Fischer and Heintzeman from the Committee on Environment and Natural Resources Finance and Policy to which was referred:

H. F. No. 3426, A bill for an act relating to natural resources; appropriating money from environment and natural resources trust fund; extending certain prior appropriations.

Reported the same back with the following amendments:

Page 1, line 18, delete "103,288,000" and insert "102,036,000"

Page 12, line 12, delete "37,806,000" and insert "36,554,000"

Page 19, delete lines 16 to 27

Reletter the paragraphs in sequence

Page 50, after line 2, insert:

"Sec. 3. Minnesota Statutes 2024, section 116P.08, subdivision 4, is amended to read:

Subd. 4. **Legislative recommendations.** (a) Funding may be provided only for those projects that meet the categories established in subdivision 1.

(b) The commission must recommend an annual or biennial legislative bill to make appropriations from the trust fund for the purposes provided in subdivision 1. The recommendations must be submitted to the governor for inclusion in the biennial budget and supplemental budget submitted to the legislature.

(c) The commission may recommend regional block grants for a portion of trust fund expenditures to partner with existing regional organizations that have strong citizen involvement, to address unique local needs and capacity, and to leverage all available funding sources for projects.

~~(d) The commission may recommend the establishment of an emerging issues account in its legislative bill for funding emerging issues, which come up unexpectedly, but which~~

~~still adhere to the commission's strategic plan, to be approved by the governor after initiation and recommendation by the commission.~~

~~(c)~~ (d) Money in the trust fund may not be spent except under an appropriation by law.

Sec. 4. Minnesota Statutes 2024, section 116P.08, is amended by adding a subdivision to read:

Subd. 4a. **Emerging issues account.** (a) The commission may recommend the establishment of an emerging issues account in its legislative bill for funding emerging issues, which come up unexpectedly but still adhere to the commission's strategic plan.

(b) Money in the emerging issues account may only be spent on activities that meet all of the following requirements:

(1) address an immediate threat to public health, the environment, or the state's natural resources; and

(2) are conducted by a state agency or performed under a contract directed by a state agency.

(c) Money in the emerging issues account may not be spent on:

(1) a project that was previously reviewed and rejected by the commission during the most recently completed funding cycle or included in a bill introduced during either of the last two regular legislative sessions; or

(2) a capital construction project.

(d) Except as provided under section 116P.09, subdivision 6, paragraph (b), recommendations by the commission for an expenditure from the emerging issues account require an affirmative vote of at least 12 members of the commission. An expenditure from the emerging issues account must be approved by the governor after initiation and recommendation by the commission. The chairs and ranking minority members of the legislative committees with jurisdiction over environment and natural resources must be notified of an expenditure sent to the governor for approval.

(e) A recipient of money from the emerging issues account must submit a final report to the chairs and ranking minority members of the legislative committees with jurisdiction over environment and natural resources detailing the expenditure of the money and outcomes achieved.

Sec. 5. Minnesota Statutes 2024, section 116P.09, subdivision 6, is amended to read:

Subd. 6. **Conflict of interest.** (a) A commission member, a technical advisory committee member, a peer reviewer, or an employee of the commission may not participate in or vote on a decision of the commission, advisory committee, or peer review relating to an organization in which the member, peer reviewer, or employee has either a direct or indirect personal financial interest. While serving on the commission or technical advisory committee or as a peer reviewer or while an employee of the commission, a person must avoid any potential conflict of interest.

(b) A commission member may not vote on a motion regarding the purchase of land under section 116P.18 ~~or~~; the final recommendations of the commission required under section 116P.05, subdivision 2, paragraph (a)~~,~~; or the expenditure of money from the emerging issues account if the motion relates to an organization in which the member has a direct personal financial interest. If a commission member is prohibited from voting under this paragraph, the number of affirmative votes required under section 116P.05, subdivision 2, paragraph (a), or section 116P.18 is reduced by the number of members ineligible to vote under this paragraph.

Sec. 6. Minnesota Statutes 2024, section 116X.03, is amended by adding a subdivision to read:

Subd. 1a. **Grant awards; maximum amounts.** (a) A grant awarded under this section may not exceed:

(1) $2,000,000, if the grant is for trail maintenance; or

(2) $750,000, if the grant is for a purpose other than trail maintenance.

(b) The commissioner must award grants under this section in each fiscal year for more than one purpose under subdivision 1, paragraph (b).

Sec. 7. Minnesota Statutes 2024, section 116X.03, is amended by adding a subdivision to read:

Subd. 3a. **Staff training requirements.** All Department of Natural Resources staff who are assigned grants management responsibilities for grants awarded under this section must complete annual training on financial reconciliation and fraud prevention in addition to the training required under section 16B.98, subdivision 6a.

Sec. 8. Minnesota Statutes 2024, section 116X.03, is amended by adding a subdivision to read:

Subd. 3b. **Grants monitoring.** The commissioner must conduct at least one in-person unannounced monitoring visit before final payment is made on all grants awarded under this section that are for an amount of $50,000 or more. For grant amounts under $50,000, the commissioner must randomly select a sample from the grants awarded each year and conduct at least one unannounced monitoring visit on the selected grants before final payment is made.

Sec. 9. Minnesota Statutes 2024, section 116X.03, is amended by adding a subdivision to read:

Subd. 3c. **Small grant administration requirements.** (a) The commissioner must conduct a preaward risk assessment under section 16B.981 for a grant awarded under this section that is for an amount less than $50,000.

(b) The commissioner must conduct a financial reconciliation of grantees' expenditures on a random sample of grants under $50,000 before final payments are made.

Sec. 10. Minnesota Statutes 2024, section 116X.03, is amended by adding a subdivision to read:

Subd. 4a. **Advance payment.** (a) Except as provided under paragraph (b), a grant awarded under this section must be administered on a reimbursement basis.

(b) The commissioner may provide an advance payment to a recipient of a grant administered under this section if:

(1) the recipient has obtained a surety bond in an amount and in a form approved by the commissioner; or

(2) a fiscal agent has been designated and approved by the commissioner under paragraph (c).

(c) The commissioner may designate and approve a fiscal agent for purposes of this subdivision if the fiscal agent is subject to the requirements under sections 16B.97 to 16B.991.

Sec. 11. Minnesota Statutes 2024, section 116X.03, is amended by adding a subdivision to read:

Subd. 5a. **Grant recipient reporting.** A recipient of a grant awarded under this section must submit a quarterly written progress report on the grant to the commissioner in a form and manner approved by the commissioner until all grant funds have been expended and all of the terms in the grant contract agreement have been met.

Sec. 12. **ENVIRONMENT AND NATURAL RESOURCES TRUST FUND COMMUNITY GRANT PROGRAM APPROPRIATION.**

(a) $28,180,000 in fiscal year 2027 is appropriated from the environment and natural resources trust fund to the commissioner of natural resources for grants under Minnesota Statutes, section 116X.03, allocated as required under Minnesota Statutes, section 116X.03, subdivision 1.

(b) This is a onetime appropriation. Minnesota Statutes, chapter 116P, does not apply to this appropriation or to projects funded with this appropriation. This appropriation is available until June 30, 2030."

Amend the title as follows:

Page 1, line 3, delete the period and insert "; modifying provisions on expenditures from environment and natural resources trust fund; modifying requirements for community grants program;"

Correct the title numbers accordingly

With the recommendation that when so amended the bill be re-referred to the Committee on Ways and Means.

This Committee action taken April 16, 2026

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