



# Minnesota's State Budget for Conservation

## Challenges and Opportunities for the Future



## EXECUTIVE SUMMARY

Minnesotans love our lakes, rivers, forests and prairies, and Minnesota voters have left no doubt they want the state to invest in these resources. In the last 30 years, voters have gone to the polls four times and resoundingly approved special increases in state conservation spending. Minnesotans have voted three times to support the state's Environment and Natural Resources Trust Fund (1988, 1990, and 1998.) And, in the midst of the worst economic recession in a generation, Minnesotans overwhelmingly voted to raise their own taxes to create new dedicated funds for clean water, wildlife habitat, parks and trails, and cultural heritage (2008).

Not only do they love our great outdoors, Minnesotans know our natural resources play a key role in our economic vitality:

- Hunting and wildlife-watching activities support 48,000 jobs and create \$3.8 billion in economic activity in the state.<sup>1</sup>
- Minnesota state parks have 9 million visitors every year and non-motorized trail users spend \$2.7 billion per year, supporting 37,000 jobs.<sup>2</sup>
- Minnesota's forest products industry supports 62,000 jobs and \$8.9 billion in industry output.<sup>3</sup>
- Repairing and upgrading water infrastructure supports jobs in local communities; investing \$180 million a year in water infrastructure creates 3,600 jobs.<sup>4</sup>
- Minnesota is home to almost 60,000 clean energy jobs and clean energy industry jobs have grown at a pace more than two times faster than the state's overall job growth. Minnesota clean energy employers project they will add almost 2,700 jobs in the next year – a growth rate of 4.6 percent.<sup>5</sup>
- Clean water and access to outdoor recreation are increasingly recognized as important factors in sustaining economic growth in communities around the state.<sup>6</sup>

In February 2019, Governor Tim Walz and Lt. Governor Peggy Flanagan will propose their first conservation budget laying out priorities for the next two years. A new Legislature will then examine and debate these priorities. In anticipation of these events, we take this opportunity in our annual budget analysis<sup>7</sup> to summarize the recent history and current status of conservation funding in Minnesota. We also discuss the impact of the 2018 legislative session on conservation priorities.

In recent decades, dramatic declines in state general fund spending on conservation combined with increased concern over impaired water and wildlife habitat losses led to passage in 2008 of the state's Clean Water, Land & Legacy Amendment. The Legacy Amendment was resoundingly approved by Minnesota voters, receiving a majority of votes in every congressional district in Minnesota. It dedicates a small increase in the state sales tax – 3/8 of one percent – to water, wildlife, parks, and cultural resources. Since 2008, the Legacy Amendment has worked to restore and protect habitat, clean up polluted waters, improve and maintain parks and trails, and support arts and culture throughout Minnesota.

The success of the Legacy Amendment has earned strong support from citizens. A 2017 poll found that 75% of Minnesotans support the Legacy Amendment.

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<sup>1</sup> MN DNR, *2016-2017 Agency Budget*, Agency Profile, p. 1.

<sup>2</sup> Parks & Trails Council, *Minnesota's Parks, Trails & Economy* (March 2014)

<sup>3</sup> MN Forest Resources Council, *Report on the Competitiveness of Minnesota's Primary Forest Products Industry* (2014), p. 6.

<sup>4</sup> Blue Green Alliance, *Repair MN Facts* (2016)

<sup>5</sup> 2018 Clean Jobs Midwest – Minnesota Executive Summary – 2018.

<sup>6</sup> [https://www.cleanenergyeconomymn.org/sites/default/files/cjm\\_executive\\_summary\\_mn\\_2018\\_08\\_08.pdf](https://www.cleanenergyeconomymn.org/sites/default/files/cjm_executive_summary_mn_2018_08_08.pdf)

<sup>6</sup> "Great lakes cleanup has economic ripple effect," Star Tribune, Sept. 24, 2018.

<sup>7</sup> A complete archive of Conservation Minnesota's annual budget reports can be found at <https://www.conservationminnesota.org/budget-analysis/>

The Environment and Natural Resources Trust Fund also provides critical support for conservation. The Trust Fund was established in 1988, when it was approved by voters in conjunction with creation of the state lottery. Voters have twice affirmed their support for the Trust Fund. Under the Minnesota Constitution, no less than 40% of lottery proceeds must be directed to the Trust Fund.

The Legacy Amendment and Trust Fund have provided a critical infusion of conservation funding in the state. However, **even with dedicated funds, total spending on conservation has never exceeded 3% of all state spending**. Challenges remain as requests for dedicated funding far exceed available funds, general funds for conservation continue to erode, parks and trails face maintenance backlogs, and water quality concerns persist in many parts of the state.

In the 2018 legislative session, the primary focus was passage of the state's regular capital investment bill. Governor Dayton proposed substantial funding related to conservation, including \$167 million for aging water infrastructure, critical funding for landfill cleanups, and \$30 million for the Conservation Reserve Enhancement Program (CREP) which matches federal funds to protect water quality.

The House and Senate proposed smaller bonding bills which were not approved by either body. In last days of the session, the Legislature shifted \$98 million of bond projects, including water infrastructure and landfill cleanup, to more expensive "appropriation bonds" financed with proceeds from the Environment and Natural Resources Trust Fund. Trust Fund dollars have never before been used to pay interest on bond projects, and conservation organizations strongly opposed this diversion of lottery funds. The Governor signed the bonding bill, noting that he was unable to veto the policy language supporting the appropriation bonds, but urging the next Legislature to quickly correct the raid and restore the integrity of the Trust Fund.

The Legislature also passed a supplemental budget bill which included numerous policy provisions opposed by conservation organizations. The Governor vetoed this bill.

In 2019, Governor Walz and Lt. Governor Flanagan, with the Legislature, will craft the next two-year operating budget for conservation agencies. In addition, the Legislature will approve the recommendations of citizen councils that allocate Legacy and lottery funds, and will likely consider a bonding bill to address infrastructure needs.

As noted, the state's conservation challenges are many – from threats to lakes, rivers, and drinking water to the challenges of climate change. However, in facing these challenges, policymakers have the advantage of a healthy budget picture, demonstrated in the state's recently released budget forecast. More importantly, **Minnesota has strong and proven citizen support for increased conservation investments.**

This support creates opportunities to build new coalitions and explore new ideas to meet conservation challenges. These partnerships and ideas can:

- help communities update our aging water infrastructure,
- ensure a strong agricultural economy while protecting clean water,
- provide parks, trails, and public access across the state for future generations,
- protect existing clean water resources so we do not add to our already overburdened water infrastructure,
- invest in clean energy,
- make sure hazardous landfills are cleaned up,
- aid local governments by better supporting recycling and solid waste programs, and
- ensure that dedicated conservation funds are not diverted so they can continue to protect our Great Outdoors as Minnesota voters intended.

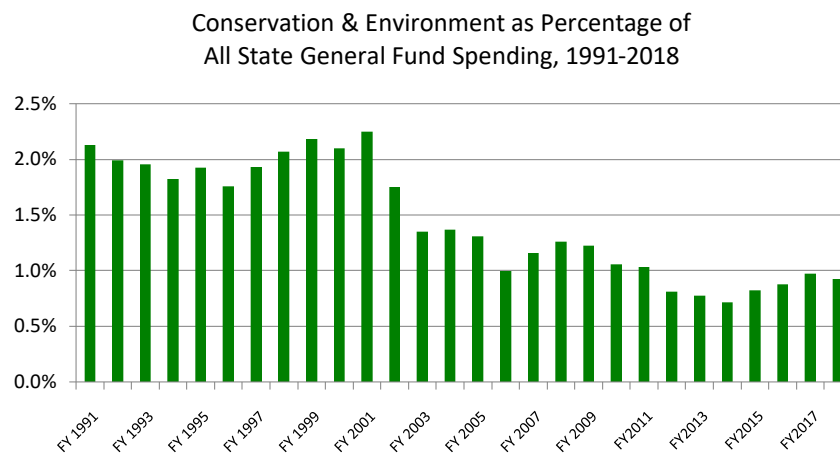
## BACKGROUND: CONSERVATION FUNDING IN MINNESOTA

Minnesota's conservation agencies<sup>8</sup> are supported by four primary categories of funding: general funds appropriated by the state legislature, statutorily dedicated funds (user fees designated for specific purposes, e.g. park fees, hunting and fishing licenses, forestry revenues,) constitutionally dedicated funds, and capital investment bonding.

### General funds for conservation see dramatic declines

Despite the high priority that Minnesotans place on protecting the great outdoors, budget pressures have made it difficult to maintain adequate levels of investment in our natural resources. For over a decade, general funds for conservation have declined. From 2000 to 2010, annual general funds for conservation dropped from \$248 million per year to \$154 million per year in non-inflation-adjusted dollars.<sup>9</sup>

As a percentage of state general fund spending, conservation has dropped from over 2% to less than 1% of state spending.



Source: Minnesota Management & Budget, Fund Statements.  
(Includes general funds for DNR, MPCA, BWSR, MDA and Metro Parks)

### Clean water and conservation concerns have become increasingly urgent

At the same time as conservation budgets were shrinking, Minnesota's water and natural resources faced mounting pressures.

- By 2003, 40% of Minnesota's lakes and rivers were found to be impaired, with a large portion deemed unswimmable and unfishable.
- By 2006, Minnesota had lost 90% of its prairie wetlands and the average breeding duck populations were 35% below the level needed for a stable population (2006 Duck Recovery Plan.)
- The average pheasant harvest had declined from 1 million in the 1960s to less than 400,000 (2005 Long Range Pheasant Plan.)
- The deferred maintenance backlog for Minnesota state parks and trails has steadily grown since 2000, and is currently estimated at \$370 million.

<sup>8</sup> In Minnesota, conservation and environment programs are primarily delivered by four agencies: the Department of Natural Resources (DNR), the Board of Water and Soil Resources (BWSR), the MN Pollution Control Agency (MPCA), and the MN Department of Agriculture (MDA.) In addition, the Public Facilities Authority (PFA) provides financing for water and wastewater treatment infrastructure, the MN Department of Health (MDH) oversees drinking water programs, and metro parks and trails receive funding via the seven county Metropolitan Parks system.

<sup>9</sup> Minnesota Management & Budget, General Fund Statements.

## **Missing: permanent funding to clean up impaired water**

In 2003 and 2004, increasing concern about polluted lakes and rivers led to the creation of an *Impaired Water Stakeholder Process* which included representatives from local governments, agriculture, business, conservation organizations, and state agencies. A core policy committee of 16 representatives of these stakeholders (known as the G-16) determined that the minimum need for addressing impaired waters would range from \$75 to \$100 million per year in 2004 dollars.<sup>10</sup>

In 2007, legislation was passed creating a statewide clean water program, but without a permanent funding source.<sup>11</sup> The G-16 had proposed a number of funding options, but no ongoing revenue source was approved by the Legislature.

## **Concerns drive citizen support for constitutionally dedicated funds**

As early as 1998, wildlife habitat supporters had introduced bills to dedicate new funds for conservation. In the early 2000's, momentum grew as citizens and local governments joined forces to object to the lack of funding for both wildlife habitat and impaired water. In 2005 and 2006, thousands of Minnesotans attended two **Ducks, Wetlands, & Clean Water** rallies at the state capitol urging lawmakers to address declining funding and preserve Minnesota's legacy of protecting our renowned natural resources for future generations.

## **Voters approve the Clean Water, Land & Legacy Amendment**

In early 2008, after years of debate, hearings, and public input, the Legislature responded to citizen concerns by approving ballot language for new dedicated clean water and conservation funding. The Legislature also added provisions addressing important park, trail, and cultural resource needs. In November 2008, voters approved the Clean Water, Land & Legacy Amendment (Legacy Amendment) to the state constitution by an overwhelming 56-39% margin.

Over 1.6 million Minnesotans voted for the Amendment and it received a **majority of votes in every congressional district in the state**.

## **Legacy Funds became available in FY2010**

The Legacy Amendment dedicated an increase of 3/8ths of one percent in the state sales tax – approximately 4 cents on a \$10 purchase. Because these are new dollars, the Legacy Amendment does not impact the funding available for any other state priorities. The Legacy Amendment was passed in November 2008 (during the 2009 fiscal year), so Legacy funds first became available in fiscal year 2010.

The Minnesota Constitution defines the purposes for which Legacy Funds can be used and requires that Legacy Funds **increase** funding for those specific purposes. The new funds "*must supplement traditional sources of funding for these purposes and may not be used as a substitute.*" Minn. Constitution, Art. XI, Sec. 15.

The Constitution provides that revenues are divided between four separate funds in the state treasury, and legislative and citizen councils make recommendations on how the funds are spent:

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<sup>10</sup> Impaired Water Stakeholder Process, Policy Framework (2003-04)  
<https://www.pca.state.mn.us/sites/default/files/lrwq-iw-1sy04.pdf>

<sup>11</sup>For 2007 and 2008, the clean water program was underfunded at roughly \$27 million using one time funds.

Clean Water, Land, and Legacy Amendment Constitutional Allocation of Revenues and Relevant Legislative-Citizen Councils		
Percent of Legacy Fund Revenues	Fund Name	Council(s)
33%	Outdoor Heritage Fund	Lessard-Sams Outdoor Heritage Council (LSOHC) Per <i>Minn. Stat. 97A.056</i>
33%	Clean Water Fund	Clean Water Council (CWC) Per <i>Minn. Stat. 114D.30</i>
14.25%	Parks & Trails Fund	Greater MN Regional Parks & Trails Commission (GMRPTC) per <i>Minn. Stat. 85.536</i> ; Parks & Trails Legacy Advisory Council (Advisory)
19.75%	Arts & Cultural Heritage Fund	MN State Arts Board per <i>Minn. Stat. 129D.02</i> ; Historical Society, Agencies, MN Zoo, MN Children’s Museum, Humanities Commission

### Legacy funds provide critical support for clean water and conservation

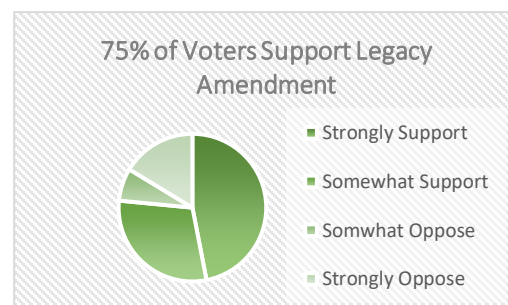
Since 2010, Legacy Funds have benefitted water, habitat, parks and trails, and cultural resources in every county in the state:<sup>12</sup>

- Outdoor Heritage Funds have restored 61,000 acres of wetlands, 600,000 acres of grasslands, added over 40,000 acres of WMA habitat and public access, and provided hundreds of local grant projects through the popular Conservation Partners Program. (“10 years on, state habitat grant program quietly makes progress,” Star Tribune, March 28, 2018)
- Clean Water Funds have doubled the pace of testing and monitoring lakes and rivers, identified impaired waterways, fixed failing septic systems, and provided critical resources to clean up pollution in Minnesota’s waters. (“Minnesota’s big water ambitions yield benefits...” Star Tribune, May 24, 2018.)
- Parks & Trails Funds have increased state park attendance by 25%, added new trails, restored park facilities, and introduced new and younger audiences to the outdoors. (“Minnesota’s state park attendance rises 25%: major investments reaping big rewards,” Star Tribune, August 26, 2018.)
- Arts and Cultural Heritage Funds have increased arts attendance across the state by 50% and the economic impact of non-profit arts organizations now exceeds \$2 billion. (CreativeMN.org; “Ten years later, Minnesota’s Legacy Amendment Fueling Small Town Arts,” Star Tribune, May 26, 2018.)

**Local governments receive substantial Legacy funds.** Between 2010 and 2017, local governments (including cities, counties, townships, watershed districts, and SWCDs) received over **\$420 million**.<sup>13</sup>

### Citizens strongly support the Legacy Amendment

The success of the Legacy Amendment has earned strong citizen support. Since its initial passage, public support for the amendment has **increased**. In February 2017, a statewide poll found that **75% of Minnesotans support the Legacy Amendment**. Support is equally strong in Greater MN - 73% of Minnesotans in rural areas support the Amendment.<sup>14</sup>



### Conservation needs continue to exceed available dollars

Legacy Funds cannot meet all the state’s conservation needs. For 2020, requests for Outdoor Heritage Fund projects totaled \$264.4 million – more than twice the available funds. Similarly, the Greater Minnesota Regional Parks & Trails Commission is unable to fund over one third of the requests it receives.

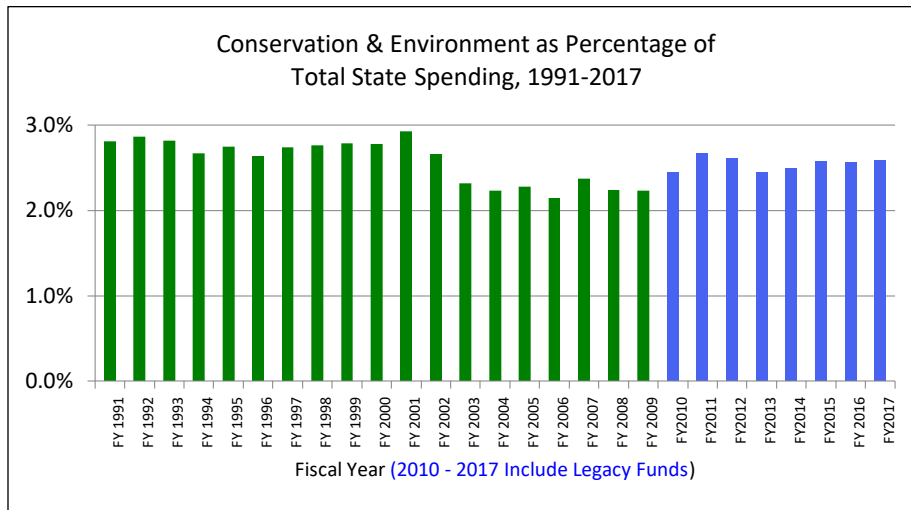
<sup>12</sup> Details on Legacy funded projects are compiled on a website administered by the Legislative Coordinating Commission (LCC): [Legacy.mn.gov](http://Legacy.mn.gov)

<sup>13</sup> Legislative Coordinating Commission (LCC), Legacy Website.

<sup>14</sup> Public Opinion Strategies, Statewide Voter Survey, February 1-5, 2017.

**Even with Legacy Funds, total spending on conservation is less than 3% of the total state budget**

Legacy Amendment dollars have provided a critical infusion of funds for conservation. However, even with Legacy Funds, total spending on conservation has **never exceeded 3% of all state spending**.<sup>15</sup>

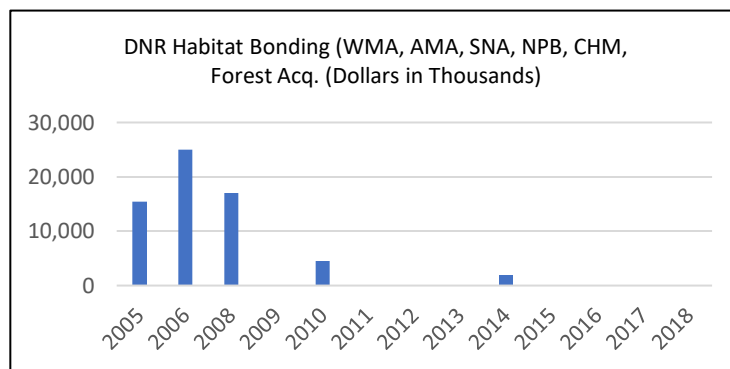


Source: Minnesota Management & Budget, Consolidated Fund Statements.

**General obligation bonding is a critical piece of conservation funding**

The Minnesota legislature traditionally approves a major capital investment bill or “bonding bill” in even-numbered years. The bonding bill is aimed at long term investments in capital projects. Bonding spreads the cost of these long-term projects over a period of years, so that the costs are born by both current and future taxpayers.

Many conservation projects, such as park and trail improvements, wildlife and aquatic management areas, water treatment infrastructure, reforestation, dam removal, and flood mitigation, are long term projects that are best suited for bonding. There is concern that recent bonding bills have short-changed critical conservation bonding needs. In particular, bonding for wildlife habitat has virtually disappeared in the last decade.



Source: Legislative Tracking Sheets. See Attachments B and C. Programs include Wildlife Management Areas (WMA), Aquatic Management Areas (AMA), Scientific and Natural Areas (SNA), Native Prairie Bank (NPB), Critical Habitat Match (CHM), and Forest Acquisition.

<sup>15</sup> Total state spending includes general funds (statewide taxes), statutorily dedicated funds (e.g. user fees and other revenues allocated to specific purposes), federal funds, and constitutionally dedicated funds.

## Dedicated lottery funds continue to play a key role

The Environment & Natural Resources Trust Fund was created in 1988 when 77% of voters overwhelmingly approved a constitutional amendment establishing the Trust Fund to protect the state's fish, wildlife, and natural resources with funds from the newly created state lottery.<sup>16</sup> In 1990, after the Legislature reduced the amount of lottery proceeds sent to the Trust Fund, voters again resoundingly passed an amendment to ensure no less than **40% of lottery proceeds** would be dedicated to the Trust Fund. In 1998, voters approved – again with 74% support – a constitutional amendment extending dedication of lottery proceeds to the Fund until 2025.

The Minnesota Constitution provides that 40% of the net proceeds of the state lottery are dedicated to the Trust Fund. Those proceeds are then invested by the State Board of Investment. Investments earnings are credited back to the Fund. *Minn. Stat.* 116P.04. Under the Constitution, up to 5½ percent of the market value of the assets in the Trust Fund can be appropriated each year. *Minn. Constitution Art XI, Sec. 14.*

The long-standing Legislative-Citizen Commission on Minnesota Resources (LCCMR) makes annual recommendations to the Legislature for allocation of Trust Fund proceeds. *Minn. Stat.* 116.05 Subd. 2. The requests for funding **far exceed the available funds**. Typically, only 25% of proposed projects receive funding. For the current recommendation package, the LCCMR:

- received 273 proposals requesting a total of \$191 Million
- asked to hear 110 presentations totaling \$103 Million
- recommended 67 proposals totaling \$53 Million.

## SUMMARY OF 2018 LEGISLATIVE SESSION

The top priority for the 2018 legislative session was passage of the state's regular capital investment bill, also known as the bonding bill, which is usually approved in even-numbered legislative years.

In addition, the Legislature needed to approve the annual recommendations of the Lessard-Sams Outdoor Heritage Council (LSOHC) which allocates the Outdoor Heritage Fund portion of the Legacy funds, and the Legislative-Citizen Commission on Minnesota Resources (LCCMR) which allocates the proceeds of the Environment & Natural Resources Trust Fund (lottery funds.)<sup>17</sup>

While the overall operating budget for state agencies is passed in odd-numbered legislative years, sometimes a supplemental budget is approved in even numbered years. In February 2018, the state budget forecast showed a surplus for the current budget cycle, and the Governor proposed a small supplemental budget. Finally, while the Legislature does not generally pass a tax bill in even numbered years, the passage of the federal tax bill, which created a need to make conforming changes in Minnesota law, caused the 2018 Minnesota Legislature to also consider a tax bill.

## Governor proposes conservation bonding

In January 2018, Governor Dayton released the final bonding proposal of his administration. The Governor recommended projects totaling \$1.540 billion in general fund supported bonding. The Governor's proposal

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<sup>16</sup> It is interesting to note that while voters strongly approved creation of the lottery, support for creating the Trust Fund was even greater. The ballot posed two questions to voters: 56% supported creation of the lottery itself; 77% supported creation of the Environmental Trust Fund to use lottery funds to protect natural resources.

<sup>17</sup> The allocation of other Legacy Funds (Clean Water, Parks, Arts) is made on a two year basis beginning in odd-numbered legislative years.



was well within the state's debt capacity guidelines. The state's 2018 debt capacity report found that the state could support up to \$2 billion in bonding.<sup>18</sup>

Within his total request, the Governor's proposed substantial funding for conservation, including two key clean water programs:

- \$167 million for wastewater and drinking water infrastructure
- \$30 million for the Conservation Reserve Enhancement Program (CREP). The CREP program matches substantial federal funds to protect water quality by funding permanent conservation easements on riparian lands.

In addition, the Governor recommended \$6 million to complete a critical landfill cleanup in Anoka County that threatens nearby source water.

### **House and Senate propose smaller bonding packages**

For most of the session, there was little committee action on the bonding bill in either legislative body. In early May, both the Senate and House proposed smaller bonding bills that included \$120 million for water infrastructure and \$10 million for CREP. Both packages included other conservation priorities, including landfill cleanup. The Senate proposal failed to pass on a floor vote, and the House did not vote on its proposal.

### **Virtually all major legislation delayed until the last two days of session**

By the last days of the legislative session, no final action had occurred on:

- The bill containing the recommendations of the Lessard-Sams Outdoor Heritage Council (HF 3423/SF 3167),
- The bill containing the LCCMR recommendations for the Environment & Natural Resources Trust Fund (HF3352/SF2934),
- The bonding bill,
- The supplemental budget bill, and
- The tax bill.

What started as the supplemental budget bill had surprisingly grown to a massive 900+ page bill containing many policy provisions opposed by conservation organizations. One positive provision, a bill that would reduce the amount of road salt entering lakes and rivers by creating a certification program for commercial applicators (HF 3577/ SF 3122) had passed the House but did not make it into the Legislature's final supplemental budget bill.

### **Legislature raids the Environmental Trust Fund to pay for bonding**

In the final days of the session, proposals surfaced for the first time to finance bonding projects with dollars from the Environment & Natural Resources Trust Fund. In an effort to make more room in the regular bonding bill for other projects, legislators proposed shifting water infrastructure and landfill cleanup to "appropriation bonds" financed by the Environment & Natural Resources Trust Fund. The Trust Fund has never before been used to finance appropriation bonds.

Conservation organizations strongly opposed this proposal for a number of reasons:

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<sup>18</sup> MMB, Report to Legislature: Debt Capacity Forecast, February 28, 2018, <https://mn.gov/mmb-stat/debt-management/bonding/debt-capacity-reports/2018/dcf-february-2018.pdf>

- The Trust Fund was never intended for water infrastructure and landfill clean up (which could eat up all available funds) and the enabling statute was written to specifically prohibit the use of funds for these purposes,
- The constitutional language authorizing the Trust Fund does not list interest payments as an allowable use for the Fund,
- Appropriation bonds are more expensive than regular bonding and shifting these projects to appropriation bonds would **cost the state \$35 million more** than regular bonding,<sup>19</sup> and
- The Legislature was forced to cut other programs recommended by the LCCMR in order to pay the interest on the appropriation bonds.

Despite the objections, in the final hours of the session, the Legislature passed a bonding bill that shifted \$98 million in bonding to the Environment & Natural Resources Trust Fund, including \$59 million of the Legislature’s water infrastructure package, all \$10 million of its proposal for CREP, and all \$6 million needed for the Anoka County landfill cleanup.

### **Supplemental budget bill and tax bills are vetoed**

On the final day of session, the Legislature passed the massive supplemental budget bill (Laws 2018, Chapter 201), and an omnibus tax bill (Laws 2018, Chapter 205.) Both bills were vetoed by the Governor and no additional legislation was passed.

### **Legislature passes Outdoor Heritage Fund bill**

The delay of the Outdoor Heritage Fund bill until the last day of session had raised concerns that it would be derailed by attempts to attach other provisions to the bill. Fortunately, the Legislature passed the recommendations of the Lessard Council largely intact. The bill was subsequently signed by the Governor (Laws 2018, Chapter 208), and the funding became available for on the ground conservation projects on July 1, 2018.<sup>20</sup>

The bill did not include any changes to Clean Water Fund or Parks and Trail Fund allocations. Conservation organizations had strongly objected to a proposal to fund a property tax credit for riparian buffers through the Clean Water Fund, rather than with general funds. Legacy Funds were not intended for tax credits, and the proposal would divert \$12-\$15 million per year from clean water programs. Ultimately, the proposal to fund tax credits for riparian buffers using the Clean Water Fund was not included in the Legacy bill.

### **Governor signs bonding bill despite objections**

On May 30, Governor Dayton signed the bonding bill despite strong objections to the shift of infrastructure and landfill projects to the Environment & Natural Resource Trust Fund. The Governor’s letter stated:

*“In this bill, the Legislature shamefully subverted the prescribed Legislative-Citizen Commission on Minnesota Resources (LCCMR) process by adding projects that did not go through the LCCMR Board’s rigorous process of review and recommendation. Even worse, Legislators invaded the Trust Fund to pay for another \$98 million in projects, through issuing appropriation bonds. The systematic use of appropriation bonds in what is supposed to be a general obligation bonding bill is wrong.... I regret that I am unable to erase the dangerous policy language included in this bill that, if continued, would drain*

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<sup>19</sup> Appropriation bonds are more expensive because they are not backed by the full faith and credit of the state.

<sup>20</sup> See, “Dedicated funding flows to worthy Minnesota natural resource projects”, Grand Forks Herald, June 10, 2018.

<https://www.grandforksherald.com/sports/outdoors/4458054-dedicated-funding-flows-worthy-minnesota-natural-resource-projects>

*the resources from this Fund. I strongly urge future Legislatures to immediately correct this travesty and restore the integrity of this 30 year old Fund for future generations.”*<sup>21</sup>

The appropriation bonds financed by Environment & Natural Resource Trust Fund have met legal challenges and have not been issued by Minnesota Management & Budget. Conservation organizations have urged Legislators to avoid further delays to these important programs by immediately passing a bonding bill early in the 2019 session which refinances the appropriation bonds with general obligation bonds which are less expensive and noncontroversial.

## WHAT'S NEXT: OPPORTUNITIES IN THE 2019 LEGISLATIVE SESSION

In 2019, the Governor, Lt. Governor, and Legislature will craft the next two-year operating budget for state agencies. In addition, the Legislature is likely to address a tax bill, will hear the recommendations of the Legacy councils and the LCCMR for allocation of Legacy and lottery funds, and is likely to consider a bonding bill to address the state's mounting infrastructure needs.

Because the 2018 session ended without passing a supplemental budget, \$288 million of the projected FY 2018-19 balance was left unallocated. Under the state's recently released budget forecast, this balance grows to \$720 million for the current FY2018-19 biennium. For the coming FY 2020-21 budget cycle, the state predicts a \$1.544 billion budget surplus.<sup>22</sup> The forecast does not consider inflationary increases in many state programs, so caution is warranted when considering the impact of the projected budgetary balance. Nonetheless, the budget forecast reflects a solid and healthy budget picture for the state.

As they shape the next two-year budget for conservation and environmental programs, policymakers face both challenges and opportunities. The challenges are many – increased needs to replace aging water infrastructure, deferred maintenance of parks and trails, lack of public access to outdoor recreation in many parts of the state, source water protection, landfill cleanup needs, and the challenges of climate change.

However, in facing these challenges, we have the advantage of strong and proven citizen support for conservation investments. This support creates opportunities to build new coalitions and explore new ideas to meet conservation challenges. As our state continues to grow and thrive, our tradition of investing in conservation is even more critical: from 2000 to 2017, Minnesota's population grew by 13% and by 2032 the population will exceed 6 million – a million more people than in 2000. A growing population is good news for the state, but also means increasing pressure on our water resources, parks, trails, and natural areas, and increasing need to provide outdoor recreation opportunities and the quality of life Minnesotans expect.

To ensure that we protect our great outdoors for present and future citizens, policy makers should consider opportunities to:

- Ensure progress on critical water infrastructure investments by quickly replacing the 2018 Environment and Natural Resources Trust Fund appropriation bonds with general obligation bonds so local governments have certainty regarding the availability of funding.
- Consider additional 2019 general obligation bonding to meet water infrastructure needs.
- Work more effectively with agricultural stakeholders to ensure a vibrant agricultural economy while protecting our water resources.

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<sup>21</sup> Governor Mark Dayton, Letter to the Honorable Kurt Daudt, May 30, 2018.

<sup>22</sup> Minnesota Management & Budget, November 2018 Forecast, <https://mn.gov/mmb-stat/000/az/forecast/2018/budget-and-economic-forecast/november/forecast.pdf>

- Pursue new ideas to protect existing clean water sources so we do not add to our already over-burdened water infrastructure.
- Protect lakes, rivers, and groundwater from increasing levels of chloride contamination by creating a road salt certification program for commercial applicators.
- Consider addressing the substantial backlog for park and trail maintenance through a new comprehensive approach to state asset preservation needs.
- Make sure hazardous landfill clean ups are fully funded.
- Support local governments by restoring the portion of the solid waste tax that is currently diverted to the general fund and using it for recycling and solid waste programs as intended.
- Invest in clean energy.
- Support the recommendations of legislative-citizen councils for allocation of Legacy and lottery funds.
- Ensure general funds for conservation are not further eroded.
- Protect Minnesota's popular and highly successful dedicated conservation funding so it continues to create and enhance public access, protect wildlife and water, and invest in parks and trails as voters intended.

Attachment A  
**MN Session Laws: Environment & Natural Resource Funding,  
Dedicated Funding, and Bonding  
Legislative Sessions 1995-2018**

<b>Environment &amp; Natural Resources Appropriations and Dedicated Funding</b>		
<b>Legislative Year</b>	<b>Session</b>	<b>Chapter</b>
2018	Regular	Ch. 208 (Legacy). Supp. Finance bill vetoed.
2017		Ch. 91 (Legacy) Ch. 93 (Omnibus Env. Budget) Ch. 96 (LCCMR)
2016	Regular	Ch. 186 (LCCMR) Ch. 189 (Supp. Budget) Ch. 172 (Legacy)
2015	Regular 1 <sup>st</sup> Special Session	Ch. 76 (LCCMR) Ch. 3 (Legacy) Ch. 4 (Env. Finance)
2014	Regular	Ch. 312 Ch. 256 (Legacy) Ch. 226 (LCCMR) Ch. 150 (Tax Bill 1) Ch. 308 (Tax Bill 2)
2013	Regular	Ch. 52 (LCCMR) Ch. 137 (Legacy) Ch. 114 (Env. Fin.)
2012	Regular Session 1 <sup>st</sup> Spec. Session	Ch. 264 (Legacy) Ch. 1 (Flood Disaster Relief)
2011	1 <sup>st</sup> Special Session	Ch. 2 (Env. Finance, LCCMR) Ch. 6 (Legacy)
2010	Regular  1 <sup>st</sup> Special Session	Ch. 215 (GF Budget Balancing) Ch. 361 (Legacy, Supp. Funding) Ch. 362 (LCCMR) Ch. 1 (2 <sup>nd</sup> Budget Balancing Bill)
2009	Regular	Ch. 37 (Env. Finance) Ch. 172 (Legacy Funds) Ch. 143 (LCCMR)
2008	Regular	Ch. 363
2007	Special	Ch. 2
2007	Regular	Ch. 57
2006	Regular	Ch. 282
2005	Special	Ch. 1 (S.F. 69)
2004	----	No Appropriation bill
2003	Regular	Ch. 128
2002	Regular	Ch. 220, Art. 8 Ch. 374, Art. 6
2001	Special	Ch. 2
2000	Regular	Ch. 488
1999	Regular	Ch. 231
1998	Regular	Ch. 401
1997	Regular	Ch. 216
1996	Regular	Ch. 407
1995	Regular	Ch. 220

<b>Capital Investment (Bonding) Appropriations</b>		
<b>Legislative Year</b>	<b>Session</b>	<b>Chapter</b>
2018	Regular	Ch. 214 (Bonding and LCCMR)
2017	1 <sup>st</sup> Spec. Session	Ch. 8 (HF 5)
2016	Regular	No bonding bill passed (HF 622 was proposed)
2015	1 <sup>st</sup> Spec. Session	Ch. 5

2014	Regular	Ch. 294 Ch. 295 (Cash)
2013	Regular	Ch. 136
2012	Regular 1 <sup>st</sup> Spec. Session	Ch. 293 Ch. 1 (Flood Disaster Relief)
2011	1 <sup>st</sup> Special Session	Ch. 12
2010	Regular 2 <sup>nd</sup> Special Session	Ch. 189 Ch. 1 (Disaster Relief)
2009	Regular	Ch. 93
2008	Regular	Ch. 152 (veto overridden)(transportation funding), 179 (partial veto), 365
2007	Special	Ch. 2
2007	Regular	HF 886 (Vetoed)
2006	Regular	Ch. 258
2005	Regular	Ch. 20 (H.F. 3)
2004	-----	No bonding bill
2003	Special	Ch. 20
2002	Regular	Ch. 393
2001	Special	Ch. 12
2000	Regular	Ch. 492, Ch. 463 (game & fish fee increase)
1999	Regular	Ch. 240
1998	Regular	Ch. 404
1997	Regular	Ch. 246
1996	Regular	Ch. 463
1995	Special	Ch. 2

Bonding History for Conservation & Environment, 1999-2018																				
(Dollars in Thousands)																				
Legislative Session	1999, Ch. 240	2000, Ch. 492	2001, 1st Sp. Sess. Ch. 12	2002 (Post Veto)*, Ch. 393	2003 Sp. Sess. Ch. 20	2005, Ch. 20	2006, Ch. 258	2007 Sp. Sess. Ch. 2, Art. 1	2008 Ch. 152 (Ch. 179) (Post Veto), Ch. 365	2009 Ch. 93 (Post Veto)	2010, Ch. 189 Post Veto	2010, Ch. 1 2nd Sp. Sess. Session	2011 Spec. Session, Ch. 12	2012, 2012, Spec. Session, Ch. 293	2012 1st Spec. Session	2013 Ch. 136	2014 Ch. 294 & 295	2015 1st Spec. Session, Ch. 5	2017, HF 5, 1st Spec. Session	2018, Ch. 214 Art. 1
GO Bonds	139,070	467,600	98,205	551,007	189,281	885,892	948,637	56,200	822,480	217,765	629,349	36,790	454,578	496,483	26,695	154,115	814,745	162,879	850,924	713,694
GO Transp. Bonds	10,440		0	45,000	0	0	0	20,020	2,000	10,000	66,000	0	43,000	0	54,980	36,613	17,120	165,144	103,060	
GF Cash	440	97,861	0	2,146	0	0	1,000	72,334	14,432	10,653	0	38,416	0	0	71,850	0	198,748	13,600	11,033	412,50
<b>GF Impact</b>	<b>139,510</b>	<b>565,461</b>	<b>98,205</b>	<b>553,153</b>	<b>189,281</b>	<b>885,892</b>	<b>949,637</b>	<b>128,534</b>	<b>838,912</b>	<b>238,418</b>	<b>695,349</b>	<b>75,206</b>	<b>497,578</b>	<b>496,483</b>	<b>153,525</b>	<b>154,115</b>	<b>1,050,106</b>	<b>193,599</b>	<b>1,027,101</b>	<b>858,004</b>
User Financed	0	71,359	19,000	73,705	47,634	59,088	50,343	1,000	56,942	35,000	18,056		33,862	70,376		22,680	39,104	10,648	22,442	63,005
Appr. Bond																		29,000		
Max School																	5,491			14,000
MHFA Apr. Bonds								20,000	48,200	2,905	32,945	5,000		30,000	14,000		7,950	140,140	0	80,000
THB								58,237			22,800									58,500
Other																		0	15,000	80,000
<b>Total Capital Budget*</b>	<b>139,510</b>	<b>636,820</b>	<b>117,205</b>	<b>626,858</b>	<b>236,915</b>	<b>944,980</b>	<b>999,980</b>	<b>207,771</b>	<b>944,054</b>	<b>276,323</b>	<b>769,150</b>	<b>80,206</b>	<b>531,440</b>	<b>596,859</b>	<b>167,525</b>	<b>176,795</b>	<b>1,182,651</b>	<b>373,387</b>	<b>1,123,043</b>	<b>1,433,317</b>
<b>Agency</b>																				
DNR	18,968	73,177	2,000	69,450	13,755	72,145	100,704	6,700	123,805	54,800	98,581	14,000	103,450	46,500	20,924	20,000	78,480	28,704	67,203	78,669
MPCA/OEA	3,000	2,200	20,500	11,150	0	14,000	17,300	0	2,500	0	13,775		7,550	2,000	0	0	2,625	11,026	46,010	750
BWSR	2,375	23,300	53,487	0	6,400	27,862	7,200	4,000	30,475	2,500	2,500	13,000	22,614	12,000	12,500	0	8,000	16,300	15,000	7,400
PFA WIF	20,500	18,319			15,000	29,900	23,300		15,300		27,000	500	20,000	15,000	6,000	0	18,333	10,000	55,000	25,000
PFA Fed Match																				
Funds	2,200	12,893		16,000		14,380	38,800	10,000	30,000		30,000			8,500		8,000	12,000	0	17,000	14,000
PSIG						2,000	5,000		2,000		0							0	33,737	0
CWP/CWA/SOWW.		2,000					3,310		1,500		0							0	0	0
Met Council						14,664	11,500		17,454		13,500		5,000	4,586		0	17,068	0	5,000	5,500
Local water projects																		9,992	0	11,151
ALS - U of M																		8667	0	0
AGBMP/ISTS																		0	0	0
<b>Total Conservation &amp; Env.</b>	<b>47,043</b>	<b>132,889</b>	<b>75,987</b>	<b>96,600</b>	<b>35,155</b>	<b>174,951</b>	<b>207,114</b>	<b>20,700</b>	<b>223,094</b>	<b>57,900</b>	<b>185,356</b>	<b>27,500</b>	<b>158,514</b>	<b>88,586</b>	<b>39,424</b>	<b>28,000</b>	<b>155,165</b>	<b>66,030</b>	<b>250,101</b>	<b>156,669</b>
Conservation as % of GF Capital Budget	33.7%	23.5%	77.4%	17.5%	18.6%	19.7%	21.8%	16.1%	26.6%	24.0%	26.7%	36.6%	31.9%	17.8%	25.7%	18.2%	14.8%	34.1%	24.4%	18.3%
PCA User Financed Bonds (Remediation)									25,000											

\*Does not include cancellations or reauthorizations. Source: Legislative Tracking Sheets

Attachment C

Legislative Session	1998, Ch. 400	1999, Ch. 240	2000, Ch. 492	2001, Sp. Sess. Ch. 12	2002 Pre-Veto, Ch. 203	2003, Sp. Sess. Ch. 20	2004, Ch. 20	2005, Ch. 248	2007 Sp. Session, Ch. 2, Art. 1	2008, Ch. 152 (Ch. 179) (Post Veto), Ch. 365	2009 Ch. 93 (Post Veto)	2010, Ch. 189 (Post Veto), 1 2nd Spec. Session	2011 Spec. Session, Ch. 12	2012, Ch. 295, 1st Spec. Session, Ch. 1 & 2	2013, Ch. 156 & 295	2014 Ch. 294 & 295	2015 1st Spec. Session, Ch. 5, Art. 1 & 2	2017, 1st Spec. Session	2018, 1st Spec. Session
<b>DNR Total</b>	<b>130,251</b>	<b>18,968</b>	<b>73,027</b>	<b>2,000</b>	<b>69,450</b>	<b>13,755</b>	<b>72,145</b>	<b>100,704</b>	<b>6,700</b>	<b>123,805</b>	<b>54,800</b>	<b>112,581</b>	<b>103,450</b>	<b>67,424</b>	<b>20,000</b>	<b>78,480</b>	<b>28,704</b>	<b>67,203</b>	<b>78,669</b>
Asset Preservation	0	0	2,000	0	2,600	0	2,000	2,000	0	1,000	1,000	1,000	17,000	0	0	10,000	0	15,000	26,581
Building/Office Rehab/ADA, etc.	7,391	0	5,250	0	3,000	0	300	0	0	0	0	2,500	9,250	0	0	2,000	0	0	6,000
Flood Hazard Mitigation/Ring Dikes/Flood Dams	30,000	18,968	14,300	2,000	30,000	4,405	27,000	25,000	6,700	33,900	53,800	74,000	50,000	48,855	20,000	12,000	28,704	11,555	20,000
Dam Repair/Removal	1,300	0	1,200	0	650	1,050	2,000	2,250	0	2,000	0	5,000	16,000	3,000	0	6,500	0	15,400	0
Forest Roads and Bridges	2,000	0	1,000	0	1,200	0	300	1,000	0	0	0	1,000	4,800	2,000	0	0	0	0	0
Well Sealing/Groundwater Monitoring	0	0	0	0	600	0	0	0	0	500	0	0	600	0	0	0	0	0	0
Fisheries/Fishing Piers/Hatcheries	3,000	0	0	0	0	0	4,750	6,000	0	2,150	0	0	0	0	0	2,000	0	0	0
Reforestation	0	0	0	0	0	0	3,000	4,000	0	3,000	0	3,000	0	4,569	0	2,963	0	1,000	3,000
All other (nature centers, zoos, local projects)	18,475	0	24,610	0	0	3,325	2,300	8,000	0	2,903	0	3,000	0	3,000	0	8,000	0	6,200	4,290
<b>Other Subtotal</b>	<b>62,166</b>	<b>18,968</b>	<b>48,360</b>	<b>2,000</b>	<b>38,050</b>	<b>8,780</b>	<b>41,650</b>	<b>48,250</b>	<b>6,700</b>	<b>45,453</b>	<b>54,800</b>	<b>89,500</b>	<b>97,650</b>	<b>61,424</b>	<b>20,000</b>	<b>43,463</b>	<b>28,704</b>	<b>49,155</b>	<b>59,871</b>
State Parks and Rec Areas	17,035	0	6,917	0	23,500	1,000	4,300	9,000	0	42,687	0	10,609	5,800	6,000	0	14,750	0	3,500	5,250
Trails	15,250	0	6,900	0	900	475	8,795	13,954	0	16,173	0	7,972	0	0	0	17,767	0	14,548	12,248
Metro Parks	9,000	0	5,600	0	6,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Greater MN Parks	0	0	500	0	0	0	0	0	0	1,492	0	0	0	0	0	500	0	0	1,300
<b>Parks Subtotal</b>	<b>41,285</b>	<b>0</b>	<b>19,917</b>	<b>0</b>	<b>30,400</b>	<b>1,475</b>	<b>13,095</b>	<b>22,954</b>	<b>0</b>	<b>60,352</b>	<b>0</b>	<b>18,581</b>	<b>5,800</b>	<b>6,000</b>	<b>0</b>	<b>33,017</b>	<b>0</b>	<b>18,048</b>	<b>18,798</b>
Forest Land Acq. (incl. easements)	800	0	0	0	500	0	1,500	8,000	0	3,000	0	500	0	0	0	0	0	0	0
Stream Protection and Restoration	1,000	0	0	0	0	0	500	2,000	0	1,000	0	0	0	0	0	0	0	0	0
WMA/WMA Acquisition	3,000	0	1,000	0	500	0	10,600	14,000	0	6,000	0	1,000	0	0	0	0	0	0	0
SNA/Prairie Bank Acquisition	3,000	0	1,500	0	3,500	3,000	1,300	3,000	0	5,000	0	4,500	0	0	0	0	0	0	0
RIM Critical Habitat Match	7,000	0	750	0	1,000	0	2,000	0	0	3,000	0	3,000	0	0	0	2,000	0	0	0
Local Grants/Metro Greenways	12,000	0	1,500	0	0	0	1,500	2,500	0	0	0	0	0	0	0	0	0	0	0
<b>Habitat Subtotal</b>	<b>26,800</b>	<b>0</b>	<b>4,750</b>	<b>0</b>	<b>5,500</b>	<b>3,500</b>	<b>17,400</b>	<b>29,500</b>	<b>0</b>	<b>18,000</b>	<b>0</b>	<b>9,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,000</b>	<b>0</b>	<b>2,000</b>	<b>0</b>
Biennial Totals - Habitat	4,750	0	0	0	20,900	0	29,500	18,000	0	9,000	0	0	0	0	0	2,000	0	0	0
(Total Check DNR Bonding)	130,251	18,968	73,027	2,000	73,950	13,755	72,145	100,704	6,700	123,805	54,800	117,081	103,450	67,424	20,000	78,480	28,704	67,203	78,669
Biennial Totals (2005 bonding included in 03-04)	91,995	91,995	75,950	75,950	85,900	130,505	171,881	170,874	170,874	170,874	170,874	170,874	170,874	98,480	98,480	98,480	98,480	98,480	98,480
<b>BWSR</b>	<b>19,800</b>	<b>2,375</b>	<b>23,800</b>	<b>53,487</b>	<b>0</b>	<b>6,400</b>	<b>27,862</b>	<b>7,900</b>	<b>4,000</b>	<b>30,475</b>	<b>2,500</b>	<b>15,500</b>	<b>22,614</b>	<b>24,500</b>	<b>0</b>	<b>8,000</b>	<b>16,300</b>	<b>15,000</b>	<b>7,400</b>
RIM Reserve/CREP	15,000	0	21,500	51,487	2,000	1,000	27,362	0	0	25,000	500	10,000	20,000	7,500	0	6,000	4,700	10,000	0
Local Roads Wetland Bank	2,750	0	2,300	2,000	0	2,700	0	4,200	0	0	0	2,500	0	6,000	0	2,000	0	5,000	6,700
Cost Share Grants	2,050	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	10,600	0	0
Other (incl. flood mitigation/damage)	0	2,375	0	0	0	2,700	500	3,700	4,000	1,275	2,000	3,000	2,614	11,000	0	0	1,000	0	700
(Total Check BWSR Bonding)	19,800	2,375	23,800	53,487	2,000	6,400	27,862	7,900	4,000	26,275	2,500	15,500	22,614	24,500	0	8,000	16,300	15,000	7,400
<b>Metro Parks (Met Council Bonding)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>14,664</b>	<b>22,862</b>	<b>0</b>	<b>15,545</b>	<b>0</b>	<b>10,500</b>	<b>5,000</b>	<b>4,586</b>	<b>0</b>	<b>25,248</b>	<b>0</b>	<b>5,000</b>	<b>5,500</b>