



The Department of Natural Resources' Administration of the Shade Tree Bonding Grants Program

Special Review

June 2025

Office of the Legislative Auditor

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June 26, 2025

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In January 2024, a legislator contacted the Office of the Legislative Auditor (OLA) regarding the Department of Natural Resources' (DNR's) administration of the Shade Tree Bonding Grants program. The legislator was concerned that DNR may have favored applicant cities with fewer than 20,000 residents when awarding the grants, and the legislator questioned whether this practice was consistent with the laws authorizing the program.

In response to these concerns, OLA initiated a limited special review to examine the issues in more detail. Our review identified that the Legislature established few specific requirements for how DNR should award the Shade Tree Bonding Grants, which resulted in the department using significant discretion to select grantees. Further, when making grant decisions, DNR's grant review committees considered unscored criteria that DNR had not communicated to applicants. DNR's consideration of these additional criteria resulted in some applicants not receiving grant funding in favor of applicants with lower overall scores.

This limited special review was conducted by Katherine Theisen, Special Reviews Director, and Nathan Shepherd, General Counsel. DNR cooperated fully with our review, and we thank them for their assistance.

Sincerely,



Judy Randall
Legislative Auditor



Katherine Theisen
Special Reviews Director



OLA

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OLA

Introduction

In January 2024, a legislator contacted the Office of the Legislative Auditor (OLA) about the Minnesota Department of Natural Resources' (DNR's) administration of the Shade Tree Bonding Grants program. The legislator was concerned that DNR may have favored applicant cities with fewer than 20,000 residents when awarding the grants, and the legislator questioned whether this practice was consistent with the laws authorizing the program.

Based on a preliminary assessment of the legislator's concerns, OLA initiated a limited special review of DNR's administration of the Shade Tree Bonding Grants program. To conduct this limited review, we requested and reviewed information from DNR regarding its grant award process. We also interviewed DNR staff and examined publicly available information regarding the Shade Tree Bonding Grants program. Finally, we analyzed relevant laws and policies.

Summary

In summary, we found that:

- The Legislature identified only one specific priority for Shade Tree Bonding Grants and structured the program in a way that provided only general requirements for any additional priorities DNR established.
- Absent more specific legislative direction, we cannot determine whether some of the additional priorities DNR established to award Shade Tree Bonding Grants were consistent with criteria established in state law.
- When making grant decisions, DNR's grant review committees considered criteria DNR had not communicated to applicants. Further, DNR's grant review committees did not apply scores to these criteria, and DNR staff did not adequately document the committees' decisions.

In this limited special review, we first provide a brief overview of the Shade Tree Bonding Grants program. Then, we discuss the priorities DNR established for grant awards.¹ Finally, we discuss the grant review process for applications received in 2021 and 2023. DNR's response to this limited special review is included at the end of this report.

Overview

The 2020 Legislature authorized the Shade Tree Bonding Grants program for “cities, counties, townships, and park and recreation boards in cities of the first class.”² In that year, the Legislature appropriated \$1 million for the program from the bond

¹ Our discussion is limited to whether these priorities were consistent with statutory mandates and does not address whether these priorities are appropriate, beneficial, or desirable in this situation or others.

² *Laws of Minnesota* 2020, Fifth Special Session, chapter 3, art. 1, sec. 7, subd. 8. Minneapolis, St. Paul, Rochester, and Duluth are considered cities of the first class.

proceeds fund.³ The 2023 Legislature appropriated an additional \$8.4 million from the bond proceeds fund, as well as \$1.663 million from the general fund, for Shade Tree Bonding Grants.⁴

Grants awarded under each of the appropriations were:

[F]or the removal and the planting of shade trees on public land to provide environmental benefits; [to] replace trees lost to forest pests, disease, or storm; or to establish a more diverse community forest better able to withstand disease and forest pests.⁵

The appropriating laws also directed that:

For purposes of this appropriation, ‘shade tree’ means a woody perennial grown primarily for aesthetic or environmental purposes with minimal to residual timber value. Any tree planted with money under this subdivision must be a climate-adapted species to Minnesota.⁶

Finally, as discussed later in this report, these appropriations laws specified that grants under this program be subject to requirements in the natural resources capital improvement program statute.⁷ Only the 2020 appropriation identified any specific priority when awarding a grant under the Shade Tree Bonding Grants program.⁸

Grant Application Requests and Stated Priorities

DNR opened applications for grants from the Shade Tree Bonding Grants program based on the 2020 appropriation in the winter of 2021. Applications for the 2023 appropriation opened in the summer of 2023. In both 2021 and 2023, DNR issued Shade Tree Program Bonding Grants Requests for Applications (RFAs). These RFAs contained information about the program, identified characteristics of projects that would be prioritized to receive grant funding, and provided a copy of the scoring sheet showing how each aspect of the application would be scored.

³ *Laws of Minnesota* 2020, Fifth Special Session, chapter 3, art. 1, sec. 7, subd. 8.

⁴ *Laws of Minnesota* 2023, chapter 71, art. 1, sec. 2, subd. 2; and *Laws of Minnesota* 2023, chapter 72, art. 1, sec. 7, subd. 11. One of the 2023 appropriations for the Shade Tree Bonding Grants program, at *Laws of Minnesota* 2023, chapter 71, art. 1, sec. 2, subd. 2, also designates Tribal governments and land as permitted grantees.

⁵ *Laws of Minnesota* 2020, Fifth Special Session, chapter 3, art. 1, sec. 7, subd. 8. The 2023 appropriations laws contained essentially identical language, though the corresponding language of *Laws of Minnesota* 2023, chapter 71, art. 1, sec. 2, subd. 2, refers to “public or Tribal land.”

⁶ *Laws of Minnesota* 2020, Fifth Special Session, chapter 3, art. 1, sec. 7, subd. 8; *Laws of Minnesota* 2023, chapter 71, art. 1, sec. 2, subd. 2; and *Laws of Minnesota* 2023, chapter 72, art. 1, sec. 7, subd. 11.

⁷ *Laws of Minnesota* 2020, Fifth Special Session, chapter 3, art. 1, sec. 7, subd. 1(b); *Laws of Minnesota* 2023, chapter 71, art. 1, sec. 2, subd. 1(b); and *Laws of Minnesota* 2023, chapter 72, art. 1, sec. 7, subd. 1(b).

⁸ *Laws of Minnesota* 2020, Fifth Special Session, chapter 3, art. 1, sec. 7, subd. 8.

Specifically, the 2021 and 2023 RFAs each prioritized four applicant or project characteristics. Three of the priorities were included in both cycles; the 2021 and 2023 RFAs each included a fourth priority unique to that year. According to the RFAs, DNR intended to prioritize projects as outlined below.

2021 Grant Award Priorities
1. Remove and replace ash trees that pose significant public safety concerns.
2. Benefit underserved populations and areas of concern for environmental justice.
3. Are completed by entities whose staff or contractors have professional tree care credentials.
4. Are located in areas with a known emerald ash borer infestation.

2023 Grant Award Priorities
1. Remove and replace ash trees that pose significant public safety concerns.
2. Benefit underserved populations and areas of concern for environmental justice.
3. Are completed by entities whose staff or contractors have professional tree care credentials.
4. Serve communities with a population less than 20,000.

Grant Awards

For both the 2021 and 2023 rounds of applications, a grant review committee scored applications and discussed their perceptions of the applicants.⁹ DNR awarded grants based on the committees’ recommendations.

As illustrated in Exhibit 1, DNR received more than 100 applications for grants in 2021 and 2023 combined and awarded a total of 60 grants based on these applications. For applications received in 2021, the maximum allowable grant award was \$100,000, and for applications received in 2023, the maximum allowable grant award was \$500,000. The average grant award reflected the change in the maximum allowable grant award amount, increasing from \$58,824 for 2021 grantees to \$243,023 for 2023 grantees.

Exhibit 1
Grant Summary, Shade Tree Bonding Grants Program

	2021 Grant Cycle	2023 Grant Cycle
Number of applications	30	72
Number of grantees	17	43
Maximum allowable grant award	\$100,000	\$500,000
Largest grant award	\$100,000	\$500,000
Smallest grant award	\$11,996	\$7,986
Average grant award	\$58,824	\$243,023
Number of grantees that received the maximum grant award	2	2
Total amount awarded	\$1,000,000	\$10,063,000

Source: Office of the Legislative Auditor, analysis of Department of Natural Resources data.

⁹ In 2021, the committee was made up of a total of nine individuals from DNR, the Minnesota Department of Agriculture (MDA), the Minnesota Department of Health, the University of Minnesota, the City of Minnetonka, and Hennepin County. In 2023, the committee was reduced to a total of five individuals from DNR and MDA.

Grant Priorities

When awarding grant funds through a competitive process, a state agency must typically choose among applicants. The Legislature may specify priorities for the agency, or the agency may set priorities in accordance with the laws governing the grant program. Awarding grants on the basis of such priorities helps ensure that the grant award outcomes are consistent with the results intended by the Legislature. Further, establishing and stating clear grant priorities for applications helps foster fairness, transparency, and efficiency in the grant award process.

Criteria for Setting Shade Tree Bonding Grants Priorities

As indicated above, only the 2020 appropriations law established a grantmaking priority specific to the Shade Tree Bonding Grants program.

The Legislature identified only one specific priority for Shade Tree Bonding Grants and structured the program in a way that provided only general requirements for any additional priorities DNR established.

Specifically, the 2020 law stated that DNR must “give priority to grant requests to remove and replace trees with active infestations of emerald ash borer.”¹⁰ The Legislature did not include this priority for appropriations made in 2023.

The appropriations language in both 2020 and 2023 directed that the Shade Tree Bonding Grants program be:

[S]ubject to the requirements of the natural resources capital improvement program under Minnesota Statutes, section 86A.12, unless this section or the statutes referred to in this section provide more specific standards, criteria, or priorities for projects than Minnesota Statutes, section 86A.12.¹¹

The natural resources capital improvement program statute is intended to “prioritize among eligible public projects to be funded from state bond proceeds appropriated to the commissioner...in accordance with the standards and criteria set forth in this section.”¹² To that end, the statute provides the following list of criteria that must be considered by DNR in setting priorities within an appropriation category:

1. Expansion of the natural resources of the state for the enjoyment and use of the public.

¹⁰ *Laws of Minnesota 2020*, Fifth Special Session, chapter 3, art. 1, sec. 7, subd. 8.

¹¹ *Ibid.*, subd. 1(b); *Laws of Minnesota 2023*, chapter 71, art. 1, sec. 2, subd. 1(b); and *Laws of Minnesota 2023*, chapter 72, art. 1, sec. 7, subd. 1(b).

¹² *Minnesota Statutes 2024*, 86A.12, subd 1.

2. Urgency in providing for the conservation of the natural resources of the state, including protection of threatened and endangered species and waters.
3. Necessity in ensuring the safety of the public.
4. Additional criteria for priorities otherwise specified in state law, statute, rule, or regulation applicable to a category listed in the act making an appropriation for the program.¹³

Additionally, the statute directs the consideration of both “economy” and “absolute cost” in determining the priority of grant applications.¹⁴ According to the statute, however, these criteria are:

stated only in general terms, since it is a purpose of the program to improve the allocation of limited amounts of available funds by enlisting the knowledge and experience of the Department of Natural Resources in determining relative needs as they develop.¹⁵

Generally applicable state grantmaking policies related to priority-setting do not apply to the Shade Tree Bonding Grants program.

As directed by statute, Minnesota’s Office of Grants Management (OGM) has established policies that govern grantmaking by state agencies.¹⁶ However, OGM policies related to priority-setting do not apply to capital improvement grants funded in whole or in part by general obligation bonds or awarded to political subdivisions.¹⁷

All three of the Shade Tree Bonding Grants program appropriations included in our review were capital improvement grants subject to the requirements of the natural resources capital improvement program outlined in *Minnesota Statutes 2024*, 86A.12.¹⁸ As a result, the Shade Tree Bonding Grants program was excluded from the OGM

¹³ *Minnesota Statutes 2024*, 86A.12, subd. 4(a).

¹⁴ *Ibid.*, subds. 4(d) and 4(e).

¹⁵ *Ibid.*, subd. 4(b). DNR told us they interpreted this language as providing discretion to prioritize among applicants on the basis of factors other than the statutory criteria, such as the readiness and capacity of the applicants to perform the work funded by the grant. We disagree and do not read the language of subdivision 4(b) to provide discretion to consider factors outside of the statutorily mandated criteria. Rather, we read subdivision 4(b) to permit DNR to “determine relative needs” within each of the statutory criteria, such that it could prioritize based on certain aspects of those criteria instead of being bound to prioritize purely based on the criteria exactly as stated. For example, as discussed below, DNR prioritized projects that focused on ash trees that posed public safety concerns rather than merely prioritizing on the basis of generalized public safety benefit.

¹⁶ *Minnesota Statutes 2024*, 16B.97.

¹⁷ *Ibid.*, subd. 1(b). Some Minnesota Management and Budget (MMB) policies apply to capital improvement grants, but these policies do not authorize a grantmaking agency to adopt a system for prioritizing among grant applications.

¹⁸ *Laws of Minnesota 2023*, chapter 71, art. 1, sec. 1, is included in a capital improvement act. *Laws of Minnesota 2020*, Fifth Special Session, chapter 3, art. 1, sec. 1; and *Laws of Minnesota 2023*, chapter 72, art. 1, sec. 1, each refer to the *Minnesota Constitution*, article XI, section 5, clause (a). In addition, these grants were all awarded to political subdivisions.

policies related to setting grant-making priorities. Instead, any authority for DNR to establish priorities for the Shade Tree Bonding Grants program must be in the relevant appropriations laws or the natural resources capital improvement program statute.

DNR's Priorities for Selecting Grants

As discussed above, the Legislature required DNR to establish Shade Tree Bonding Grants program priorities based on fairly general statutory criteria.

While some of DNR's stated priorities for awarding Shade Tree Bonding Grants were consistent with criteria established in law, without more specific legislative direction, we cannot determine whether other DNR priorities were consistent with these criteria.

In the 2020 appropriations law, the Legislature clearly prioritized one aspect of potential Shade Tree Bonding Grants projects—addressing active emerald ash borer infestation—and DNR set a grantmaking priority consistent with that clear direction. However, other priorities DNR established were not clearly consistent with legal requirements, as outlined in Exhibit 2.

Exhibit 2

Some of DNR's priorities were not clearly consistent with criteria established in law.

DNR Grant Application Priority	Consistency with Statutory Criteria
Applicants with a known emerald ash borer infestation within their boundaries that proposed removal and replacement of ash trees ^a	Consistent with criteria in law
Projects removing and replacing ash trees that pose significant public safety concerns	Consistent with criteria in law
Communities that have staff, plan to certify their staff during the grant period, or will contract with companies that have staff with professional tree care credentials	Unclear if consistent with criteria in law
Projects that benefit underserved populations and areas of concern for environmental justice	Unclear if consistent with criteria in law
Projects that serve communities with populations less than 20,000 ^b	Unclear if consistent with criteria in law

^a This priority was included in the 2021 RFA, but not the 2023 RFA.

^b This priority was included in the 2023 RFA, but not the 2021 RFA.

Sources: Minnesota Department of Natural Resources, *Shade Tree Program Bonding Grants: 2021 Request for Applications* (February 2021), 2 and 4, and *Shade Tree Program Bonding Grants: 2023 Request for Applications* (August 2023), 2 and 4; *Minnesota Statutes* 2024, 86A.12, subd. 4(a); *Laws of Minnesota* 2020, Fifth Special Session, chapter 3, art. 1, sec. 7, subd. 8; *Laws of Minnesota* 2023, chapter 71, art. 1, sec. 2, subd. 1(b); and *Laws of Minnesota* 2023, chapter 72, art. 1, sec. 7, subd. 1(b).

Priorities That Were Clearly Consistent with Criteria Established in Law

Two of the priorities DNR used in its grant award process—both related to ash trees—were clearly consistent with criteria established in law.

- **Applicants with a known emerald ash borer infestation within their boundaries that proposed removal and replacement of ash trees.**¹⁹ This priority—which was identified as a priority in the 2021 grant funding based on the 2020 appropriation—is consistent with the directive in the 2020 appropriations law to “give priority to grant requests to remove and replace trees with active infestations of emerald ash borer.”²⁰
- **Projects removing and replacing ash trees that pose significant public safety concerns.**²¹ The natural resources capital improvement program statute requires DNR to consider “necessity in ensuring the safety of the public” in determining the priority of potential projects.²² While this statutory criterion is stated in general terms, DNR satisfied this requirement by prioritizing projects that proposed to remove and replace ash trees that posed a safety concern.

Priorities That Were Not Clearly Consistent with Criteria Established in Law

Three priorities adopted by DNR were not clearly consistent with criteria established in law.

- **Communities that have staff, plan to certify their staff during the grant period, or will contract with companies that have staff with professional tree care credentials.**²³ DNR told us that this priority related to “the ability of the grant applicant to undertake the work outlined in the application.”²⁴ It is possible that having credentialed professionals on staff might lead to projects being completed in a more cost-effective or expedient manner, which could be related to the statutory requirements to consider “economy” or the “urgency in

¹⁹ As noted above, this was included in the 2021 RFA but not the 2023 RFA. Minnesota Department of Natural Resources, *Shade Tree Program Bonding Grants: 2021 Request for Applications* (February 2021), 2 and 4.

²⁰ *Laws of Minnesota* 2020, Fifth Special Session, chapter 3, art. 1, sec. 7, subd. 8. The 2023 appropriations for the Shade Tree Bonding Grants program did not include the directive to prioritize applications on this basis, and DNR did not explicitly identify this as a priority in applications for funding under the 2023 appropriations.

²¹ Minnesota Department of Natural Resources, *Shade Tree Program Bonding Grants: 2023 Request for Applications* (August 2023), 2 and 4.

²² *Minnesota Statutes* 2024, 86A.12, subd. 4(a)(3).

²³ Minnesota Department of Natural Resources, *Shade Tree Program Bonding Grants: 2021 Request for Applications* (February 2021), 2 and 4, and *Shade Tree Program Bonding Grants: 2023 Request for Applications* (August 2023), 2 and 4.

²⁴ Sherry A. Enzler, JD, PhD, General Counsel, Minnesota Department of Natural Resources, letter to Ms. Katherine Theisen, Special Reviews Director, Office of the Legislative Auditor, *Re: Shade Tree Bonding Grants Program*, September 13, 2024, p. 4.

providing for the conservation of the natural resources of the state” in developing priorities.²⁵ However, absent clearer and more-specific criteria in statute, we cannot definitively state whether this priority was consistent with the criteria established in law.

- **Projects that benefit underserved populations and areas of concern for environmental justice.**²⁶ DNR told us that this priority was authorized by the statute’s mandate to consider “the expansion of natural resources of the state for the enjoyment and use of the public.”²⁷ We do not see a clear direction in the natural resources capital improvement program statute or the specific appropriations language to categorically prioritize certain communities for grants over others, as stated in DNR’s priority. However, there is a potential connection between a generally stated goal of expanding natural resources and the prioritization of previously underserved communities. As a result, while we do not see definitive support in statute, we also cannot say that this priority is inconsistent with the criteria established in law.²⁸

In other grant-making contexts—in which OGM policies apply—there is clear authority for executive branch agencies to prioritize underserved or diverse communities.²⁹ However, as stated above, Shade Tree Bonding Grants are capital improvement grants and therefore, OGM policy does not apply.

- **Projects that serve communities with populations less than 20,000.**³⁰ As with the previous priority, DNR told us that this priority was related to the statutory requirement to consider “the expansion of natural resources of the state for the enjoyment and use of the public.”³¹ DNR program staff also told us that this

²⁵ *Minnesota Statutes* 2024, 86A.12, subs. 4(a)(2) and 4(d).

²⁶ Minnesota Department of Natural Resources, *Shade Tree Program Bonding Grants: 2021 Request for Applications* (February 2021), 2 and 4, and *Shade Tree Program Bonding Grants: 2023 Request for Applications* (August 2023), 2 and 4.

²⁷ *Minnesota Statutes* 2024, 86A.12, subd. 4(a)(1).

²⁸ DNR also suggested that this priority—and the priority for communities with populations less than 20,000—was supported by language in the natural resources capital improvement program statute that directs it to “make initial allocations among types of eligible projects within each category enumerated in the act making an appropriation for the program, [and] determine priorities within each category.” *Minnesota Statutes* 2024, 86A.12, subd. 3(b). DNR indicated that this language authorized it to “set priorities under each criterion in that section.” We disagree and read the statutory language to require DNR to use the statutory criteria to prioritize within the categories identified in the appropriations laws, rather than to permit DNR to use priority setting criteria other than those in statute.

²⁹ For example, OGM policy mandates that agencies “include review criteria in a grant request for proposal that identifies diversity in grant-making.” Minnesota Department of Administration, Office of Grants Management, Operating Policy and Procedure 08-02, *Policy on Rating Criteria for Competitive Grant Review*, revised September 15, 2017, 2.

³⁰ As noted above, this was included in the 2023 RFA, but not the 2021 RFA. Minnesota Department of Natural Resources, *Shade Tree Program Bonding Grants: 2023 Request for Applications* (August 2023), 2 and 4.

³¹ *Minnesota Statutes* 2024, 86A.12, subd. 4(a)(1). In addition, DNR indicated to OLA that it “chose to maintain an approach consistent with our ReLeaf Grant Program where possible....” The priority given to smaller communities for the Shade Tree Bonding Grants program is the same as that in the ReLeaf Grant program, which also prioritizes “[p]rojects that serve communities with populations less than 20,000.” We do not believe that this rationale has any statutory basis.

priority was provided to counteract a possible disadvantage for smaller communities, which DNR believed may not have experienced grant-writing staff.

As with the priority for underserved communities and areas of concern for environmental justice, we do not see direct support in the legal criteria for the priority for smaller communities. However, given the general nature of the statutory criteria, it is not clear whether this priority was consistent or inconsistent with the criteria established in law.

DNR Discretion

Determining the extent to which DNR's priorities are consistent with criteria established in law ultimately depends on how much discretion the natural resources capital improvement program statute gives the department to set its own priorities. If the statute gives DNR broad discretion to set priorities, then the priorities discussed above may, in fact, be consistent with those criteria. On the other hand, if the natural resources capital improvement program statute gives DNR more limited discretion, some of the priorities discussed above may not be consistent with the criteria established in law.³²

DNR and OLA have different interpretations of the extent of the department's discretion to establish priorities beyond the criteria outlined in law. OLA reads the law to provide DNR with more limited discretion, such that DNR is permitted to set only those priorities that have clear connections to the criteria established in the natural resources capital improvement program statute. In contrast, DNR reads the law more expansively—to provide DNR broad discretion to set priorities, including priorities that appear to be beyond the criteria outlined in law.

While we do not find a legal basis for discretion to set priorities beyond the statutory criteria, we do not resolve here which interpretation is correct. Instead, we note that the department has exercised significant discretion in establishing the priorities for awarding Shade Tree Bonding Grants. Absent definitive statutory language, the question regarding the extent of DNR's discretion demonstrates the tension between rightfully relying on an agency's expertise and ensuring that agencies act in a manner consistent with legislative intent. To the extent the Legislature does not agree with the department's priorities, or prefers to limit the department's discretion, we offer the recommendations below.

RECOMMENDATION

The Legislature should clearly state in law its priorities for awarding grants through the Shade Tree Bonding Grants program.

The Legislature expressed its intent for the Shade Tree Bonding Grants program by establishing one priority in the 2020 appropriations law, and DNR adopted a grantmaking priority that was consistent with that intent. However, the Legislature

³² As discussed previously, the natural resources capital improvement program statute states that “the following criteria must be considered:” expansion of natural resources, urgency in providing conservation, ensuring public safety, economy, and total cost. *Minnesota Statutes* 2024, 86A.12, subs. 4(a), 4(d), and 4(e).

expressed an intent for this program on that single issue for only one round of grant funding. The law otherwise subjected the program to the natural resources capital improvement program statute's priority-development criteria. Those statutory criteria are stated in only general terms, and DNR interpreted the statute as giving it broad discretion to establish grantmaking priorities.

In our view, some of these DNR-established grantmaking priorities were not clearly consistent with statutory criteria and may therefore be inconsistent with the legislative intent of the program. This outcome illustrates why legislative priorities for awarding grants should be explicitly stated in statute or law; otherwise, the granting agency may exercise discretion and set priorities that are different than those intended by the Legislature.

The Legislature could provide clearer priorities in a number of ways. Most obviously, program-specific criteria could be included in the appropriations language. The Legislature used this approach when including a requirement in the 2020 Shade Tree Bonding Grants program appropriation for the prioritization of projects related to remediating existing emerald ash borer infestations. The 2024 Legislature also used this approach when it established a DNR grant program to support community tree-planting activities.³³

Alternatively, the Legislature could direct DNR to prepare a plan for implementing grant criteria or goals that are generally stated but program-specific. This approach was taken in 1991 by the Legislature in establishing the ReLeaf Grant Program, which directed DNR to prepare a plan to develop priorities that included “balancing of urban and rural needs” and “enhancement of recreational opportunities in urban and rural areas.”³⁴

Finally, specific to capital improvement grant appropriations, the Legislature could require that agencies comply with OGM policies. As noted previously, when the Legislature chooses to fund grant programs through capital improvement bonding, statutes except those programs from the state's standard grant policies. However, the Legislature could apply OGM policies—including the priority-setting directives—to specific capital improvement grant programs in appropriations laws.³⁵

Additional Criteria Applied during Grant Review

As discussed previously, DNR convened grant review committees to score and discuss grant applications for the Shade Tree Bonding Grants program, based on the priority criteria it established for each year included in the scope of this review.

³³ *Laws of Minnesota 2024*, chapter 116, art. 3, sec. 9, codified as *Minnesota Statutes 2024*, 84.705.

³⁴ *Laws of Minnesota 1991*, chapter 254, art. 2, sec. 21, subd. 1(a), (c)(1), and (c)(7).

³⁵ We note that, in *Laws of Minnesota 2025*, First Special Session, chapter 1, art. 4, sec. 3, the 2025 Legislature incorporated this approach into the statute governing tree-planting grants that was adopted in 2024.

In making grant award decisions, DNR applied additional criteria that were neither communicated to applicants nor clearly consistent with criteria established in law.

In the published RFAs for both the 2021 and 2023 Shade Tree Bonding Grants program, DNR included an application evaluation score sheet. The score sheet included with each RFA stated, “Applications to the Shade Tree Program Bonding Grants will be evaluated and ranked according to the following criteria:” (1) project overview and need, (2) project timeline, (3) project budget and budget explanation, (4) project impact on priority populations, (5) communications, (6) key personnel, and (7) known emerald ash borer infestation within applicant’s boundaries (in 2021) or project serves community with population less than 20,000 (in 2023).³⁶

However, when making decisions about whether to award grants based on the applications submitted in 2021 and 2023, DNR’s grant review committees considered criteria DNR had neither included in the application materials nor included in the scoring sheet published in the RFA. For example, a DNR staff person told us that the grant review committees discussed applicants’ previous receipt of DNR grants, number of open DNR grants, and success in executing current or previous DNR grants. The staff person also told us that the grant review committees considered the “level of trust” DNR had regarding an applicant’s ability to fully execute the grant terms and conditions of the Shade Tree Bonding Grants program.

While the scoring sheets identified “community has a readiness to take on a project of the proposed scope and size” as an element of the “project overview and need” score, the specific criteria the committees considered were not stated in the RFAs or application materials. Further, previous receipt of DNR grants, number of open DNR grants, success in executing DNR grants, and “level of trust” are not listed for consideration on the scoring sheets or identified in the RFAs as relating to the program’s eligible applicants, minimum requirements, additional criteria, or priority projects. As a result, the Shade Tree Bonding Grants applications were judged—and in some cases eliminated—in part on the basis of criteria applicants were not clearly informed about and therefore did not have the opportunity to address. In other words, the grant review committees made decisions based in part on their impressions of the grantees, rather than on objective criteria.

Consideration of an applicant’s “history as a state grantee and capacity to perform the work” is permitted under OGM procedures related to developing and using rating criteria for competitive grant review.³⁷ However, as discussed previously, because the Shade Tree Bonding Grants program appropriations were established as capital improvement grants, OGM policies do not apply to this grant program.

³⁶ Minnesota Department of Natural Resources, *Shade Tree Program Bonding Grants: 2021 Request for Applications* (February 2021), 8, and *Shade Tree Program Bonding Grants: 2023 Request for Applications* (August 2023), 8.

³⁷ Minnesota Department of Administration, Office of Grants Management, Operating Policy and Procedure 08-02, *Policy on Rating Criteria for Competitive Grant Review*, revised September 15, 2017, 3.

Even if OGM policies had applied to the Shade Tree Bonding Grants program, DNR's grant review committees' consideration of criteria that were not communicated to applicants directly conflicts with OGM policy. That policy requires agencies to use "review criteria that are identified in the notice of grant opportunity or request for proposal and a standardized scoring system to rate each application against the chosen criteria."³⁸

In addition to not being communicated to grant applicants, DNR's unstated criteria were not clearly consistent with the relevant criteria established in law. DNR told us that the natural resources capital improvement program statute authorizes the department to consider prior grant receipt and performance when making grant award decisions because the criteria are "stated only in general terms" such that DNR should use its knowledge and experience to "determine relative needs."³⁹ We disagree with this interpretation and believe instead that the statute permits DNR to specify priorities within the criteria identified in statute, rather than to consider additional criteria not mentioned in the relevant section of law.

That being said, it is possible that an applicant's past grant performance could be related to statutorily established criteria. For example, though DNR did not tell us this, we can imagine a connection between an applicant's performance on a prior grant and the "economy" of an applicant's ability to complete similar work on a later grant. In contrast, we are not able to identify a plausible statutory anchor for deprioritizing applicants that DNR regarded with a "lack of trust." Ultimately, regardless of any hypothesized connection, the statutory criteria do not directly or clearly support several of the priorities applied by DNR's grant review committees.

DNR's consideration of additional criteria that were neither scored nor communicated to applicants resulted in some applicants not receiving grant funding in favor of applicants with lower overall scores.

While DNR's grant reviewers scored and ranked each grant application according to criteria defined in the RFAs for the Shade Tree Bonding Grants program, DNR did not always award Shade Tree Bonding Grants to projects in the order in which they were ranked, as shown in Exhibit 3 for the 2021 grant funding and Exhibit 4 for the 2023 grant funding. In other words, DNR awarded Shade Tree Bonding Grants to some lower-ranked applicants and did not award these grants—or awarded amounts significantly less than requested—to some higher-ranked applicants. For example, for the 2021 Shade Tree Bonding Grant funding, the City of Roseville scored 87 out of a possible 100 points but did not receive any of the \$100,000 it requested. In contrast, the City of Rochester Parks and Recreation received the full \$77,385 it requested, despite scoring 83 on the grant criteria.

To understand why Shade Tree Bonding Grant awards did not always correlate with grant application scores, we reviewed the notes from the 2021 and 2023 grant application committee review meetings. The comments regarding the City of Roseville's 2021 application noted that there was "extensive discussion" about the

³⁸ Minnesota Department of Administration, Office of Grants Management, Operating Policy and Procedure 08-02, *Policy on Rating Criteria for Competitive Grant Review*, revised September 15, 2017, 1.

³⁹ *Minnesota Statutes* 2024, 86A.12, subd. 4(b).

applicant's handling of a different, current grant. The comments also stated that the reviewers decided that the applicant "may not be able to handle both grants and recommended not funding this one."

DNR's notes from the 2023 grant review meetings contained similar comments for high-scoring applications that did not receive the full amount requested or that did not receive a Shade Tree Bonding Grant at all. For example, for the City of Akeley, which received \$80,000 of its \$335,750 request, the notes stated "Small community with first grant, unsure of capacity." DNR's notes on applications from the cities of Fairmont and North St. Paul—neither of which received Shade Tree Bonding Grants—stated "Received grants two in a row and concerned about capacity" and "Worried about cap[a]city to manage both grants," respectively. In contrast, a similarly scoring application from the City of Eden Prairie received the full amount requested (\$125,557); DNR's notes from the grant review meeting states "Capacity to manage bonding."

In other words, DNR relied in part on grant reviewers' *impressions* of applicants' capacity to conduct the work—rather than asking all applicants to provide information demonstrating their capacity to conduct the work. Further, DNR's grant review application committees did not apply scores to all of the criteria considered, such as their impressions of an applicant's capacity, and DNR staff did not adequately document the rationale for the committees' grant award decisions. As a result, it is unclear whether the committees' determinations were applied consistently and fairly across all applicants. In the end, DNR did not always award Shade Tree Bonding Grants to the applicants with the highest scores.

RECOMMENDATIONS

DNR should:

- **Clearly communicate to applicants the criteria on which it will rate applications for Shade Tree Bonding Grant funds.**
- **Ensure grant reviewers score all grant-award criteria based on a standardized scoring system.**

We recommend that DNR clearly communicate to applicants *all* criteria on which it will rate applications for Shade Tree Bonding Grant funds. It should also incorporate these criteria in grant scoring sheets to ensure grant reviewers objectively score these criteria.

Clearly communicating grant award criteria and using a standardized scoring system are reasonable approaches to ensuring that state grants are awarded fairly and consistently. In contrast, applying criteria that have not been communicated to grant applicants means applicants do not have an opportunity to provide relevant information demonstrating their ability to meet the requirements of the grant. Without full information, the department risks awarding grants to applicants who may not be the most qualified and not awarding grants to applicants who are the most qualified.

Exhibit 3
Applicants and Awards, 2021 Shade Tree Bonding Grants Program

Applicant	Amount Requested	Amount Awarded	Final Score
City of Red Wing	\$ 100,000	\$ 94,000	94
City of Coon Rapids	100,000	100,000	91
City of Mounds View	11,996	11,996	90
Dakota County Parks	42,250	42,250	90
City of New Brighton	100,000	100,000	89
City of Duluth	99,081	99,081	87
City of Roseville	100,000	0	87
City of St. Paul Parks & Recreation	50,000	50,000	87
City of Chanhassen	76,500	30,745	86
City of Eden Prairie	99,945	42,467	86
City of Maplewood	45,038	45,038	86
City of South St. Paul	100,000	94,500	86
City of Lake City	98,212	98,212	85
City of Winona	24,330	24,330	85
City of Brooklyn Park	25,000	25,000	84
City of Rochester Parks & Recreation	77,385	77,385	83
City of St. Louis Park	40,000	40,000	83
City of Willmar	24,996	24,996	83
City of Crystal	100,000	0	81
City of Lino Lakes	32,911	0	77
City of Northfield	68,200	0	76
City of Lake St. Croix Beach	6,419	0	75
City of St. Paul Park	89,310	0	74
City of Andover	11,850	0	72
City of Cottage Grove	100,000	0	71
City of Hastings	66,749	0	68
City of Belle Plaine	100,000	0	67
City of Delano	16,800	0	67
City of Hackensack	32,225	0	67
City of Moose Lake	6,803	0	64
Total	\$1,846,000	\$1,000,000	

Note: Shaded rows indicate the applicants that were awarded Shade Tree Bonding Grants.

Source: Office of the Legislative Auditor, analysis of Department of Natural Resources data.

Exhibit 4
Applicants and Awards, 2023 Shade Tree Bonding Grants Program

Applicant	Amount Requested	Amount Awarded	Final Score
City of Cloquet	\$ 65,100	\$ 0	89
City of Morris	54,706	29,106	89
City of Brooklyn Park	498,840	498,840	86
City of Elbow Lake	19,998	18,170	85
City of Maplewood	500,000	450,000	85
City of Rochester	500,000	428,450	85
City of St. Louis Park	489,232	489,232	85
City of Bloomington	71,680	71,680	84
City of Fridley	351,559	351,559	84
City of North St. Paul	305,000	0	84
Wright County	488,750	426,250	84
Anoka County Parks	500,000	500,000	83
City of Austin	497,600	497,600	83
City of Pequot Lakes	25,000	25,000	83
City of South St. Paul	52,500	52,500	83
City of Stillwater	477,000	389,000	83
City of White Bear Lake	499,800	499,800	83
City of Anoka	491,460	491,460	82
City of Eden Prairie	125,557	125,557	82
City of Fairmont	395,000	0	82
City of Farmington	500,000	500,000	82
City of Mankato	160,500	160,500	82
City of Northfield	255,690	255,690	82
City of Edina	480,000	480,000	81
City of Moorhead	375,000	375,000	81
City of Oakdale	498,250	0	81
City of Sherburn	230,633	0	81
City of Akeley	335,750	80,000	80
City of Lakeville	338,820	338,820	80
City of Mahtomedi	228,250	125,000	80
City of Minnetonka	261,100	0	80
City of Welcome	309,040	100,000	80
Hennepin County	498,870	498,870	80
City of Cannon Falls	50,000	50,000	79
City of Le Sueur	95,760	0	79
City of Marshall	148,050	0	79
City of Montgomery	109,640	109,640	79
City of Shakopee	150,000	150,000	79

(Continued on the next page.)

Exhibit 4
Applicants and Awards, 2023 Shade Tree Bonding Grants Program (Continued)

Applicant	Amount Requested	Amount Awarded	Final Score
City of Apple Valley	\$ 189,810	\$ 0	78
City of Lauderdale	43,680	38,910	78
Dodge County (City of Mantorville)	7,986	7,986	78
City of Medina	423,500	0	77
City of Deer River	76,980	0	76
City of Kandiyohi	36,500	0	75
City of Mendota Heights	318,050	125,000	75
City of West St. Paul	498,750	0	75
City of Henderson	85,000	85,000	74
City of St. Peter	104,000	0	74
City of Ghent	136,248	136,248	73
City of New Hope	100,000	100,000	73
City of Roseville	264,300	264,000	73
City of Winona	294,597	294,597	73
City of Brewster	129,459	103,914	72
City of Dilworth	54,680	0	72
City of Jeffers	96,780	81,180	72
City of Oak Park Heights	94,228	94,228	72
City of Zumbrota	17,150	17,150	72
City of Annandale	201,250	147,063	71
City of La Crescent	38,484	0	71
City of Bayport	88,220	0	69
City of Chanhassen	71,994	0	69
Ramsey County	500,000	0	68
City of Birchwood Village	147,000	0	65
City of Kasson	210,000	0	65
City of Victoria	50,000	0	64
City of Orono	111,349	0	62
City of New Prague	184,148	0	61
City of Woodbury	205,000	0	54
City of Dexter	50,000	0	53
City of Minneota	411,000	0	52
City of Golden Valley	20,000	0	47
White Bear Township	101,940	0	29
Total	\$16,796,218	\$10,063,000	

Note: Shaded rows indicate the applicants that were awarded Shade Tree Bonding Grants.

Source: Office of the Legislative Auditor, analysis of Department of Natural Resources data.



June 24, 2025

Judy Randall, Legislative Auditor
Office of the Legislative Auditor
140 Centennial Office Building
658 Cedar Street Saint Paul, MN 55155

Dear Auditor Randall:

Thank you for the opportunity to respond to the Office of the Legislative Auditor's (OLA's) limited special review report on *The Department of Natural Resources' Administration of the Shade Tree Bonding Grants Program*. The Minnesota Department of Natural Resources (DNR) appreciates your office's analysis of the criteria and process we employed in 2021 and 2023 to solicit applications and award Shade Tree Bonding Grants.

Response to the OLA's Findings and Recommendations

The DNR is committed to continually improving our service to Minnesotans. We value the insights your limited special review has provided on ways the DNR can enhance the administration of the Shade Tree Bonding Grants Program and will consider them carefully in our future grantmaking. Below please find DNR's comments on the report's findings and recommendations.

OLA Finding 1

- The Legislature identified only one specific priority for Shade Tree Bonding Grants and structured the program in a way that provided only general requirements for any additional priorities DNR established.

OLA Recommendations pertaining to Finding 1

- The Legislature should clearly state in law its priorities for awarding grants through the Shade Tree Bonding Grants program.

Agency Response to Finding 1

- **Narrative Response:** This finding and associated recommendation are directed to the Minnesota Legislature and not DNR. While we therefore have no formal response to these items, as noted below DNR always strives to follow legislative intent, whether that intent is broad or specific. We would welcome additional legislative direction on priorities should the Legislature choose to provide it.

OLA Finding 2

- Absent more specific legislative direction, we cannot determine whether some of the additional priorities DNR established to award Shade Tree Bonding Grants were consistent with criteria established in state law.

OLA Recommendations pertaining to Finding 2

- None.

Agency Response to Finding 2

- **Narrative Response:** DNR recognizes and respects the Legislature’s prerogative to provide direction to executive agencies. We also recognize that some legislative direction is quite broad while other direction is very specific. Regardless of the specificity of the direction DNR receives, we always seek to understand the Legislature’s intent and conduct our work accordingly. This includes the many instances, as here, in which we must integrate both program- or project-specific language with more generally applicable statutory direction. For Shade Tree Bonding Grants, we took our legislative direction from the appropriation language for the 2021 and 2023 Shade Tree Bonding Grants Program and the requirements of the Natural Resources Capital Improvement Program under Minnesota Statutes Section 86A.12, including the criteria for priorities in subdivision 4.

Notably, Section (b) of subd. 4 authorizes the DNR to use its discretion in applying and interpreting the section (a) criteria for purposes of allocating available funds. The criteria in section (a) are high level and lack specificity because, as the statute articulates in section (b), a purpose of the Natural Resources Capital Improvement Program is to improve the allocation of funding by “enlisting the knowledge and experience of the DNR in determining relative needs as they develop.”

DNR respectfully disagrees with the report’s suggestion on page 10 that “...DNR interpreted the statute as giving it broad discretion to establish grantmaking priorities.” DNR did not establish grantmaking priorities for the Shade Tree Bonding Grants Program. Rather, within the boundaries of our statutory authority, DNR followed the appropriation language and exercised discretion in determining how to apply the criteria in Minn. Stat. 86A.12, subd. 4 when allocating Shade Tree Bonding Grant funding. DNR did so to ensure that the limited funding was wisely expended while maximizing the fundamental goal of increasing the number of healthy shade trees across the state.

Lastly, the report questions DNR’s use of Minnesota Department of Administration (ADM) grants management policies in the administration of the Shade Tree Bonding Grants Program. DNR agrees with the OLA that, per Minn. Stat. 16B.97, subd. 1(b), Shade Tree Bonding Grants are not subject to these ADM policies. However, DNR believes such policies, with appropriate caveats and when in line with capital grant requirements and program purpose, are useful even when not mandatory. For example, DNR’s consideration of a prospective grantee’s staff capacity is not an extralegal criterion, but a practical and reasonable extension of our obligation to ensure sound investment of public funds. A recipient lacking sufficient capacity may face a higher risk of project delays, cost overruns, or failure—outcomes that directly undermine the goals of efficient and responsible grants management and increasing the number of shade trees on the landscape.

OLA Finding 3

- When making grant award decisions, DNR’s grant review committees considered criteria DNR had not communicated to applicants. Further, DNR’s grant review committees did not apply scores to these criteria, and DNR staff did not adequately document the committees’ decisions.

OLA Recommendations pertaining to Finding 3

- DNR should:
 - Clearly communicate to applicants the criteria on which it will rate applications for Shade Tree Bonding Grant funds.
 - Ensure grant reviewers score all grant award criteria based on a standardized scoring system.

Agency Response to Finding 3

- **Narrative Response:** DNR agrees that it could have communicated more clearly in the Shade Tree Bonding Grants Request for Applications (RFAs) regarding how factors related to applicant readiness, capacity, and current or past performance on other grants would be considered. We commit to modifying future RFAs to add this clarity. We do not believe, however, that the opportunity to be more clear means applicants had no awareness of these considerations. In fact, the RFAs, grant application forms, and provided scoring sheets all referenced community readiness and capacity to implement the proposed project. Therefore, while applicants might have benefitted from more information on how readiness and capacity would be assessed, that does not mean applicants were unaware of the considerations and thus had no opportunity to address them.

Regarding use of a standardized scoring system, DNR recognizes this as an important element of transparency. We concur that better documentation of reviewer scores and comments is needed. To address the OLA's finding and recommendations, DNR's Grants Management Unit will provide direction to staff drafting or reviewing RFAs regarding scoring criteria, communicating those criteria clearly to potential applicants, and ensuring the scoring system accounts for and documents all criteria considered. This direction will be communicated department-wide by July 31, 2025. Specific to the Shade Tree Bonding Grants, DNR is currently drafting the RFA, scoring rubric, and review committee scoring sheets for the next round of funding with a focus on enhancing clarity. Those revised documents will be completed by July 31, 2025.

Finally, DNR wishes to provide additional information regarding the report's notation that some applicants did not receive grant funding in favor of applicants with lower overall scores. In 2023, the Shade Tree Bonding Grants RFA process overlapped with Minnesota ReLeaf Grants, a similar, but separately funded, urban and community grants program. Several communities applied for both grants, in some cases for the exact same project. ReLeaf Grants were awarded before the Shade Tree Bonding Grants RFA process concluded. Of the 15 applicants listed in Exhibit 4 of the OLA report that did not receive a Shade Tree Grant despite having a score higher than a funded applicant, six—Cloquet, North St. Paul, Fairmont, Minnetonka, Le Sueur, and Marshall—were awarded a ReLeaf Grant. The full list of list of Shade Tree Bonding and ReLeaf grantees resulting from the 2023 RFA processes is available at: [Past and current grant recipients | Minnesota DNR](#).

- **Current Status:** Partially Resolved.
- **Corrective Action:**
 1. DNR's Grants Management Unit will communicate direction department-wide, to staff drafting or reviewing RFAs, regarding scoring criteria, communicating those criteria clearly to potential applicants, and ensuring the scoring system accounts for and documents all criteria considered.
 2. DNR is currently drafting the RFA, scoring rubric, and review committee scoring sheets for the next round of Shade Tree Bonding Grants with a focus on enhancing clarity.
- **Completion Date:** July 31, 2025, for both corrective actions.

- **Person Responsible:** Action 1: Katherine Sherman-Hoehn, Agency-Wide Grants Manager, DNR Operations Services Division. Action 2: Doug Tillma, Strategic Planning and Outreach Section Manager, DNR Forestry Division.

Thank you again for your office's limited special review of DNR's administration of the Shade Tree Bonding Grants Program, and for the opportunity to respond to your findings and recommendations. We appreciate the insights your special review has provided on ways DNR can enhance the administration of the Shade Tree Bonding Grants Program to better serve Minnesotans. We take seriously those opportunities for continuous improvement and will consider them carefully in our future grantmaking.

Sincerely,



Sarah Strommen
Commissioner

cc: Barb Naramore, Deputy Commissioner
Mary Robison, Chief Financial Officer
Patty Thielen, Director, Forestry Division

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