

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]

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. 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.

FINDINGS AND CONCLUSIONS

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 the make final funding recommendations by creating a 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 by the Commission 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 would 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.

The Task Force identified the following additional findings and conclusions, based on the results of their information gathering and deliberations.

Guiding principles for Trust Fund Expenditures:

- 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.

Governance

- Ensure an open public process in the development of the strategic plan and project funding review.
- Increase the involvement of Minnesota citizens in the Trust Fund strategic plan and expenditure decisions.
- Increase the public outreach for reporting the funding accomplishments.

Long Range Planning

- The long-range plan (strategic plan) must conform to the Trust Fund Constitution and M.S. 116P. 08, Environment and Natural Resources Trust Fund allowed expenditures, and definitions in M. S. 116P.02.
- The strategic plan required in M.S. 116P.08, Subd. 3, must provide measurable outcomes for expenditures and determine areas of emphasis for funding.

Grant Administration

- Increase the frequency of the funding cycle.
- Provide for regional grants to address unique needs of the regions.
- Increase responsiveness to emerging issues.

Other Funds to Enhance Trust Fund Expenditures

- Additional state and non-state sources of funds should be leveraged to enhance and maximize the impact of Trust Fund expenditures.

RECOMMENDATIONS

The Advisory Task Force Recommendations address four major areas including,

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

The Advisory Task Force recommends that a sunset of June 30, 2016 apply to all of its recommendations.

Governance Structure and Membership

- A 17 member Legislative Citizen Commission on Minnesota Resources (Commission) composed of legislative members and citizen appointed members is created to make final recommendations on the Trust Fund expenditures to the legislature.
- The Commission should consist of a membership size that can provide for streamlined decision making and represent diverse points of view and opinions of elected and non-elected citizens.
- All appointments made to the Commission must take into consideration the appointee's qualifications and interest in the mission of the Trust Fund.
- Members are expected to participate in all meetings related to funding decision recommendations through procedures established by the Commission.
- A conflict of interest process would apply to all members of the Commission.

Composition and Duties

- The composition of the 17 member Commission legislative and non-legislative citizen members is:
 - 7 citizen members
 - 5 House members
 - 5 Senate members
- The Commission makes final project funding recommendations for the Trust Fund to the Legislature.
- Funding decision recommendations require a two-thirds majority vote of the full membership (12 members).
- The Commission must establish and use technical expert advisory panels.
- Citizen appointed members will be selected to chair the technical expert advisory panels.
- The Commission must adopt and regularly review a long-term strategic plan.
- The Commission shall operate within the current legislative administrative structure.

Membership

- Appointment process
 - Legislative members are appointed by the House and Senate.
 - Citizen members are appointed by the Governor (5), House (1) and Senate, (1) based on the recommendations of Governor's appointed Citizen Selection Committee.
- The Commission chair is elected by Commission membership. Selection of the chair rotates between citizen membership and legislative membership.
- Membership Terms
 - The Task Force recommends that the legislature develop term limits for the citizen and legislative appointees, such as:
 - Citizen Membership: Staggered 3-year terms, with a maximum of two full terms
 - Legislative Membership: 2-year terms, with a maximum of 3 full terms.

Citizen Membership Criteria

- Criteria for citizen members to the Commission includes:
 - Demonstrated expertise and experience in the science, policy, or practice of the protection, conservation, prevention and enhancement of the State's air, water, land, fish, wildlife and other natural resources (as defined in 116P).
 - Demonstrated ability to work in a collaborative environment.
 - A strong knowledge of the environment and natural resource issues faced across the variety of geographic regions of the state.

Legislative Membership Criteria

- Criteria for legislative members to the Commission includes:
 - Limiting automatic appointments to be the chairs of the environment finance/budget committees in the House and the Senate, or the Chairs' designees.
 - At least 2 of the 5 appointments from the House and Senate must be minority members.
 - A strong knowledge of the environment and natural resource issues faced across the variety of geographic regions of the state.

Citizen Selection Committee Composition and Duties

- A committee totaling 5 – 8 members, representing a geographic balance and diversity in the environment and natural resource interests, appointed by the Governor, recommends citizen members for appointment to the Commission.
- The Citizen Selection Committee duties include:
 - Identification of citizen Commission member candidates from the open appointments process "pool."
 - Requesting and reviewing special applications for citizen member candidates.
 - Interviewing and recommending a "pool" of member candidates to the Governor, House and Senate.

Long-Range Plan

- The strategic plan required in M.S. 116P.08, Subd. 3, (6- year plan, reviewed every 2 years) must provide measurable outcomes for expenditures and determine areas of emphasis for funding.
- The strategic plan must have clearly stated short and long term goals and strategies for Trust Fund expenditures that can move the environment and natural resources toward the desired outcomes.
- The Commission shall consider the long term strategic plans of agencies with environmental programs and responsibilities and conservation and environmental organizations during the development and review of the Trust Fund strategic plan.
- The long-range plan (strategic plan) adopted by the Commission must conform to the Trust Fund Constitution, M.S. 116P.08, Environment and Natural Resources Trust Fund allowed expenditures, and definitions in M.S. 116P.02.

The Task Force recommends that the Commission strategic plan development consider the following as part of its process:

The Commission should develop the first draft of the Trust Fund long range content plan from their combined expertise on and understanding of statewide issues. Once the first draft of the long range plan has been written, the Commission should review the state agency long range plans to determine what portions of the Commission trust fund plan are already being addressed. The Trust Fund long range plan could then be revised to emphasize funding those identified needs not being addressed in the agency plans.

Additionally, the Advisory Task Force recommends that:

- The Commission recommend adequate funding for the Advisory Task Force recommendations for increased citizen outreach and communications as part of the long-range planning and grant-making functions.

Grants Administration

The Legislature is asked to take action on the project funding recommendations at the beginning of its annual legislative session as stand alone appropriation legislation.

Additionally, it is recommended that the Commission:

- Increase the frequency of the funding cycle to an annual cycle (Example of annual cycle in Appendix B).
- Continue to allow for direct administrative expenses for the project expenditures, as needed
- Establish and use technical advisory review committee(s), in proposal

- evaluation and project outcome evaluation.
- Continue to conduct scientific peer reviews for research proposals.
 - Research expenditures must focus on the environment and natural resources identified in the Trust Fund Constitution and long-range plan.
 - Simplify the grant application and review process.
 - Streamline the administration of the project expenditures for recipients.
 - Continue to ensure the accountability of the expenditures and provide for the evaluation of the projects and the auditing of the expenditures.

The Advisory Task Force also recommends that staff of the Commission be given a stronger role in the screening and initial evaluation of proposals.

In addition to making specific project funding recommendations, the Commission should consider recommending funding for regional block grants and an account for emerging issues.

Regional Block Grants

The Commission should consider establishing regional block grants for a portion of the funding to:

- Partner with existing administrative structures that have strong citizen involvement
- Leverage local and federal funding.
- Help build local capacity for the environment and natural resource activities, education and awareness.
- Address unique needs of areas served.
- Capture potentially high-return, local citizen efforts.

The Commission should consider providing the block grants to existing regional organizations.

The regional block grant expenditures must conform to Constitutional and statutory authorizations and the adopted long-range plan.

Grant recipients must report their grant awards and evaluation results to the Commission and be expected to maximize the funding provided to projects, minimize the administrative dollars, and leverage additional funds.

Emerging Issues Account

The Commission is encouraged to establish an account for emerging issues to be appropriated by the legislature for the Commission to respond rapidly to emerging issues brought to their attention. Expenditures would need to conform to the adopted strategic long-range plan. Recommendations for the account expenditures are subject to final approval by the Governor.

Other Funds to Enhance Trust Fund Expenditures

- Trust Fund expenditures should seek to maximize the leveraging of non-state dollars in project funding by partnering with 501c(3)s, other organizations and agencies.
- It is recommended the Governor and the Legislature restore the funding for the MN Future Resources Fund for environment and natural resource expenditures.
- The Governor and Legislature are encouraged to recognize the need for the environment and natural resource project funding in the capital bonding considerations.