthetic, natural, health and welfare, scenic, and cultural qualities of the environment, including,

but not limited to land, water, air, wildlife, scenic qualities, open spaces, buildings or any interest...pertaining to any way to the State." Money is allocated to the trust through state appropriations and private donations, most of the latter being land.

Spending restrictions

There are no specific statutory restrictions on spending trust fund dollars.

Who makes up the governing board

The board of trustees has 15 members, 12 citizens whom are appointed by the governor, and a representative each from the governor's cabinet, the House, and the Senate.

Michigan

How the fund is established

The *Michigan Natural Resources Trust Fund* was established by constitutional amendment in 1963 and expenditures are governed by state statute (clarified in 1994). (Mich. Stat. Ann. § 324.1902)

Spending purposes

The trust is funded by bonuses and royalties collected or reserved by the state for the lease of nonrenewable resources from state-owned lands. The interest and earnings of the trust fund must be expended for the following:

- Land acquisition or rights in land for recreational uses, or protection of the land because of its environmental importance and scenic beauty
- Development of public recreational facilities
- Administration of the trust fund, which may include payments in lieu of taxes on state-owned land purchased through the trust fund

Spending restrictions

No less than 25 percent of total annual expenditures from the fund can be for development of land acquisition and rights in land, and no more than 25 percent can be expended for development of public recreational facilities.

Who makes up the governing board

Michigan's trust fund board is composed of five members, the director of the Department of Natural Resources and four citizens appointed by the governor.

Minnesota

How the fund is established

Constitutionally dedicated as the *Minnesota Environmental and Natural Resources Trust Fund*, established under Minnesota Constitution, article XI, section 14.

Spending purposes

Money in the trust fund may be spent only for:

- the Reinvest in Minnesota program as provided in Minnesota Statutes, section 84.95, subdivision 2;
- research that contributes to increasing the effectiveness of protecting or managing the state's environment or natural resources;
- collection and analysis of information that assists in developing the state's environmental and natural resources policies;
- enhancement of public education awareness, and understanding necessary for the protection, conservation, restoration, and enhancement of air, land, water, forests, fish wildlife, and other natural resources;
- capital projects for the preservation and protection of unique natural resources;
- activities that preserve or enhance fish, wildlife, land, air, water, and other natural resources that otherwise may be substantially impaired or destroyed in any area of the state;
- administrative and investment expenses incurred by the State Board of Investment in investing deposits to the trust fund; and
- administrative expenses subject to the limits in section 116P.09, for the commission.

Spending restrictions

Money from the trust fund may not be spent for:

- purposes of environmental compensation and liability under chapter 115B and response actions under chapter 115C;
- purposes of municipal water pollution control under the authority of chapters 115 and 116;
- costs associated with the decommissioning of nuclear power plants;
- hazardous waste disposal facilities;
- solid waste disposal facilities; or
- projects or purposes inconsistent with the strategic plan.

Additionally, the trust fund may not be used as a substitute for traditional sources of funding environmental activities.

Who makes up the governing board A legislative commission on Minnesota resources composed of ten legislators each from the House and Senate, including certain funding and policy chairs, recommends a trust fund budget plan to the full legislature for approval.

Nebraska

How the fund is established Protected by a constitutional amendment in 2004, 44.5 percent of lottery proceeds are deposited in the *Nebraska Environmental Trust Fund*, which was created by statute in 1992.

Spending purposes The fund was established for broad purposes: "...conserving, enhancing, and restoring the natural physical and biological environment...including the air, land, ground water and surface water, flora and fauna, prairies and forests, wildlife habitat, and natural areas of aesthetic or scenic values." Priority funding categories are:

- preservation and restoration of wetlands and other areas critical to rare or endangered species;
- protection of lakes and streams from deterioration due to pollution;
- fostering of good management practices to preserve groundwater from degradation, and clean-up of soils and groundwater;
- development of recycling markets and reduction of the volume and toxicity of solid waste; and
- strategies to manage carbon in the atmosphere, and sequester carbon in the soil.

Spending restrictions Not subject to legislative approval. No land using trust fund money may be acquired by condemnation.

Who makes up the governing board The 14-member governing board is made up of nine citizens (three from each of the three congressional districts) appointed by the governor, and five related state agency directors.

New Jersey

How the fund is established Created by constitutional amendment in 1998 as the *Garden State Preservation Trust*, with a goal to preserve one million acres of land by 2008.

Spending purposes The constitutional amendment dedicated \$98 million annually for ten years to a variety of preservation efforts and authorized the issuance of up to one billion dollars in revenue bonds. The trust fund money goes to three major areas—historic preservation, farmland preservation, and green acres. The following program areas comprise the Green Acres program:

- State park and open space acquisition
- Local government grants and nonprofit funding for land preservation
- Planning and technical assistance grants
- Stewardship for monitoring and maintenance of land preservation efforts

Spending restrictions No specific constitutional or statutory restrictions on expenditure.

Who makes up the governing board A nine-member governing board is composed of five citizens, with one appointed by the governor, and two each appointed by the leadership of the House and Senate, and four cabinet heads, including the secretaries of state and treasury.

North Carolina

How the fund is established Created by statute for three distinct trust funds in 1987, 1991, and 1996.

Spending purposes Funding for each trust fund comes from state deed transfer revenue when property is sold. *The Parks and Recreation Trust Fund* allocates revenue as follows: 65 percent to state parks for acquisition and development; 30 percent for matching grants to local governments for park and recreation needs; and 5 percent for a coastal and estuary water access program.

The Natural Heritage Trust Fund is used for acquiring ecologically diverse land, natural areas in the state, and historic properties. It also receives a portion of vanity license plate sales.

The Clean Water Management Trust Fund revenues go to help projects that specifically address water pollution problems. This fund is mainly funded by legislative appropriations.

Spending restrictions Each fund is very specific for the type of projects the money is intended for, and no specific restrictions are mentioned.

Who makes up the governing board The Parks and Recreation Trust Fund's 11-member board has three citizens appointed by the governor and four members each appointed by the House and the Senate.

The Natural Heritage Trust Fund's nine-member board has three citizens each appointed by the governor, the House, and the Senate.

The Clean Water Management Trust Fund 21-member board has seven citizens appointed by the governor and seven each by the House and the Senate.

South Carolina

How the fund is established Established by state statute in 1995 as the *Legacy Trust Fund*. (S.C. Code Ann. § 51-22-20)

Spending purposes Funded by state appropriations and private donations, the fund has the following purposes:

- Acquire sensitive ecological resources
- Preserve, renovate, and restore historic sites
- Protect habitat for plant and animal species considered endangered
- Acquire and develop resource-based recreational projects and facilities

Spending restrictions No land or properties may be acquired by eminent domain, and the trust fund may not hold title or interest in land. Specific state and nonprofit entities are listed to hold title and interest in land.

Who makes up the governing board There is a 15-member governing board composed of 13 citizens (two from each of the six congressional districts and one other at-large who serves as chair), the chair of the Senate Finance Committee, and the chair of the House Ways and Means Committee, or their designees.

Virginia

How the fund is established The *Natural Resources Trust Fund* was established in 1999 by state statute. (Va. Code Ann. § 10.1-1017)

Spending purposes Funded by state appropriations and private donations, the fund is designed to establish permanent conservation easements and direct land acquisition of open space and parklands, lands of historic or cultural significance, farmlands and forests, and natural areas.

Spending restrictions No eminent domain may be used, and no legislative approval is required.

Who makes up the governing board The Virginia Land Conservation Board's 18-member board is made up of 11 citizens appointed by the governor representing each congressional district, four citizens appointed by the House, two citizens appointed by the Senate, and the Secretary of Natural Resources.

Several of these state's trust funds are discussed in more detail in the House Research publication, *Natural Resources Trust Funds and Their Citizen Committees*, October 2002.

For more information about natural resources, visit the environment and natural resources area of our web site, www.house.leg.state.mn.us/hrd/issinfo/environ.htm.

Appendix B

Advisory Task Force on the Trust Fund
Appendix to Report - Possible Annual Funding Calendar

For further determination by the joint Legislative Citizen Commission on Minnesota Resources.

Note, the first year may be more difficult because of appointments and organizational issues.

- | | |
|---------------------------|---|
| Early to mid fall | -- Issue RFP |
| Late fall to early winter | -- RFP Deadline date
-- Proposal Evaluations |
| Winter | -- Recommendation presented to Legislature
Consideration by Legislature as a stand alone bill
early in the session. |
| July 1, of each year | -- First date money can be spent by recipients by
Constitution |

The RFP deadline to the money available to spend can be done in 6 to 7 months once the funding cycle matures.

BACKGROUND

ENVIRONMENT AND NATURAL RESOURCES TRUST FUND BACKGROUND

Trust Fund Establishment Background:

Trust Fund Constitutional Amendments and MN Statutes 116P.

Purpose and Assets

Amendments to the Minnesota Constitution and MN Statutes provide the legal framework that establishes and defines the purpose and assets of the Environment and Natural Resources Trust Fund (Trust Fund).

The Trust Fund was established as it is today through three Constitutional Amendments adopted in 1988, 1990, and 1998.

The 1988 amendment proposed the first constitutional amendment to the voters to set up an environmental and natural resources trust fund. MN Statutes 116P, enacted prior to the passage of the first amendment, established the governance structure for the fund expenditures and further defined allowable expenditures.

The 1990 and 1998 amendments constitutionally dedicated a portion of MN lottery proceeds, restated the purpose of the fund and the requirement to appropriate the assets by law. The 1998 amendment also amended the amount available for expenditure.

MN Constitution, Art. XI, Sec. 14

The complete text of the current constitutional language as adopted by the 1998 amendment is:

Art. XI. 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]

- The phrase “other natural resources” is defined in MS 116P.02, Subd. 5 as: “includes the outdoor recreation system under section 86A.04 and regional recreation open space systems as defined under section 473.351, subdivision 1.” These definitions include the state park and trail system, state historic sites and the metropolitan regional park and open space system.
- MS 116P.03 states that the Trust fund is not to supplant existing funding, but shall supplement the traditional sources used to support the criteria in section 116P.08.
- 116P.08 as adopted in 1988, further defines the allowable expenditures of the constitutionally dedicated dollars in the Trust Fund. MS 116P.08 has not been changed since the initial legislation establishing the Trust Fund.

MS 116 P.08 states:

116P.08 Trust fund expenditures; exceptions; plans.

Subdivision 1. Expenditures. Money in the trust fund may be spent only for: (1) the reinvest in Minnesota program as provided in section 84.95, subdivision 2;

(2) research that contributes to increasing the effectiveness of protecting or managing the state's environment or natural resources;

(3) collection and analysis of information that assists in developing the state's environmental and natural resources policies;

(4) enhancement of public education, awareness, and understanding necessary for the protection, conservation, restoration, and enhancement of air, land, water, forests, fish, wildlife, and other natural resources;

(5) capital projects for the preservation and protection of unique natural resources;

(6) activities that preserve or enhance fish, wildlife, land, air, water, and other natural resources that otherwise may be substantially impaired or destroyed in any area of the state;

(7) administrative and investment expenses incurred by the State Board of Investment in investing deposits to the trust fund;

and (8) administrative expenses subject to the limits in section 116P.09.

Subd. 2. Exceptions. Money from the trust fund may not be spent for: (1) purposes of environmental compensation and liability under chapter 115B and response actions under chapter 115C;

(2) purposes of municipal water pollution control under the authority of chapters 115 and 116; (3) costs associated with the decommissioning of nuclear power plants;

(4) hazardous waste disposal facilities;

(5) solid waste disposal facilities;

or (6) projects or purposes inconsistent with the strategic plan.

- A history of the Trust Fund appropriated dollars is in Appendix C-1.

1. GOVERNANCE – FUNDING DECISIONS FOR EXPENDITURES

Background on Current Governance:

The MN Constitution directs the purpose, assets and appropriation of the Trust Fund. MS 116P further defines the governance of the fund expenditures. 116P defines the role of the executive and legislative branches of government as well as the specific advisory roles of the Legislative Commission on Minnesota Resources (LCMR) and the Citizen Advisory Committee for the Trust Fund (CAC).

Legislative Commission on Minnesota Resources (LCMR)

The LCMR is advisory to the legislature (116P.05). The LCMR adopts a strategic plan for Trust Fund expenditures using the advice of the CAC and recommends project expenditures from the Trust Fund assets.

The LCMR is a 20 member bicameral/bipartisan legislative body composed of 10 members from the House and 10 members from the Senate. They are appointed by the House and Senate. Six of the 20 positions are designated committee chairs. The membership of the LCMR at the time of adoption of the 1988 amendment was 16 members. It was expanded to 20 members in 1998.

MN laws 2005, First Special Session, Chapter 1, Art. 2, contains a sunset provision.

“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.”

If no action is taken by the 2006 Legislature, the Trust Fund expenditures will be determined by the House and Senate Environment Finance Committees without recommendations by the LCMR or CAC. The Governor can currently propose expenditures to the Legislature from the Trust Fund and could continue to do so in the future.

Legislature and Governor

The funding recommendations must be appropriated by law by the Legislature and signed by the Governor (116P.08, Subd. 4 – Budget Plan). Currently, specific line item expenditures are proposed to the legislature by the LCMR for funding consideration. LCMR funding recommendations are forwarded to the Governor for inclusion in the biennial budget. In addition, the Governor has line item veto authority of the appropriations adopted by the legislature.

Citizen Advisory Committee (CAC)

The Citizen Advisory Committee for the Environment and Natural Resources Trust Fund is an 11 member committee, with at least one from each of the 8 congressional districts appointed by the Governor and confirmed by the Senate (116P.06) The Citizen Advisory Committee is advisory to the LCMR on the Strategic Plan for the Trust Fund expenditures and the funding expenditures.

Conflict of Interest

MS 116P.09 Subd. 6 establishes guiding principles for conflict of interest for LCMR members, CAC and LCMR staff. Rules established by the legislature further define legislative conflict of interest. The CAC has adopted its own conflict of interest procedures.

2. GRANT ADMINISTRATION

Background of Current Process for Grant Administration

- Appendix C-2 provides a flow chart diagram of the current funding process and schedule
- The following presents this information in a chronological order:

Request for Proposal

A RFP, adopted by the LCMR, with funding priorities, evaluation criteria, schedule and eligible costs is issued every two years to line up with the biennial budget process. Typically, the proposal process is open for 2-3 months from the issuance of the RFP to the proposal deadline. The RFP deadline is usually February or March in the even numbered year of the biennium.

Anyone is eligible to apply. The proposal format requested consists of a three page maximum. There is not a predetermined geographic allocation or per capita allocation. There is no minimum or maximum dollar amount that can be requested.

Upon request, LCMR staff provides assistance to project funding proposers and review drafts of their proposals in advance of the final submission.

Once proposals are received they are sorted and ranked by LCMR staff according to the criteria in the adopted strategic plan/RFP. Outside technical assistance is periodically sought during this proposal review process.

Eligible/ineligible costs are stated in the RFP and dollars are administered on a reimbursement basis for non-state agency entities, as required by MN law.

- Current eligible/ineligible costs are in Appendix C-3.

Funding Deliberations

Initial Proposal Review

The CAC reviews the proposals and recommends proposals for further consideration (hearing).

The LCMR, using the CAC advice, the LCMR staff ranking and other outside advice received decides how many proposals and which proposals to ask in for an interview.

Since the number of proposals received and the dollar amount requested far exceed the money available (about 7 dollars requested for each dollar available) a portion of the proposals received are eliminated from further consideration. Projects chosen for further consideration are those determined to best meet the funding criteria. This does not

mean that proposals eliminated would not meet the funding criteria, but rather they are determined to be a lower priority or they have possibly received other funding since the time of submission (e.g. state bonding dollars).

During the most recent biennium (FY 06-07) 221 proposals were received requesting over \$240 million. 93 proposals requesting over \$182 million were chosen for further consideration. Approximately \$39 million was available for funding.

Proposal Review

Proposers (project managers) are invited to appear before the LCMR to explain their proposal and respond to questions. Typically, about 30 minutes is spent per proposal during this interview process. During LCMR deliberations, the Commission might again seek additional outside assistance in the review of groups of proposals on specific topics. The CAC is authorized to attend the hearings to ensure the members have more information (beyond the initial 3 page proposal) to assist in making their funding recommendations to the LCMR.

Funding Recommendations:

The CAC develops a set of project funding recommendations to the LCMR.

The LCMR, using the CAC advice, then develops a set of recommendations to the legislature in the form of a draft appropriation law.

It is about 6 months from the proposal deadline to the determination of an initial funding recommendation by the LCMR.

Part of the LCMR funding recommendations are the funding of ongoing grant programs for projects such as local and regional parks, small community and habitat projects, metro habitat corridor restoration and acquisition, and local water plan implementation. Funding of these programs enables access to funding for these types of projects throughout the biennium. The LCMR reviews the specific funding allocations of these programs during the biennium.

Enhanced Proposed Scope of Work

After the LCMR funding deliberations are completed more detailed work programs based on the dollars recommended for funding are requested of proposers (116P.05, subd. 2c). Often, projects are not funded at the full dollar amount requested either in the CAC advice to the LCMR or in the final LCMR recommendation. LCMR staff works with the project proposers to ensure that the dollar amount recommended provides for a viable project. If the reduced dollar amount recommended negatively impacts the project proposal, the LCMR is informed before it completes its advice to the legislature.

Peer Review

A formal peer review process on research projects or projects with research elements takes place on projects recommended for funding by the LCMR. The peer review (116P.08, subd. 6) is required to take place before the appropriation is made. The peer review is conducted on the full project work program, not the initial proposal. The peer reviewers are required to comment on the methodology and need for the research. Peer review is also required on completed research projects. The peer review panel is appointed by the LCMR and its findings are reported to the LCMR and the CAC. Peer review takes place prior to the final recommendation of the LCMR to the legislature.

Legislative Review of Proposed Funding

The Trust Fund is appropriated on a biennial basis for each year of the funding available to coincide with the biennial budget process.

Projects proposed to receive funding are presented to the legislature in the odd year of the biennium in appropriation law form and are reviewed by the funding committees.

At times, the funding recommendations have been considered by the legislature as a separate piece of appropriation legislation. This process has often allowed adoption of the funding recommendations early in the legislative session. However, in recent years, the recommendations have been held for inclusion in the omnibus Environment appropriation bill, which is usually adopted in the last days of the legislative session. Consequently, the time from LCMR recommendation to full legislative action and signature by the Governor can be up to one year. In total the time from the proposal deadline to availability of the dollars can be approximately 18 months.

Project Duration

Projects typically take 3 years to complete due to field season work and complexities of acquisitions. Some projects are authorized over longer periods of time and some receive funding over several biennia with review of spending capability.

Evaluation

The work program is again reviewed and approved by the LCMR after legislative action and before the project funding begins. Periodic progress reports (semiannual) are required during the project funding period for evaluation. Oversight is conducted by LCMR staff and periodically by LCMR members during factfinding activities. Final reports are required for all projects funded.

3. LONG-RANGE PLANNING

Background

MS 116P.08 requires a strategic plan. The first strategic plan for the Trust Fund was adopted in 1990. The statute text is as follows:

MS 116P.08, Subd. 3 Strategic plan required. (a) The commission shall adopt a strategic plan for making expenditures from the trust fund, including identifying the priority areas for funding for the next six years. The strategic plan must be updated every two years. The plan is advisory only. The commission shall submit the plan, as a recommendation, to the house of representatives Ways and Means and senate Finance Committees by January 1 of each odd-numbered year. (b) The commission may accept or modify the draft of the strategic plan submitted to it by the advisory committee before voting on the plan's adoption.

- According to MS 116P.08, the six-year plan for priority areas for funding must be updated every two years and the plan is advisory only.
- Originally a separate strategic plan and RFP were adopted. The plan is currently published as a detailed RFP and is revised every two years. The original adopted

Trust Fund Vision and Mission from 1990 remains in place (Appendix C-4). Priorities for funding, proposal evaluation criteria and the timetable for decision making are listed in the RFP.

- In developing the strategic plan, advice on emerging issues is sought from natural resources experts from local units of government, private and nonprofits and state and federal agencies. In addition, public forums have been held to get more general citizen input. In the last two biennia there has also been a web questionnaire seeking advice on priorities for funding. In 2003, over 480 individual responses were received.
- In M.S. Chapter 116D, Environmental Policy, 116D.10, an Energy and Environmental Strategy Report is required each even numbered year.

See Appendix C-5

116D.11, Each department or agency of the state is required to assist in the report preparation. In Subd 2, the Environmental Quality Board has the responsibility to prepare the report.

4. Other Funds to Enhance Trust Fund Expenditures

Background:

- Minnesota Future Resources Fund
Since 1963, the LCMR has made funding recommendations to the legislature for environment and natural resources projects from the MN Future Resources Fund (MFRF). The MFRF received its revenue from a tax of approximately two cents per pack of cigarettes. In 2003, the revenue to the MFRF was \$7-8 million per year. In 2003, the MFRF was redirected to the general fund.
- **Appendix C-6**, Projections of Assets in the Environmental Trust Fund , Nov. 14, 2005, State Board of Investment

Appendix C-1

Appropriations from Revenue Sources available to the LCMR for Funding Recommendations

Appropriation Year	Environment and Natural Resources Trust Fund	Future Resources Fund	Oil Overcharge Money	Land & Water Conservation (LAWCON)	Great Lakes Protection Account	Totals
1991 <i>Ch 254 Art. 1 Sec. 14</i>	14,960,000	16,534,000	3,500,000		0	34,994,000
1993 <i>Ch 174 Sec. 14</i>	24,600,000	14,662,000	2,012,000		0	41,274,000
1994 <i>Ch 632 Art. 2 Sec. 6</i>	1,346,000	1,404,000	0		0	2,750,000
1995 <i>Ch 229 Sec. 19, 20, 21</i>	18,019,000	15,083,000	2,055,000		130,000	35,287,000
1996 <i>Ch 407 Sec. 8</i>	1,630,000	3,258,000	0		0	4,888,000
1997 <i>Ch 216 Sec. 15</i>	22,270,000	14,668,000	150,000		120,000	37,208,000
1999 * <i>Ch 231, Sec. 16</i>	26,010,000	16,040,000	0		200,000	42,250,000
2001 <i>1st. Sp.Ses., Ch. 2, Sec. 14</i>	34,620,000	15,385,000	180,000		87,000	50,272,000
2002 <i>Ch. 220, Art. 8, Sec. 1 & 8</i>	316,000	0	0		0	316,000
2003 *** <i>Ch. 128, Art. 1, Sec. 9</i>	30,100,000	17,870,000 0 *	519,000	2,000,000 **	56,000	50,545,000 32,675,000
2005*** <i>1st. Sp.Ses., Ch. 1, Art. 2, Sec. 11</i>	33,560,000	0	0	1,600,000 **	0	35,160,000
	173,871,000	114,904,000	8,416,000	3,600,000	593,000	367,619,000

NOTE: Does not reflect vetoes below.

* 1999 Veto
 350,000 TF
 200,000 TF
 1,200,000 FRF

 1,750,000

** 2001 Veto
 275,000 FRF
 455,000 TF

 730,000

***2005 Veto
 4,098,000 TF
 28,000 GLPA

 4,126,000

* 2003 Future Resource Fund was redirected to the General Fund, not to be recommended by the LCMR per ML 2003, Ch. 128, Art. 1, Sec. 146 & Sec. 155.

** Previous to 2003, the LAWCON money was included in the Future Resource Fund appropriation for purposes of this chart.

LCMR Current 2 Year Proposal Process Cycle, as of October 2005



