



Subcommittee on Minnesota Water Policy

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2020 Legislative Recommendations: Legislative and Citizens Commission—Environmental Funding

Issue: Is Minnesota's Environmental Spending Meeting the Expectations of our Citizens?

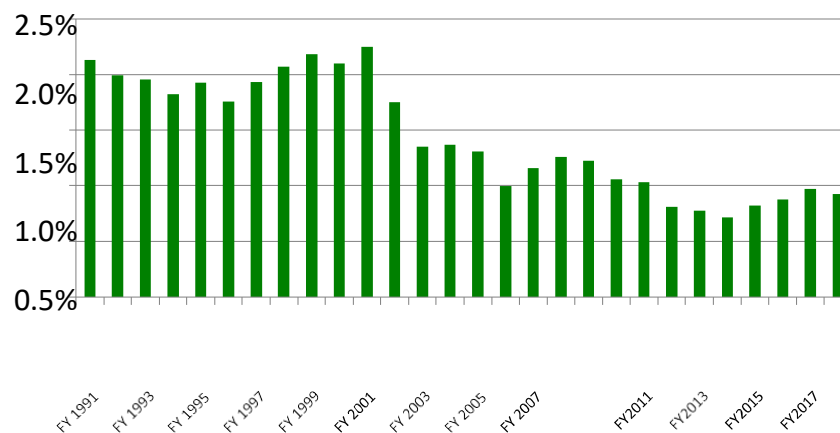
Introduction: Water is vital to the residents of Minnesota. Minnesota's voters have confirmed that by endorsing funding initiatives for conservation and natural resources. We created the Environment and Natural Resources Trust Fund in 1988 and in 2008 we voted to raise the sales tax, creating the Legacy Amendment. Clean water and access to outdoor recreation are recognized as important factors in sustaining economic growth in the state.

There are three questions regarding Minnesota's funding for natural resources that need to be answered in order to evaluate the state's natural-resources programs and spending. They are as follows:

- Have dedicated funds affected spending from the general fund?
- How does Minnesota's spending, for natural resource, compare to other states?
- How effective have dedicated funds been in protecting and improving our natural resources?

Background: Natural resource programs are primarily delivered by seven state agencies. Funding is from several funds: general funds, dedicated funds, user fees, and capital investment bonding. There are two important sources of dedicated natural-resources funding, the Environment and Natural Resources Trust Fund and Legacy Amendment funds. These funds have provided provide critical infusions of money for natural resources. They are intended to supplement, and not to supplant, general funding. There are concerns regarding the dedicated funds. First, requests for dedicated funds often exceed available funding. Secondly, there are concerns that spending from the general fund for natural resources has eroded because spending has shifted from the general fund to dedicated funds. Finally, there are concerns that, even with dedicated funds, the quality of our water is not improving to the degree that our citizens expect.

Conservation and Environment Spending (General Funds) as Percentage of Total General Fund Spending, 1991-2018 (Conservation Minnesota)



Even with dedicated funding, total state funding for natural resources has never exceeded three percent of all state spending (Conservation Minnesota). Legislative decisions about future natural-resources funding are critically important. Clean water and natural resources concerns are increasing and Minnesota's water and natural resources face mounting pressures to lakes, rivers and drinking water. Recent information suggests that improvements to our state's waters, when the Legacy Amendment expires in 2034, will not meet citizen expectations. As the Legacy Amendment period reaches a half-way point, there is need to reflect and refocus on a desired future state for water for 2034 and beyond.

Have dedicated funds affected spending from the general fund? Although Minnesotans place priority on natural resources and water resources, budget pressures have made it difficult to maintain adequate levels of investments. For nearly 20 years, general funds for natural resources have declined as a percentage of the state's general-fund spending. As a percentage of state general-fund spending, conservation spending has dropped from over 2 percent to less than 1 percent of total state spending. Conservation needs likely will continue to exceed available dollars. Dedicated funds have provided critical infusions of funds for conservation. However, even with the dedicated funds, state funding is not meeting all the state's conservation needs. Including dedicated funds, total spending for conservation is less than three percent of the total state budget.

How does Minnesota's spending for natural resources compare to spending in other states?

Information comparing environmental spending, by state is limited (primarily ECOS, 2017 and Ballotpedia, 2016). Furthermore, rigid analysis of the information available is problematic. These reports suggest that Minnesota is among the lowest of states with respect to general fund spending for natural resources, as a percentage of each state's general fund spending. However, these reports also suggest that Minnesota is among the highest of the states with respect to natural-resources funding when all sources of funding are included.

A similar pattern of natural-resources funding exists when Minnesota is compared to other states in the Midwest. Compared to those states, Minnesota spends a smaller percentage of the state's general funding for environmental programs than any other state in EPA Region 5, except for Illinois. Conversely, Minnesota spends, in total, a greater percentage of its total budget on the environment, it is likely that this is a consequence of Minnesota's reliance on dedicated environmental funding. For all of the Region 5 states, Federal sources of environmental funding are significant. However, in Minnesota, Federal sources of funding are less significant than in the other Region 5 states.

How effective have the dedicated funds been in protecting and improving our natural resources? Since 2010, dedicated funding has benefitted water, habitat, parks and trails, and cultural resources in every county in the state. Outdoor Heritage Funds have restored or enhanced thousands of acres of wetlands, grasslands and forests.

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. Parks and Trails Funds have increased state park attendance by 25 percent, added new trails, restored park facilities, and introduced new and younger audiences to the outdoors.

However, the total impact of dedicated natural-resources funds on the quality and sustainability of waters of the state is difficult to assess. Because dedicated conservation funding has become so important to protecting and to preserving Minnesota's environment, it is critical that outcomes be measured and communicated to the public so that these funds continue into the future.

What's needed? Minnesota spends a smaller part of the state's general funding on the environment than in other Midwestern states. However, total environmental spending in Minnesota, is greater than in other states in the Midwest, likely due to dedicated the funds. Therefore, diligence, and a review, is needed to ensure that dedicated funds are supplementing environmental funding from the general fund. Dedicated funding has benefitted water, habitat, parks and trails, and cultural resources in every part of the state.

However, the total impact of dedicated environmental funding has been difficult to assess, particularly with respect to water. Because dedicated conservation funding has become so important to protecting and to preserving Minnesota's environment, it is critical that outcomes be measured and communicated to the public, so that these funds continue into the future. The legislature might consider ensuring that the agencies are doing the best job of measuring and communicating environmental outcomes. Continuation of the dedicated funding programs is critical to the state's environmental quality.