

Legislative-Citizen Commission on Minnesota Resources

MEMO: Agenda Item #5

DATE: July 18, 2023

SUBJECT: Results of Members ENRTF 2024 (FY25) Evaluation #2 + Options for Allocation Action

Background

Approximately \$79.6 million is available for appropriations from the Environment and Natural Resources Trust Fund (ENRTF) for this 2024 (FY25) RFP cycle, including for an LCCMR supplemental administrative budget.

In response to the 2024 RFP, the LCCMR received 218 proposals requesting a total of approximately \$174 million. Through commission agreement on April 24, 2023, and following members' Evaluation #1, 102 of these proposals, requesting a total of approximately \$83.9 million, were invited to present to the LCCMR on June 22-23 and June 27-28 to receive further consideration.

The commission's agreement on April 24, 2023, also provided that Evaluation #2 would include members making individual allocations for the proposals each member wished to recommend and that the following provisions would be followed:

- No more than the requested amount may be allocated to a proposal.
- Only the full requested amount may be allocated to a proposal in Category H (Small Projects; \$200,000 or less).
- Allocations for all other proposals may not be less than \$200,000. That is, no proposal requesting more than \$200,000 may be allocated funds at a level less than \$200,000.
- Allocations will be rounded to the nearest \$1,000.
- There will be a \$250,000 buffer for mistakes made during the allocation process. If the buffer is not needed in the end, the commission may either allocate it to another proposal or it will be moved to the Emerging Issues Account line following allocations.
- Members may allocate available ENRTF dollars to the Emerging Issues Account or to Legislative Discretion (i.e., ENRTF dollars for the Legislature to solely determine how to appropriate).
- LCCMR Administrative Budget and DNR grants (Contract Agreement Reimbursement) requests will be advanced at their estimated or requested amounts.

Evaluation #2 Results

Results of members' Evaluation #2 are shown on the attached spreadsheet, with proposals shown in order high to low by number of members allocating funds and then by Proposal ID. The average amount allocated, of those allocating a dollar amount, is also shown.

On April 24, 2023, the commission voted to create an initial agreement on a recommendations package following Evaluation #2 results accordingly:

“...by going down the list of compiled Evaluation #2 results, ranked high to low, until the total amount available for appropriation has been “spent” based on the average allocation amounts. In the event of funds running out in the middle of a group of proposals supported by an equal number of members, the cut-off would be handled the same way as at the “selections” step associated with Evaluation #1, where the tied proposals would all be included or all be excluded, whichever resulted in an initial agreement closest to the total amount available.”

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Using this method, all proposals that presented to the commission, both administrative budget items, and Emerging Issues would be included in the initial agreement at their averaged allocation amounts. Emerging Issues had 12 members selecting and the average allocation of \$4,627,000. The cut-off landed at the last item on the ranked list, which was the Legislative Discretion line item. Rounding down to exclude this line item resulted in total allocation of \$78,042,000. Rounding up to include this line item resulted in total allocation of \$86,042,000. Since \$78,042,000 is closer to the total amount available (\$1,602,000 versus \$6,398,000), the Legislative Discretion line item is being excluded in the initial agreement. This means the commission needs to figure out how to address the remaining \$1,602,000. Because it is for the second fiscal year in the biennium, this balance cannot be carried forward to next year's RFP. Staff have provided some options below that members may wish to consider.

	Amount Requested	Initial Agreement
Proposals in Response to RFP (lines 8 to 101 and 103 to 107)	\$82,533,000 ¹	\$72,140,000 ¹
Administrative Budgets (line 5 and 7)	\$1,025,000	\$1,025,000
LCCMR Buffer (line 6)	\$250,000	\$250,000
Emerging Issues Account (line 102)- 12 members selected	-	\$4,627,000
Legislative Discretion (line 109)- 2 members selected	-	-
Total	\$83,808,000	\$78,042,000
Amount Remaining	-\$4,164,000	\$1,602,000

1 Please note that the request for 2024-086 (line 69) was reduced to \$400,000 by the proposer, so the maximum average allocation amount was reduced to that amount.

Additionally, several members included comments in their Evaluation #2 that pertain to possible conditions of receiving funds. If the commission wishes to make any contingencies to their recommendations, they should include it in the decisions today. To facilitate discussion, staff have highlighted yellow in the "Contingency?" column on the attached spreadsheet issues about which more than one member made the same or similar comment. This should not be interpreted as a staff recommendation to add any particular contingency.

Proposal Selection and Allocation Decisions – Options for Action Needed

Staff recommends that before taking any formal action, members discuss the results of Evaluation #2 as well as options for collective decision-making. A proposed process follows:

1. Review this memo and attached spreadsheet.
2. Discuss and decide upon how the remaining balance will be addressed. In trying to identify options, staff considered the following. Options that would allocate all but the smallest amount without changing any other parts of the initial agreement are **bolded**:
 - a. Allocating the remaining balance to fully fund the highest selected proposals. Staff calculated this option for proposals selected by 16 or more members and 17 or more members. Both resulted in over-allocations (\$3,558,000 and \$974,000 respectively).
 - b. **Allocating the remaining balance to fully fund proposals requesting \$750,000 or less.** Staff calculated this option at different levels of member support and found that **if focused on proposals selected by 15 or more members (lines 85 or above), a small balance of \$84,000 results that could be returned to the**

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ENRTF corpus. Going further down the list resulted in over allocations (for e.g. at 14 and above \$63k overallocation, 13 and above \$143k overallocation, all proposals \$170k overallocation).

- c. **Allocating the remaining balance to fully fund proposals requesting \$1,000,000 or less.** Staff calculated this option at different levels of member support and found that **if focused on proposals selected by 17 members (lines 25 and above), a balance of \$1.151 million results that could be returned to the ENRTF corpus.** Going further down the list resulted in over allocations (for e.g. at 16 or more members and results in \$161k over allocation; at 15 or more \$945k overallocation; at 14 or more \$1.092 million overallocation; 13 or more \$1.112 million overallocation; 12 or more \$1.229 million overallocation; and all proposals results in \$1.256 million overallocation).
- d. **Providing a proportional increase to all proposals not fully funded in the initial agreement,** subject to the restriction that no more than the requested amount may be allocated to a proposal. This would represent an approximate **An approximate 2% increase to the average allocation amount for all proposals (plus Emerging Issues) would leave a \$201,000 balance.** A 1% increase to the average allocation amount for all proposals (plus Emerging Issues) would leave a \$575k balance. An approximate 3% increase would result in \$482k overallocation.
- e. **Leaving the remaining balance (\$1,602,000) unallocated to remain in the ENRTF corpus.**

Staff have highlighted the following proposals where member comments indicate that reductions from the requested amount were based on contingencies that not all work under the proposal would be funded: 2024-073 (line 12), 2024-113 (line 74), and 2024-277 (line 84). In these cases, the members may want to have a specific discussion for each proposal about what they would like the recommended allocation amount to be.

3. Discuss and decide upon any contingencies.
4. The outcome of the buffer, if not needed to correct any errors following the July 20 allocation decisions, would be determined in November.

Conflicts of Interest Affecting Discussion and Voting

As a result of laws passed during the 2023 legislative session, the threshold for making a recommendation changed from 12 members to 11 members, and LCCMR members are not allowed to vote on a final LCCMR recommendation package if they have a direct financial interest related to one or more organizations considered in the recommendation. The threshold for recommendations will be adjusted downward for each member with a conflict of this nature. Additionally, as always, members must refrain from discussing or voting on specific proposals for which they have a conflict of interest. As a result of conflicts reported by members (see chart below), 3 of the 17 members must refrain from discussion and voting on how to address the under allocation. Decisions on the under allocation require a vote of at least 7 to pass, which represents a simple majority of those able to vote. Two members must refrain from voting on the final package. Therefore, the final recommendation requires at least 9 votes from the 15 members able to vote.

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Member	Organization	Proposal(s)	Direct personal financial interest in organization?	Affects
Faber	Morrison Soil and Water Conservation District	2024-022	Y	Voting: Final package Voting and discussion: Option [none]
Morrison	Friends of the Boundary Waters Wilderness	2024-139	N	Voting and discussion: Option [2a (14 and above), 2b, 2c, 2d]
Peichel	MN DNR, State Parks and Trails Division	2024-064, 2024-136, 2024-277	N	Voting and discussion: Option [2a (15 and above), 2d], [2a (15 and above), 2d], [2a (15 and above)], 2d]
Reese	UMN, WCROC	2024-076	Y	Voting: Final package Voting and discussion: Option [2a (16 and above), 2c, 2d]

Action Needed

Move to recommend the proposal package as shown on the attached spreadsheet with the given contingencies (if any) for proposals (2024-XXX, 2024-XXX, and 2024-XXX) and option [2a, 2b, 2c, 2d] as described above. Additionally, to direct staff to develop draft bill language for review by the commission and to allow staff to make small dollar amount and technical changes as needed to correct any errors.

Attachments

Spreadsheet titled, "Members 2024 RFP LCCMR Proposal Allocations Initial Agreement, as of July 18, 2023"