
LEGISLATIVE-CITIZEN COMMISSION ON MINNESOTA RESOURCES (LCCMR)

Six-Year Strategic Plan for Minnesota's Environment and Natural Resources Trust Fund



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Six-Year Strategic Plan for Minnesota's Environment and Natural Resources Trust Fund

Legislative-Citizen Commission on Minnesota Resources

The Legislative-Citizen Commission on Minnesota Resources (LCCMR) is made up of 17 members: 5 Senators, 5 Representatives, 5 citizens appointed by the governor, 1 citizen appointed by the Senate, and 1 citizen appointed by the House. The function of the LCCMR is to make funding recommendations to the legislature for special environment and natural resource projects, primarily from the Environment and Natural Resources Trust Fund (ENRTF). The LCCMR developed from a program initiated in 1963. Since 1963, nearly \$800 million has been appropriated to more than 1,800 projects recommended to the legislature by the Commission to protect and enhance Minnesota's environment and natural resources.

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Six-Year Strategic Plan for Minnesota's Environment and Natural Resources Trust Fund

I. OVERVIEW

The Environment and Natural Resources Trust Fund (ENRTF) is a permanent dedicated fund in the Minnesota state treasury that was established by 77% voter approval of a constitutional amendment in 1988. The amendment directs forty percent of net proceeds from the Minnesota State Lottery, or approximately seven cents of every dollar spent on playing the lottery, into the ENRTF, where the money is then invested by the State Board of Investment for continued growth. The ENRTF is intended to provide a long-term, stable source of funding for innovative and far-sighted activities that protect, conserve, preserve, and enhance the state's air, water, land, fish, wildlife, and other natural resources. Up to 5.5% of the existing market value of the ENRTF can be expended on these types of activities each year.

Under Minnesota Statute (MS) 116P.05, Subdivision 2, the Legislative-Citizen Commission on Minnesota Resources (LCCMR) is tasked with making recommendations to the Minnesota Legislature for expenditures from the ENRTF. As part of that responsibility, per MS 116P.08, Subdivision 3, the LCCMR must develop, adopt, and periodically review and update a strategic plan intended to look ahead and help guide investments of the ENRTF on a six-year basis.

Minnesota Statutes, Chapter 116P. Environment and Natural Resources Trust Fund

116P.08 TRUST FUND EXPENDITURES

Subdivision 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 reviewed every two years. The strategic plan must have clearly stated short- and long-term goals and strategies for trust fund expenditures, must provide measurable outcomes for expenditures, and must determine areas of emphasis for funding.*
- (b) The commission shall consider the long-term strategic plans of agencies with environment and natural resource programs and responsibilities and plans of conservation and environmental organizations during the development and review of the strategic plan.*

This document, *Six-Year Strategic Plan for the Environment and Natural Resources Trust Fund*, was developed through deliberative consensus by the LCCMR and is intended to fulfill the duties indicated in MS 116P.08, Subd. 3. It consists of two main components:

1. This document outlining general goals, strategies, and areas of emphasis for funding from the ENRTF.
2. Request for Proposal (RFP) documents issued on an annual or biennial basis outlining more delineated areas of emphasis. Once issued, RFP documents are appended to and shall be considered an extension of and update to this document.

Additionally, other documents used in developing and updating the plan are appended to this document as supplemental information as needed or appropriate.

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II. BACKGROUND

A. Governing Law for Environment and Natural Resources Trust Fund

The Environment and Natural Resources Trust Fund (ENRTF) is governed by Minnesota Constitution Article XI, Section 14, and Minnesota Statute (MS) Chapter 116P.

Minnesota Constitution Article XI, Sec. 14

Sec. 14. Environment and Natural Resources Trust 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]*

NOTE: The "other natural resources" cited in Article XI, Section 14 of the Minnesota Constitution, as it pertains to the ENRTF, is further defined in MS 116P.02, Subdivision 5, as follows:

116P.02 Definitions

Subdivision 5. Natural resources.

"Natural resources" includes the outdoor recreation system under section 86A.04 and regional recreation open space systems as defined under section 473.351, subdivision 1.

MS 86A.04 Composition of System

The outdoor recreation system shall consist of all state parks; state recreation areas; state trails established pursuant to sections 84.029, subdivision 2, 85.015, 85.0155, and 85.0156; state scientific and natural areas; state wilderness areas; state forests; state wildlife management areas; state aquatic management areas; state water access sites, which include all lands and facilities established by the commissioner of natural resources or the commissioner of transportation to provide public access to water; state wild, scenic, and recreational rivers; state historic sites; state rest areas, which include all facilities established by the commissioner of transportation for the safety, rest, comfort and use of the highway traveler, and shall include all existing facilities designated as rest areas and waysides by the commissioner of transportation; and any other units not listed in this section that are classified under section 86A.05. Each individual state park, state recreation area, and so forth is called a "unit."

MS 473.351 Metropolitan Area Regional Parks Funding

Subdivision 1. Definitions.

(d) "Regional recreation open space systems" means those parks that have been designated by the Metropolitan Council under section 473.145.

Permissible expenditures from the ENRTF are indicated in MS 116P.08, Subdivision 1, and prohibited expenditures are delineated in MS 116P.08, Subdivision 2.

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Minnesota Statutes, Chapter 116P. Environment and Natural Resources Trust Fund

116P.08 TRUST FUND EXPENDITURES

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.*

Subdivision 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.*

B. About Minnesota's Environment and Natural Resources Trust Fund

Minnesota's Environment and Natural Resources Trust Fund (ENRTF) is a permanent fund in the state treasury that was established in the Minnesota Constitution (Art. XI, Sec.14) by 77% voter approval of a constitutional amendment in 1988. The ENRTF was created to provide a long-term, consistent, and stable source of funding for innovative activities directed at protecting and enhancing Minnesota's environment and natural resources for the benefit of current citizens and future generations and it holds assets that can 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." Up to 5.5% of the existing market value of the ENRTF can be expended each year.

The money in the ENRTF originates from a combination of contributions and investment income. Forty percent of the net proceeds from the Minnesota State Lottery, or approximately seven cents of every dollar spent on playing the lottery, are contributed to the ENRTF each year; this source of contribution is guaranteed by the Minnesota Constitution through December 31, 2024. The ENRTF may also receive contributions from other sources, such as private donations. Once deposited into the ENRTF contributions become part of the principal balance and are invested by the State Board of Investment. The income generated from the investments is reinvested back into the ENRTF. Initially, growth of the ENRTF originated primarily from contributions, but as the principal balance of the ENRTF has grown so

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has the income from investing that principal. Eventually annual growth from investment income will equal and then surpass annual growth from contributions.

C. About the Legislative-Citizen Commission on Minnesota Resources

The Legislative-Citizen Commission on Minnesota Resources (LCCMR) is made up of 17 members: five Senators, five Representatives, five citizens appointed by the governor, one citizen appointed by the Senate, and one citizen appointed by the House. Legislative members are appointed by legislative leadership and must include representation from both majority and minority parties. The citizen members appointed must have experience or expertise in the science, policy, or practice of the protection, conservation, preservation, and enhancement of the state's environment and natural resources.

The function of the LCCMR is to make funding recommendations to the Minnesota State Legislature for special environment and natural resource projects, primarily from the Environment and Natural Resources Trust Fund (ENRTF), and to provide oversight over projects funded through this process. The LCCMR developed from a program initiated in 1963. Between 1991 and 2013 nearly \$800 million has been appropriated to approximately 1,800 projects recommended to protect and enhance Minnesota's environment and natural resources.

D. Legislative-Citizen Commission on Minnesota Resources Proposal and Funding Process

The Legislative-Citizen Commission on Minnesota Resources (LCCMR) has a competitive, multi-step proposal and selection process. On an annual or biennial cycle, a Request for Proposal (RFP) is issued for selected funding priorities based upon an adopted strategic plan and ongoing information gathering activities, including expert-led seminars and visits to natural resource sites around the state. All proposals received in response to the RFP are reviewed, evaluated, and ranked by LCCMR members; a selection of high ranking proposals are chosen for further consideration and invited to present before the commission; and a subset of proposals is chosen to recommend to the legislature for funding based on consistency with funding priorities and total dollars available. Funding recommendations go before the legislature for consideration in the form of an appropriations bill and upon passage must be signed into law by the governor.

Funded projects are required to submit a work plan that must be approved by the LCCMR before a project can begin. Work plans provide a detailed description and statement of agreement regarding all work that will be completed and all outcomes that will be achieved with the Environment and Natural Resources Trust Fund (ENRTF) appropriation. During the period that funds are made available project managers are required to provide two status update reports per year to the LCCMR using their approved work plan.

Anyone may respond to the RFP and apply for funds from the ENRTF providing the proposal is consistent with public purposes. Funding recipients have included state agencies, local government units, academic institutions, non-profit organizations, and private corporations. The LCCMR's process is a competitive one and more proposals are generally received than can be funded based on the dollars available.

E. Vision and Mission for Minnesota's Environment and Natural Resources Trust Fund

Environment and Natural Resources Trust Fund Vision Statement

All Minnesotans have an obligation to use and manage our natural resources in a manner that promotes wise stewardship and enhancement of the state's resources for ourselves and future generations. The

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Environment and Natural Resources Trust Fund is a perpetual fund that provides a legacy from one generation of Minnesotans to the many generations to follow. It shall be used to preserve, protect, restore, and enhance all of the bountiful, rare, and threatened natural resources that are the collective heritage of every Minnesotan. It shall also be used to nurture a sense of responsibility by all and to further our understanding of Minnesota's resource base and the consequences of human interaction with the environment.

Environment and Natural Resources Trust Fund Mission Statement

The mission of the Environment and Natural Resources Trust Fund is to ensure a long-term secure source of funding for environmental and natural resource activities whose benefits are realized only over an extended period of time.

III. SIX-YEAR STRATEGIC PLAN FOR THE ENVIRONMENT AND NATURAL RESOURCES TRUST FUND

A. Strategic Plan Development and Implementation

The Six-Year Strategic Plan for the Environment and Natural Resources Trust Fund is to guide the work and process used by the Legislative-Citizen Commission on Minnesota Resources (LCCMR) in making recommendations for expenditures. Specifically, the Six-Year Strategic Plan, as required by MS 116P.08, Subd. 3, is to provide short and long-term goals and strategies for the ENRTF expenditures, require measurable outcomes for the expenditures, and identify areas of emphasis for funding.

The Six-Year Strategic Plan consists of two main components:

1. This document outlining general goals, strategies, and areas of emphasis for funding from the ENRTF.
2. The most recently issued Request for Proposal (RFP) outlining more delineated areas of emphasis.

Additionally, other documents used in developing and updating the plan are appended to this document as supplemental information as appropriate or needed.

In development, and periodic updating, of its Six-Year Strategic Plan the LCCMR has relied on a number of resources to help identify the most pressing natural resource issues facing Minnesota along with the opportunities to address them, particularly:

- The Statewide Conservation and Preservation Plan developed with financial support from the ENRTF by the University of Minnesota Institute on the Environment.
- Information gathered on an ongoing basis from presentations, information requests, and site visits involving technical experts, citizens, state agencies, local units of government, private individuals, and nonprofit organizations.
- Other adopted plans of environment and natural resources organizations.

In implementing its Six-Year Strategic Plan, the LCCMR will identify specific priority areas for funding through each RFP it issues. In selecting the priority areas for funding in each RFP, the LCCMR will maintain a continued awareness of issues identified by the Statewide Conservation and Preservation Plan, public input, the LCCMR's evaluation of natural resource issues, and major funding initiatives identified by the MN legislature. As the most current RFP is issued it shall be appended to this Six-Year Strategic Plan document as an extension and update of the document indicating the most current statement of specific funding priorities for the strategic plan.

B. Key Issues and Strategic Framework for Six-Year Strategic Plan

In initial development of the Strategic Plan, several key issues were identified that are having the most pressing impacts on Minnesota's environment and natural resources:

- Land and water habitat fragmentation, degradation, loss, and conversion
- Land use practices
- Transportation
- Energy production and use
- Resource Consumption
- Invasive species

To most strategically address these key issues the following five core areas of potential action were identified and form the strategic framework for this plan:

- Integrated planning

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- Critical land protection
- Land and water restoration and protection
- Sustainability practices
- Economic incentives for sustainability

C. Funding Priority Areas of the Request for Proposal

The implementation of the Six-Year Strategic Plan occurs through the LCCMR's proposal and funding process for individual funding cycles, which occur on either an annual or biennial basis. Each funding cycle the LCCMR develops a Request for Proposal (RFP) with specific identified funding priority areas. While the RFP can and does vary from year to year, the funding priority areas generally occur in the following seven broader categories with more specificity for each category identified within the actual RFP:

- Air Quality, Climate Change, and Renewable Energy
- Aquatic and Terrestrial Invasive Species
- Environmental Education
- Foundational Natural Resource Data and Information
- Land Acquisition for Habitat and Recreation
- Methods to Protect, Restore, and Enhance Land, Water, and Habitat
- Water Resources

D. Goals of Six-Year Strategic Plan

The five core areas identified as the strategic framework for this plan provide an integrated approach to resource conservation and protection. The following goals address one or more of the strategic framework areas.

Land and Water Protection

- Protect and conserve land and water (surface and ground) resources that are important for overall ecosystem integrity.
- Provide protection to fragile or unique natural resources, such as prairies, shorelands, trout streams, ground water resources, surface water flows, wetlands, fens, and aquatic habitat where further development or neglect could cause irreparable harm or loss.
- Protect land resources such as large contiguous tracts of forests, prairies that are threatened by fragmentation, high quality natural areas such as those listed in the county biological survey, and important habitat areas.
- Protect and promote habitat, native species, and water quality through land protection, acquisition, and land use practices.
- Protect and promote habitat, native species, and water quality through protection from invasive species.
- Protect and promote habitat, native species, and water quality through reduction and elimination of harmful environmental contaminants.

Research, Planning, and Demonstration

- Improve natural resource data management, conservation, and use statewide through the acquisition, management, and distribution of critical natural resource data by funding efforts to generate natural resource "foundation documents" to increase accuracy, efficiency, and ease of access to the data (including maps, inventories, and surveys).

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- Address emerging issues and provide critical information to assist in our understanding and wise management of natural resources.
- Support research, planning, and/or demonstration projects that protect and conserve sensitive lands, surface and ground water resources, and ecologic integrity.
- Support evaluation of climate change impacts and reduction strategies.
- Support community-based conservation planning.

Encourage Participation in Outdoor Recreation, Hunting, and Fishing

- Promote interest and participation in angling, hunting, outdoor recreation, and environmental and natural resource education. Partnerships to accomplish this goal are encouraged.
- Acquire, enhance, construct, manage, and maintain a variety of accessible outdoor recreation opportunities throughout the state.

Evaluation and Selection Criteria

All proposals should strive to maximize efficiency and return on investment for the proposed expenditures. Additionally, the following criteria, as applicable, are considered in evaluating and selecting proposals to recommend for funding :

- **Funding Priorities:** Responds to RFP funding priorities and LCCMR Six-Year Strategic Plan for the Environment and Natural Resources Trust Fund articulated and adopted by the LCCMR.
- **Multiple Benefits:** Delivers multiple benefits to Minnesota's environment and natural resources.
- **Outcomes:** Identifies clear objectives likely to result in measurable, demonstrated, and meaningful outcomes.
- **Knowledge Base:** Contributes to the knowledge base or disseminates information that will benefit other efforts.
- **Extent of Impacts:** Results in broad, long-term impacts of statewide or regional significance.
- **Innovation:** Employs or demonstrates innovative approaches to more effectively and efficiently solve specific environment and natural resources issues.
- **Scientific/Technical Basis:** Reflects current scientific and technical knowledge, standards, and best practices.
- **Urgency:** Addresses an issue for which immediate future action is necessary and essential to avoid undesirable consequences.
- **Capacity and Readiness:** Demonstrates capacity and readiness for efforts to be managed and completed in a timely, accountable, and effective manner.
- **Leverage:** Leverages collaborative partnerships and additional efforts, resources, and non-state funds.

E. Strategies for Six-Year Strategic Plan

Priority will be given to innovative projects providing multiple ecological and other public benefits to Minnesota's environment and natural resources. More specifically, the Environment and Natural Resources Trust Fund should support efforts that:

- Identify, protect, and enhance strategic land areas that make the largest contribution to multiple benefits for conservation and increase the management of those lands to enhance the conservation, quality, and diversity of natural resources.
- Establish statewide highest value habitat corridors using consistent conservation biology methodology and criteria for habitat, water quality and quantity, and native species.

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- Acquire the most recent and accurate baseline natural resource data on a regular basis – data such as topography, parcel and land cover, soil and geological survey, and ground water quality and quantity.
- Identify and manage lands suited for human activity by using best management conservation practices to minimize the negative effects on natural resources.
- Increase understanding of potential effects of climate change on resources and develop strategies for reducing the impact of climate change on natural resources.
- Increase understanding of effects of contaminants on natural resources, including ground water, and develop strategies for reducing contamination.
- Increase public understanding of the need for better conservation, preservation, and restoration of Minnesota's habitats and landscapes.
- Develop strategies for delivery of environmental education to Minnesota students and residents at school, home, work, and play.
- Develop strategies to prevent introductions and reduce spread of aquatic and terrestrial invasive species and restore or reestablish terrestrial or aquatic habitats impacted by invasive species.
- Develop land use strategies for sustainable, renewable energy production (electricity and fuels) that protect, enhance and restore native species, water quality, habitat, and prairies.
- Evaluate renewable energy options in Minnesota, including energy conservation, based on greenhouse gas and other emissions reductions, surface and ground water use, effects on the economy, and use by the electric and transportation sectors.
- Increase involvement of citizens and communities in scientific efforts pertaining to Minnesota's environment and natural resources.

F. Outcomes for the Environment and Natural Resources Trust Fund

Outcomes for the Environment and Natural Resources Trust Fund (ENRTF) will be specifically defined by the individual work plans of the projects receiving funding recommendations. However there are some broad outcomes that are hoped to be achieved:

- Funding recommendations are consistent with and accelerate implementation of the Statewide Conservation and Preservation Plan and other related environment and natural resource plans, documents, reports, or recommendations. See "Appendix I: Environment and Natural Resources Plans, Documents, and Reports".
- Complete acquisition of baseline natural resource data, including the County Biological Survey, Soil Survey, wetlands inventory, restorable wetlands inventory, and the County Geologic Atlas by 2020.
- Funding recommendations in the aggregate include work in all ecoregions, as defined by the Minnesota Department of Natural Resources.
- To the extent possible, funding recommendations support the creation and continuation of "green jobs" in Minnesota.

G. Relationship of Environment and Natural Resources Trust Fund to Other State Funds and Programs

Overall

Funding from the Environment and Natural Resources Trust Fund (ENRTF) represents only a small portion of total state spending relating to the environment and natural resources. Historically, ENRTF

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appropriations have equaled less than one percent of the total state spending on environment and natural resources. The bulk of spending in these areas comes from the general fund, bonding, and user fees. Additionally, the Legacy Amendment to the Minnesota Constitution (Article XI, Section 15), adopted by voter approval in November 2008, dedicates portions of a state sales tax of three-eighths of one percent to specific types of environment and natural resources projects through June 30, 2034, which has added a significant boost to state spending in these areas.

One aspect of the ENRTF that sets it apart from the bulk of funding for environment and natural resources in Minnesota (i.e., traditional funds: general fund, bonding, and user fees) is that it is intended to be used for "special" efforts. M.S. 116P.03 stipulates that the ENRTF is not to be used as a substitute for traditional sources of funding for the environment and natural resources. This same stipulation, that the funds cannot supplant existing funding, applies to the Legacy Amendment Funds.

116P.03. Trust Fund Not to Supplant Existing Funding; Appropriations.

(a) The trust fund may not be used as a substitute for traditional sources of funding environmental and natural resources activities, but the trust fund shall supplement the traditional sources, including those sources used to support the criteria in section 116P.08, subdivision 1. The trust fund must be used primarily to support activities whose benefits become available only over an extended period of time.

Another aspect of the ENRTF that is unique from other environment and natural resources funding, including Legacy Amendment Funds, is that it is a permanent fund structured like an endowment to provide funding for "special" environment and natural resources efforts in Minnesota in perpetuity. This permanent status can only be altered by an additional amendment to the Minnesota Constitution.

Relationship Between Environment and Natural Resources Trust Fund and Legacy Amendment Funds

There is some overlap between the Environment and Natural Resources Trust Fund (ENRTF) and the Legacy Amendment funds. Three of the four funds created by the Legacy Amendment have purposes directly related to Minnesota's environment and natural resources: Outdoor Heritage Fund, Clean Water Fund, and Parks and Trails Fund. However, there are also differences.

One difference is the purpose of the different funds. The Outdoor Heritage Fund, Clean Water Fund, and Parks and Trails Fund are each all limited to very targeted types of environment and natural resources projects. Whereas the ENRTF has a broader mandate with greater flexibility in the types of projects it can fund.

Another difference between the ENRTF and the Legacy Amendment funds is the revenue stream that generates them in terms of the types of public money each represents and the permanency of these revenue streams as funding sources. Money from the Legacy Amendment funds comes from public tax dollars generated through a state sales tax. The structure of the three funds makes all of the money directly available for expenditure on projects as it becomes available. However, since the sales tax is only in effect until June 30, 2034, the revenue stream is not permanent. The sources of money for the ENRTF fund are not tax generated dollars but a combination of forty percent of net proceeds from the Minnesota State Lottery and income to the state generated from investing those proceeds. In order to provide a permanent source of funds and help these dollars have the greatest impact over time, the ENRTF is structured like an endowment: money is accumulated, it is invested for continued growth, and 5.5% of the compounding principal balance is available for projects each year. Lottery proceeds are only dedicated to the Trust Fund through December 31, 2024. However, at that point the cumulative balance of the Trust Fund is projected to be large enough to ensure self-sustaining growth through investment income while still providing ongoing funding for projects.

IV. MOST RECENT REQUEST FOR PROPOSAL