

Environment and Natural Resource Finance



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To: Environment and Natural Resources Policy and Finance Committee Members

From: Brad Hagemeyer, House Fiscal Analyst

Subject: Environment and Natural Resource Related Accounts and Funds

Entities Funded

The entities typically funded within the jurisdiction of the House Environment and Natural Resource Finance and Policy Committee are:

- Department of Natural Resources (DNR)
- Pollution Control Agency (PCA)
 - Environmental Quality Board
- Board of Water and Soil Resources (BWSR)
- Minnesota Zoological Board
- Metropolitan Council
 - Parks
 - Water Resources
- Conservation Corps of Minnesota
- Science Museum
- Legislative-Citizens Commission on Minnesota's Resources (LCCMR)

Appropriation Types

- **Direct**-An appropriation for a specific amount of money, for use only during a specific time period. Most appropriations in omnibus bills are direct appropriations. Appropriations are usually for a single year of the biennium; however, legislation occasionally makes single year appropriations available for either year of the biennium or for an extended period of time.
- **Statutory (or standing)**-An appropriation made in statute (instead of session law) authorizing ongoing payment out of the treasury for a program. In contrast to direct appropriations, statutory appropriations need not be renewed every biennium for funding to continue.

MN House Fiscal Analysis

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- **Open**-A form of statutory appropriation where the level of funding necessary to fulfill the obligation is made available in the fiscal year. The state fund balance shows an estimate of the amount expected to be spent. An example of an open appropriation is DNR firefighting and many fee based programs are open appropriations.

Minnesota Environment and Natural Resource Related Funds

All values are based on November 2024 Forecast unless otherwise stated

General Fund

The General Fund is the least restrictive on potential uses. Funding for the FY 2024-25 biennium is \$1,030.877 million for the entities included in the Environment Finance Committee jurisdiction. The base for FY 2026-27 is \$423.427 million. This figure does not include payments for payment in lieu of taxes (PILT) which currently is included in the tax committee jurisdiction. The PILT payments for the FY 2026-27 biennium are forecasted at \$99.570 million.

Capital Investment

The Capital Investment bills passed by the legislature in 2023 include \$316.529 million in bonding and an additional \$63.344 million in general fund cash for the entities included in the committee jurisdiction. The funds are used for a variety of purposes such as: acquisition and development of parks and trails, asset preservation, facilities development, RIM acquisitions and easements, local road wetland replacement program, dam removal/repair/reconstruction, flood hazard mitigation, recycling and waste management facilities, grants to political subdivisions, and others.

Environment and Natural Resources Trust Fund (ENRTF)

Article 11, Section 14 of the Constitution creates the ENRTF: “The assets of the fund shall be appropriated by law for the public purpose of protection, conservation, preservation, and enhancement of the state's air, water, land, fish, wildlife, and other natural resources.” The fund is credited with 40 percent of the net proceeds of state-operated lotteries through the year 2050. The Legislative-Citizen Commission on Minnesota Resources (LCCMR) makes annual recommendations to the legislature for appropriating 5.5 percent of the corpus of the fund. The amount available for appropriation in FY 2026 is \$103.326 million and the FY 2026 recommendations include 124 projects. In addition to the recommendations of the LCCMR, starting in FY 2026 an additional 1.5 percent (\$28.18 million) will be available to appropriate to the newly created community grant program.

Game and Fish Fund (DNR)

The Game and Fish Fund is made up of the following accounts:

- Game and Fish Operations
- Game and Fish dedicated accounts (Deer and Bear Management, Emergency Deer Feeding and Wild Cervidae Health Management, Deer Habitat Improvement, Waterfowl Habitat Improvement, Trout and Salmon Management, Pheasant Habitat Improvement, Wild Rice Management, Wildlife Acquisition, Wild Turkey Management, Walleye Stamp, Wolf Management and Monitoring)
- Heritage Enhancement (Lottery in-lieu of sales tax)
- Lifetime License Trust Fund
- Peace Officer Training

Expenditures

Expenditures from the Game and Fish Operations account are used to manage, monitor and protect fish and wildlife resources; enforce game and fish laws; provide access to lakes, rivers and streams; and deliver administrative support across those programs. Authorized expenditures from the Game and Fish dedicated accounts are used for programs and purposes directly related to how the revenues are generated. For example, funds in the Trout and Salmon Management account are spent on species research, habitat improvement and trout and salmon stocking. Expenditures from the Heritage Enhancement Account are used to improve, enhance or protect fish and wildlife resources. The primary revenues into the Game and Fish Fund are from departmental earnings (mostly license fees) totaling \$67 million in FY 2024, Federal Grants through the Pittman-Robertson and Dingell-Johnson funds totaling \$46.4 million in FY 2024 and through the in-lieu of sales tax on lottery tickets totaling \$17.6 million in FY 2024. *(FY 2024 Expenditures: \$133.7 million)*

Natural Resources Fund (mostly DNR)

The Natural Resources Fund is made up of the following 22 accounts:

- Recreational Vehicles Accounts (watercraft, snowmobiles, all-terrain vehicles, off-highway motorcycles, and off-road vehicles)
- State Parks (from park fees and annual passes)
- Lottery in-lieu-of-sales tax supported accounts (State Parks and Trails, Metro Regional Parks, Local Trail Grants, Zoo Grants, Regional Parks and Trails, and Outdoor Recreation Opportunities for Underserved Communities)
- Nongame Wildlife
- Invasive Species
- Forestry Management Investment
- Minerals Management
- Mining Administration
- Cross-Country Ski

- Land Acquisition
- State Land and Water Conservation (LAWCON)
- Water Management
- Natural Resources Dedicated

Expenditures

Expenditures from the Natural Resources Fund are used for programs and purposes directly related to how revenues are generated. The in-lieu of tax receipts from the sale of lottery tickets are spent through the DNR on state parks and trails, local trail grants, grants to the zoos in Duluth and St. Paul, regional parks and trails grants, and grants for outdoor recreation for underserved communities. There are also direct appropriations from the Natural Resources Fund to the Metropolitan Council for the metro regional park system and to the Zoological Board for the state zoo. The primary revenue sources in FY 2024 are departmental earnings of \$74.4 million, lottery-in-lieu revenues of \$22.1 million and Unrefunded Gas Tax Revenue of \$20.6 million. *(FY 2024 Expenditures: \$137.6 million)*

Environmental Fund (mostly PCA)

The Environmental Fund is used to collect environmentally related taxes and fees. The funding is directly appropriated to each of the agency's divisions and is a major source of funding for the agency. Sources for FY 2024 include: solid waste tax \$85 million, motor vehicle transfer fee \$11.2 million, air fees \$17.8 million, hazardous waste fees \$7 million, water quality fees \$4.4 million, pollution prevention fees \$2.8 million; fines and penalties \$3.1 million. *(FY 2024 Expenditures: \$93.5 million, additionally \$24 million is transferred to the Remediation fund)*

Remediation Fund (mostly PCA)

The purpose of the Remediation Fund is for response and corrective actions to address releases of hazardous substances, pollutants or contaminants, agricultural chemicals, and petroleum, and for environmental response actions at qualified landfill facilities for which the agency has assumed such responsibility, including perpetual care of such facilities. The primary revenue source is a transfer from the Environmental Fund in the amount of \$24 million in FY 2024 and a transfer from the Petroleum Tank Release Cleanup Fund of \$14.8 million in FY 2024. *(FY 2024 Expenditures: \$39.7 million)*

Remediation Fund-3M Grant Account

In 2018 the State of Minnesota entered into a settlement agreement with 3M to be used for long-term solutions in the East Metro Area related to PFAS. The settlement agreement stipulates how the funds are to be used. There is approximately \$500 million currently in the account. *(FY 2024 expenditures: \$73 million)*

Closed Landfill Investment Fund (mostly PCA)

This fund was created by the legislature in 1999 with the purpose of setting aside money to be invested and providing for the post closure care of landfills in the Closed Landfill Program. There are currently 112 landfills in the Closed Landfill Program with the ability to accept two more into the program. The funds were not available to be expended until after FY 2020. Starting in FY 2022 and ending in FY 2025 a limited statutory appropriation was enacted appropriating \$4.5 million per year with an additional \$9 million available per biennium if certain emergency conditions are met. The fund is invested with the State Board of Investment, as of December 31, 2024, the invested value of the fund is \$158.8 million.

Federal Fund

Agencies receive grants and work agreements with the federal government. Typically, the legislature does not intervene with these funds. *(FY 2024 Expenditures: \$62.7 million)*

Special Revenue Fund

The Special Revenue Fund is used for the collection and expenditure of various fees, revenues, and work agreements for agencies that are not collected in one of the other dedicated funds or accounts. Expenditures from the Special Revenue Fund are typically statutorily appropriated. *(FY 2024 Expenditures: \$259.7 million)*

Gift Fund

Used for gifts given to agencies. The DNR and the Zoo typically account for almost all of the Gift Fund. However, the PCA currently accounts for a portion of these funds which comes from the Volkswagen settlement agreement which provides \$47 million to the state over ten years, including \$2.7 million of expenditures in FY 2024. These funds are statutorily appropriated. *(FY 2024 Expenditures: \$25.6 million)*

Reinvest In Minnesota (RIM) Fund

The RIM Fund is used for the collection and expenditure of the donations to the RIM program through the sale of critical habitat license plates and other donations. *(FY 2024 Expenditures: \$8 million)*

Permanent School Fund

The Permanent School Fund is primarily expended on education, \$50.9 million in FY 2024. The revenues used for education are derived from the investment earnings on the corpus of the fund. Revenues into the corpus of the fund are from income on school trust lands (primarily timber harvest and mining royalties) totaling \$32.9 million in FY 2024. The legislature does make appropriations from funds prior to entering the permanent school fund. In FY 2024 the directly appropriated expenditures through DNR were \$440,000. The DNR is also able to recover costs from work on school trust lands, in FY 2021 this

amounted to \$7.2 million being deposited in the Natural Resources Fund and \$1.4 million to the General Fund.

Clean Water Revolving Fund

The Clean Water Revolving Fund is primarily expended as loans through the Public Facilities Authority. The PCA receives some funding for work related to administering the fund and conducting activities required under the Federal Water Pollution Control Act. *(FY 2024 PCA Expenditures: \$2.4 million)*

Constitutionally Dedicated Legacy Funds (3/8 percent sales tax)

The Outdoor Heritage Fund, Clean Water Fund, and Parks and Trails Fund are three of the four Legacy Funds. These funds are within the jurisdiction of the Legacy Finance Committee; however, they are primarily appropriated to the agencies within the jurisdiction of the Environment and Natural Resources Finance Committee. Appropriations to the agencies can be for the work of the agency or for grants to nonprofit organizations or political subdivisions. *(FY 2025 appropriations: \$452 million)*