

John Helland, Legislative Analyst
(651) 296-5039

Environment and Natural Resources Trust Fund Revenue

A Proposed Minnesota Constitutional Amendment

On November 3, 1998, Minnesotans will vote on an amendment to the state constitution concerning the rededication of state lottery proceeds to the Environment and Natural Resources Trust Fund. The trust fund was established by Minnesota voters in 1988, and amended two years later to allow dedication of 40 percent of the lottery's net proceeds until the year 2001.* This information brief describes the proposed amendment.

Amendment Language

The proposed amendment states:

“Shall the Minnesota Constitution be amended to extend to the year 2025 the dedication of lottery proceeds to the environment and natural resources trust fund and to maximize the long-term total return to the fund?”

Like all constitutional amendments, the trust fund amendment requires a majority of all persons voting in the general election. A failure to vote on the amendment is the same as a “no” vote.

Trust Fund Purpose

Money dedicated to the trust fund from the lottery proceeds is invested by the State Board of Investment. The investment earnings are used to help finance the protection, conservation, preservation, and enhancement of the state's air, water, land, fish, wildlife, and other natural

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resources. [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.

Expenditure History

Briefly, about \$83.4 million dollars from the trust fund has been spent on 177 projects since 1991. Under broad categories, the dollar amount has been:

Water Resources	\$10.2 million
Fish and Wildlife	\$20.4 million
Parks and Trails	\$34.6 million
Land Use and Natural Resource Information	\$ 8.0 million
Environmental Education	\$ 5.7 million
Agriculture- and Natural Resource-based Industries	\$ 2.9 million

Up until the 1997 fiscal year, only a limited amount of the principal and the interest was available for expenditure. Currently, the trust fund market value is about \$235 million.

Future Revenue

Part of the 1998 constitutional amendment would allow up to 5.5 percent of the trust fund's market value to be appropriated each year of a biennium. For the 2001-2003 biennium, this would be about \$30 million but would increase biennially as the market value grows.

The Legislative Commission on Minnesota Resources (LCMR), composed of ten senators and ten representatives, makes recommendations on trust fund expenditures to the full legislature for appropriation. After lengthy hearings, the LCMR is recommending that about \$25 million in trust fund dollars be appropriated for the 1999-2001 biennium.

If the constitutional amendment passes, there are projections that the trust fund may grow to \$2.2 billion in 2025, with about \$100 million available for possible expenditure that year. If the amendment is not adopted, lottery proceeds that now go to the trust fund instead would go to the general fund, beginning in 2001.

*For more information on the previous trust fund questions, please consult "Environment and Natural Resources Trust Fund Proposal," August 1988, and "1990 Constitutional Amendment Question," July 1990, both by John Helland, Legislative Analyst.