

Legislative-Citizen Commission on Minnesota Resources

MEMO: Agenda Item #8

DATE: July 21, 2024

SUBJECT: Results of Members ENRTF 2025 (FY26) Evaluation #2 + Options for Allocation Action

Background

\$103,326,000 is available for appropriations from the Environment and Natural Resources Trust Fund (ENRTF) for this 2025 (FY26) RFP cycle.

In response to the 2025 RFP, the LCCMR received 214 proposals requesting a total of approximately \$183 million. Through commission agreement on April 29, 2024, and further discussion following members' Evaluation #1, 126 of these proposals, requesting a total of approximately \$125 million, were invited to present to the LCCMR on June 20-21 and June 26-28 to receive further consideration.

The commission agreed on June 10, 2024, 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; \$250,000 or less).
- Allocations for all other proposals may not be less than \$250,000. That is, no proposal requesting more than \$250,000 may be allocated funds at a level less than \$250,000.
- 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 allocated to the Emerging Issues Account.
- Allocations will be rounded to the nearest \$1,000.
- 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).
- Members may also leave funds unallocated. It would be understood that any final unallocated funds would be considered a recommendation to return those funds to the Trust Fund corpus (even RFP years) or to carry them forward to the next RFP cycle (odd RFP years).
- The LCCMR administrative budget, LCC Legacy Website, and DNR grants (Contract Agreement Reimbursement) 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 *by those allocating a dollar amount* is also shown. That is, blanks/non-allocations are not included in the allocation average calculation.

On June 10, 2024, 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

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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 results in an initial agreement closest to the total amount available.”

The commission was provided \$100,000,000 to allocate during Evaluation #2 because this was the best estimate of funds available at the time Evaluation #2 occurred. The actual amount of funds available was determined using the value of the fund on June 30, 2024, and was certified to the LCCMR by the State Board of Investment on July 17, 2024, as \$103,326,000. The spreadsheet uses the method described above and shows the cut-off at both thresholds. The commission will have to decide whether it uses the \$100 million amount on which their individual allocations were based or the \$103 million amount actually available. Both scenarios are discussed below.

As described below, in both scenarios, all projects with allocations by 8 or more members are included in the initial agreement. The scenarios differ in whether proposals with allocations by 7 or more members are included in the initial agreement and whether the initial agreement results in an over- or under-allocation. In addition, the LCCMR, LCC, and DNR Grants budget items are all included in the initial agreement in both scenarios as is the Emerging Issues Account, which was selected by 12 of 16 members, with an average allocation amount of \$2,699,000.

Scenario #1: Initial Agreement with \$100,000,000 Cut-Off

The \$100,000,000 cut-off landed between two tiers of proposals: those that received allocations from 8 members and those that received allocations from 7 members. Including both tiers results in overspending by \$4,050,000; including just the top tier results in underspending by \$340,000. Since \$340,000 is less than \$4,050,000, the cut-off is after the upper tier, includes all proposals receiving allocations by 8 or more members, and the commission **has \$340,000 left to allocate**.

In this scenario, the commission will need to decide where to allocate those remaining funds.

Table 1: The Initial Agreement @ \$100,000,000

	Amount Requested	Average Allocations
Proposals in Response to RFP <ul style="list-style-type: none"> Lines 9 - 73; 75 – 128, 8 or more members allocated funds 	\$111,052,000 ¹	\$92,429,000 ¹
Administrative Budgets <ul style="list-style-type: none"> Lines 6 - 8 	\$4,282,000	\$4,282,000
LCCMR Buffer <ul style="list-style-type: none"> Line 5 	\$250,000	\$250,000
Emerging Issues Account <ul style="list-style-type: none"> Line 74, 12 members allocated funds 	-	\$2,699,000
Legislative Discretion <ul style="list-style-type: none"> Line 134, 6 members allocated funds 	-	-
Total	\$115,584,000	\$99,660,000

¹ Requests for 2025-323 (Line 39) and 2025-081 (Line 119) were reduced to \$322,000 and \$1,500,000 respectively by the proposer, so the maximum average allocation amount was reduced to these amounts.

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Amount Remaining	-\$15,584,000	\$340,000
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Scenario #2: Initial Agreement with \$103,326,000 Cut-Off

The \$103,326,000 cut off landed in the middle of a tier of proposals with the same number (7) of members allocating funds. Including Tier 7 results in overspending by \$724,000. Not including tier 7 results in underspending by \$3,666,000. Since \$724,000 is less than \$3,666,000, the cut-off includes Tier 7 and the commission **has over allocated by \$724,000**.

In this scenario, the commission will need to decide from which proposals to remove these funds.

Table 2 The Initial Agreement @\$103,326,000

	Amount Requested	Average Allocations
Proposals in Response to RFP <ul style="list-style-type: none"> Lines 9 - 73; 75 – 132, 7 or more members allocated funds 	\$116,867,000 ²	\$96,819,000 ²
Administrative Budgets <ul style="list-style-type: none"> Lines 6 - 8 	\$4,282,000	\$4,282,000
LCCMR Buffer <ul style="list-style-type: none"> Line 5 	\$250,000	\$250,000
Emerging Issues Account <ul style="list-style-type: none"> Line 74, 12 members allocated funds 	-	\$2,699,000
Legislative Discretion <ul style="list-style-type: none"> Line 134, 6 members allocated funds 	-	-
Total	\$121,399,000	\$104,050,000
Amount Remaining	-\$18,073,000	-\$724,000

Staff have provided some options below that members may wish to consider for next steps in either scenario.

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. Several options could be:

Decision #1: Allocations

1. For Scenario #1:
 - a. Use the under allocation of \$340,000 to fully fund or proportionately increase the proposals that received support from the most members, starting at the top tier and working down. This would result in the following changes:
 - i. Fully funding proposals in Tier 15 (3 proposals):
 1. Proposal ID 2025-046, Line 9

² Requests for 2025-323 (Line 39) and 2025-081 (Line 119) were reduced to \$322,000 and \$1,500,000 respectively by the proposer, so the maximum average allocation amount was reduced to these amounts.

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- a. Increases from \$295,000 to \$298,000 (from 99% to 100%)
 2. Proposal ID 2025-118, Line 11
 - a. Increases from \$705,000 to \$735,000 (from 96% to 100%)
 3. Proposal ID 2025-301, Line 13
 - a. Increases from \$973,000 to \$1,091,000 (from 89% to 100%)
- ii. After fully funding proposals in Tier 15, a balance of \$189,000 remains. This could be distributed proportionately (and rounded to the nearest \$1,000 with a maximum allocation of 100% of request) across proposals in Tier 14 that otherwise did not receive 100% of the amount requested (21 proposals). Distributing it would result in an increase of 1.4%, or a range of an additional \$2,000 to \$17,000, to each proposal as follows and a balance of \$1,000 to carry forward to next year's RFP.
- b. Let the under allocation of \$340,000 carry forward to next year or put into Emerging Issues
2. For Scenario #2:
- a. Take the amount over allocated (\$724,000) proportionately (and rounded to the nearest \$1,000) from the proposals in the lowest tier of proposals above the cut, i.e., those that received support from 7 members. This would result in the following changes:
 - i. 7 members allocating – Decrease amount allocated to 3 proposals by 16.5%:
 1. Proposal ID 2025-098, Line 130
 - a. Decreases from \$2,231,000 to \$1,863,000
 2. Proposal ID 2025-227, Line 131
 - a. Decreases from \$904,000 to \$755,000
 3. Proposal ID 2025-241, Line 132
 - a. Decreases from \$1,255,000 to \$1,048,000
 - b. Take the amount over allocated (\$724,000) from Emerging Issues

Decision #2: Conditions on recommendation?

If the commission wishes to make any contingencies to their recommendations, they should include it in the decisions today.

Conditions may be required if the commission decides to recommend some projects for funding. There are two types of contingencies found in the attached spreadsheet. The first type have been entered as a staff note in the "Contingencies?" column on the attached spreadsheet. These contingencies will be included if the proposal is recommended *unless* members vote otherwise today.

The second type of conditions relates to member comments. If more than one member included a similar comment in their Evaluation #2 that pertains to possible conditions of receiving funds, staff have created a potential condition in the "Contingencies?" column on the attached spreadsheet for members to consider. This should not be interpreted as a staff recommendation. If members want these or other conditions, this should be part of the vote today.

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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 any other decisions related to proposals for which they have a conflict of interest. All decisions other than those on the package are made by a simple majority of those able to vote.

The nature of the conflicts reported by members are below along with their potential impacts.

Member	Organization	Proposal(s)	Direct personal financial interest in organization?	Affect on discussion and voting
Michael Reese	U of MN, WCROC	2025-078 (Agrivoltaics) Tier 6	Y	If Tier 6 is included in the package, no vote on the package allowed. Discussion about or voting on treatment of Tier 6 is not allowed. Discussion about or voting on this specific proposal is not allowed.
Jeremy Peichel	MN DNR, State Parks and Trails Division	2025-122 (Local Parks) Tier 13	N	Discussion about or voting on this specific proposal is not allowed. Discussion about and voting on treatment of Tier 13 is not allowed.
Shona Langseth	Olmsted County	2025-182 (Lake Zumbro) Tier 9	Y	If Tier 9 is included in the package, no vote on the package allowed. Discussion about or voting on treatment of Tier 9 is not allowed. Discussion about or voting on this specific proposal is not allowed.
Michael Reese	U of MN, WCROC	2025-241 (Precision Ag) Tier 7	Y	If Tier 7 is included in the package, no vote on the package allowed. Discussion about or voting on treatment of Tier 7 is not allowed. Discussion about or voting on this specific proposal is not allowed.

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Seth Moore	MN DNR, Fish and Wildlife Division	2025-309 (Moose) Tier 13	Y	If Tier 13 is included in the package, no vote on the package allowed. Discussion about or voting on treatment of Tier 13 is not allowed. Discussion about or voting on this specific proposal is not allowed.
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- At an Initial Agreement of \$100,000,000, there are 2 members with direct personal financial interest in a related organization, therefore a vote of 9 members is needed for a recommended package.
- At an Initial Agreement of \$103,326,000, there are 3 members with a direct personal financial interest in a related organization, therefore a vote of 8 members is needed for a recommendation package.

Action Needed

Move to recommend all proposals above the \$10X,XXX,000 cut-off as shown on the attached Initial Agreement spreadsheet dated July 21, 2024 and with adjustments as described in Option [1a, 1b, 2a, or 2b in the spreadsheet] or with changes to the allocated amounts as follows: _____.

Further, to include the following contingencies in the recommendations: _____ .

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 2025 RFP LCCMR Proposal Allocations Initial Agreement, as of July 21, 2024"