

# HOUSE RESEARCH

## Information Brief

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296-5039

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### Environment and Natural Resources Trust Fund Proposal Questions and Answers

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This information brief answers some frequently asked questions on the environment and natural resources trust fund proposal, a constitutional amendment on the November 1988 ballot. The brief focuses on how the money will be used, public involvement, and on the administrative and decision-making process of the trust fund.

The questions and answers are organized under three divisions.

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A flow chart on page 7 depicts the effects of the trust fund proposal.

For further information on the trust fund as a constitutional amendment, see *A Recent History of Environmental Ballot Questions in Minnesota and Other States* by John Helland, July 1988.

For information on the state lottery ballot question, which would fund the trust fund, see *The Lottery Amendment: Questions and Answers* by John Williams, August 1988.

## THE AMENDMENT

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### 1. What does the amendment say?

The proposed amendment states: *"Shall the Minnesota Constitution be amended to establish a Minnesota environment and natural resources trust fund for environmental, natural resource, and wildlife purposes?"*

### 2. What vote is needed to pass the amendment?

Like all constitutional amendments the Trust Fund amendment requires a majority of all persons voting in the November 8, 1988 election.

*A failure to vote on the amendment is the same as a "no" vote.*

### 3. How is this amendment related to the other amendment that would authorize a lottery operated by the state?

The two amendments are constitutionally independent, and the defeat of one amendment would not affect the passage of the other.

The amendments are connected by legislation that dedicates half the net lottery revenues for the first five years to the Environment and Natural Resources Trust Fund. If the lottery amendment passes and the Trust Fund amendment loses, the Legislature will have to find another use for the money which otherwise would have gone into the Trust Fund.

## MONEY FOR THE TRUST FUND

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### 4. How much money will accrue to the Trust Fund?

There is a lot of speculation over this point. If both the Trust Fund and lottery authorization pass, enabling legislation to operate the lottery will have to be enacted before lottery revenue begins.

Current law states that one-half of the net lottery proceeds be placed in the Trust Fund for the first five full fiscal years. Recent estimates by the State Planning Agency and the House Research Department show a range of \$38 million to \$130 million annually. The House Research Department study (see *The Lottery Amendment: Questions and Answers*, August 1988) estimates that after five years a Minnesota lottery would produce revenues of almost \$80 million annually.

If you take this latter figure, and the low estimate of \$38 million annually, the Trust Fund could receive between \$18-40 million per year, or almost \$100-200 million after five years.

After the first five years, up to one-half of the net lottery proceeds may go to the Trust Fund. *There is no overall cap on the amount of money that can be placed in the Trust Fund.*

## 5. What can be funded by the Trust Fund?

The enabling law states that the Trust Fund is for (possible examples given in parentheses):

- Reinvest in Minnesota or RIM program (agricultural land conservation, wetland restoration)
- Environmental and natural resources research (acid rain, risk assessment)
- Data collection and analysis (air and water quality monitoring, land use changes)
- Environmental education (grade school curricula, teacher training)
- Acquisition and development (native prairie, unique flora and fauna)
- Activities for threatened natural resources (reintroduction of native species, habitat for endangered species)

Additionally, limited administrative expenses in working with the Trust Fund may be used by the state Board of Investment, the legislative commission, and the advisory committee.

## 6. Will the Trust Fund, when funded, provide money for all environment and natural resources programs?

No, enabling statutory language (Minnesota Statutes, section 116P.03) states that the Trust Fund may not be used as a substitute for traditional sources of funding environmental and natural resources activities, but *the Trust Fund shall supplement the traditional sources.* The law states that the Trust Fund is for long-term activities, whose benefits become available over an extended period of time.

## 7. What activities may not be funded by the Trust Fund?

The implementing statute (Minnesota Statutes, section 116P.08) states that Trust Fund money may not be spent for:

- Superfund project cleanup or leaking petroleum tank cases
- Municipal water pollution control and combined sewer overflow
- Decommissioning nuclear power plants
- Hazardous waste disposal facilities

- Solid waste disposal facilities
- Projects or purposes inconsistent with the Trust Fund strategic plan.

## 8. How will the Trust Fund be protected?

Placing the Trust Fund in the Constitution makes it permanent unless voters at a subsequent general election, after legislative action, vote to eliminate the Trust Fund. Additionally, the language added to the constitution by the Trust Fund amendment states that the Trust Fund principal is "perpetual and inviolate forever" (meaning it can't be tapped without another constitutional amendment).

## 9. How much of the principal can be used for Trust Fund projects?

Because the Trust Fund earnings may be nominal in the first few years of its operation, the enabling legislation allows a small portion of the principal for the preceding two years to be used to begin support of environment and natural resources projects. Until fiscal year 1997, appropriations may be made from up to 25 percent of the annual revenues deposited in the Trust Fund (decreases 5 percent each year starting in 1993).

An additional section of the enabling legislation (Minnesota Statutes, section 116P.12) allows the legislative commission - once the principal of the Trust Fund equals or exceeds \$200,000,000 - to vote to set aside up to five percent of the Trust Fund principal for water system improvement loans. The purpose of the loans is to offer below market rate interest loans to local units of government for water system improvements.

## 10. How will Trust Fund money be invested?

Legislation (Minnesota Statutes, section 116P.04) stipulates that the state Board of Investment must invest the principal of the trust fund and any unexpended earnings. According to statute (Minnesota Statutes, section 11A.24), the Board of Investment invests in certain securities, government obligations, corporate obligations, bankers' obligations, corporate stocks and certain other investments. A standard of care for the Board is provided for in statute 11A.09.

## OPERATING THE TRUST FUND

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## 11. How will the public have input into the funding process?

Members of the public are eligible to serve on the citizen advisory committee (11 members) that may advise the legislative commission on projects to receive trust fund money and the development of budget and strategic plans. Members of the public will be invited to a biennial Resources Congress, which will be convened to receive public support for guiding Trust Fund expenditures.

In addition, all citizen advisory committee and legislative commission meetings must be open to the public, and public testimony most likely will be solicited.

**12. Who will ultimately decide on projects funded from the Trust Fund?**

The Legislature, by passing legislation every two years containing appropriations for Trust Fund projects. This would be done after the legislative commission adopts a Trust Fund budget plan and before the governor signs the approved legislation.

**13. What process will be used?**

The process for funding Trust Fund projects is contained in the enabling legislation (Minnesota Statutes, section 116P.08). A simplified model follows:

*Resources Congress to receive public input and develop strategic plan*

*Strategic plan to identify priority areas for funding for six-year periods*

*Budget plan every two years to the governor and legislature identifying specific projects that meet the fundable categories (see question #5)*

*Legislature passes bill containing appropriations from the Trust Fund*

*Governor signs bill containing Trust Fund appropriations.*

**14. What will be the executive branch involvement?**

Besides the state Board of Investment's responsibilities, there are two other formal methods of involvement in the enabling legislation.

The citizens advisory committee, with duties to advise the legislative commission on the strategic and budget plans, must be appointed by the governor.

The legislative commission must request all state agencies that have any environment and natural resource responsibilities to appoint a liaison officer to the commission and to help with the advisory committee workload.

**15. How will the public be kept informed of expenditures from the Trust Fund?**

By at least three formal methods contained in the enabling legislation. First of all, a bill that contains Trust Fund project appropriations, reflecting the budget plan, must be passed by the Legislature.

Second, the legislative commission must submit a biennial report on the Trust Fund that includes a description of each project receiving money during the preceding two years. Copies of the report must be available to the public.

Third, an annual audit on the Trust Fund will be done and be available to the public.

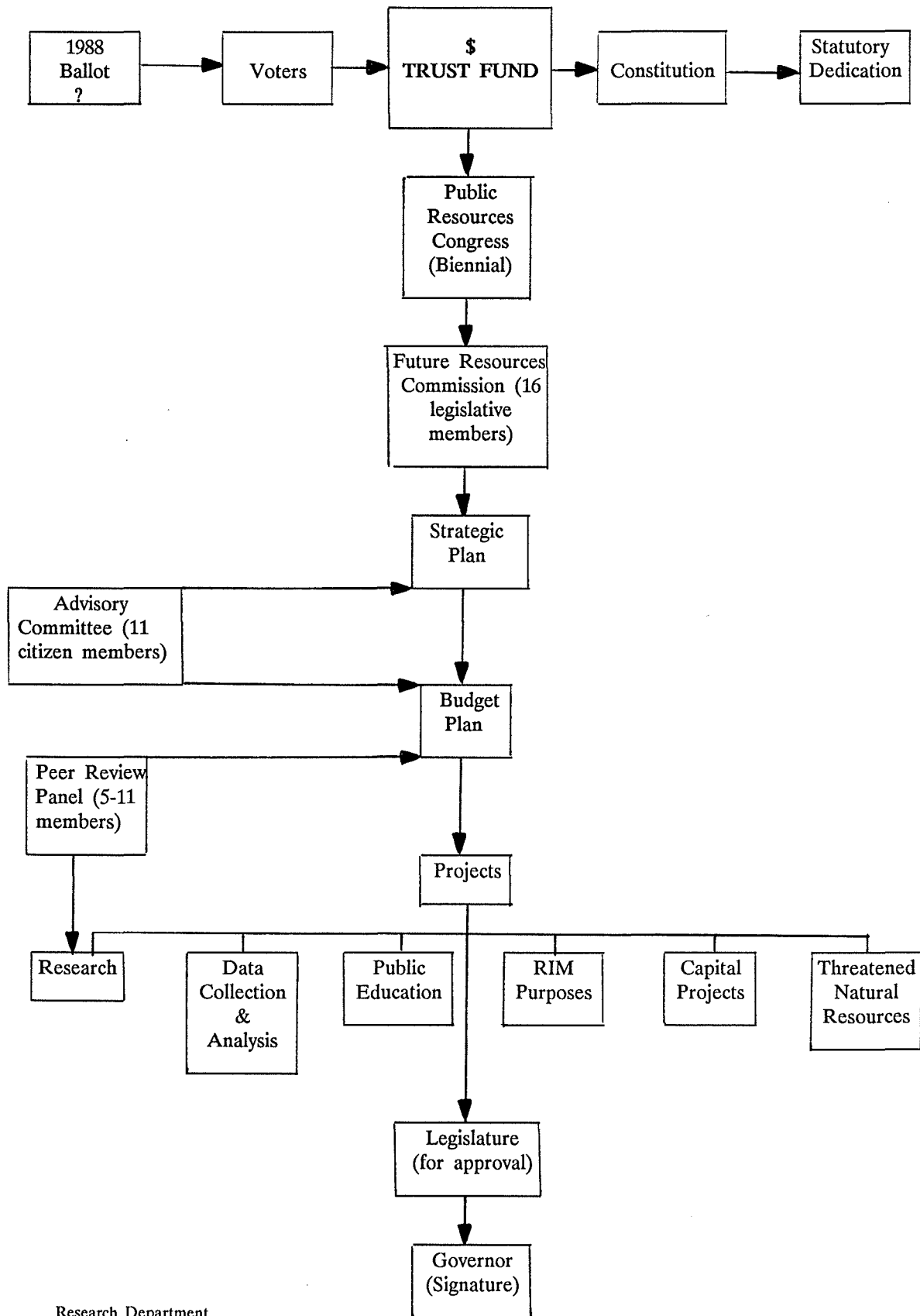
Last, the Resources Congress also may be convened to receive and review reports on Trust Funds projects.

## 16. What is the role of the Minnesota Future Resources Commission?

The legislative commission, composed of eight senators and eight representatives, will have the major responsibility to develop and adopt the biennial budget plan that recommends expenditures from the Trust Fund. Other duties of the MFRC are:

- Adopt bylaws and operating procedures
- Determine the state environment and natural resources budget before and after the Trust Fund is established
- Convene a biennial Resources Congress
- Select a certified public accountant annually to audit the Trust Fund
- Adopt a six-year strategic plan, with updates, for making expenditures from the Trust Fund
- Decide on the advisory committee's involvement in the development of the budget plan
- Select the peer review panel membership, who shall assess research proposals for Trust Fund dollars
- Meet at least once in each of the state's congressional districts during each biennium
- Obtain and appraise information available through public and private organizations
- Submit a biennial, comprehensive report on Trust Fund activities to the governor, legislature and public
- Identify possible royalties, copyrights and patents resulting from Trust Fund projects
- Recommend expenditures from the Minnesota future resources account (cigarette tax revenue, 2 cents per pack)
- Recommend expenditures from the oil overcharge funds (Minnesota Statutes 4.071)

# Minnesota Environment and Natural Resources Trust Fund Proposal



Research Department  
Minnesota House of Representatives