

UNIVERSITY OF MINNESOTA

Twin Cities Campus

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April 19, 2016

Susan Thornton, Director
Legislative-Citizen Commission on Minnesota Resources
100 Rev. Dr. Martin Luther King Jr. Blvd.
State Office Building, Room 65
St. Paul, MN 55155

Dear Ms. Thornton:

As we discussed at our meeting on April 15, 2016, the University of Minnesota continues to have a strong interest in assisting the LCCMR with advancing the recommendations in the February 11, 2016 Legislative Auditor's report on the Environment and Natural Resources Trust Fund. As the Legislative Auditor's report found, the University had adequate internal controls in place ensuring the University used appropriations from the Environment and Natural Resources Trust Fund for the intended purposes. The report also suggested the LCCMR consider a statutory change to modify conflicting state statutes related to the University's receipt of future appropriations from the Fund. The University continues to support this statutory change and has worked with Minnesota Management and Budget to draft language to assist the LCCMR with satisfying this recommendation.

I believe we have a joint preference to modify the conflicting state statutes for future appropriations. As we discussed, the University continues to earn interest on past appropriations for which we have received the appropriated funds under current state statute but have yet to expend the dollars. Because of this timing difference, the University will reimburse the Environment and Natural Resources Trust Fund for the interest earned from February 11, 2016 until the appropriations are spent. This timeframe encompasses the point at which all parties became aware of the issue until all Environment and Natural Resources Trust Fund appropriations received by the University under the conflicting state statutes are expended.

As I expressed during our meeting, it will be necessary to obtain Board of Regents approval to remit the interest payments back to the State of Minnesota. As such, the President will include that request as a part of his annual operating budget recommendation to the Board on May 11-12, 2016. The Board of Regents will take action on the University's operating budget at its June 9-10, 2016 meeting. We do not anticipate that this action will be controversial and will allow us to remit funds on the schedule outlined below with the first interest payment in August 2016 following the Board's approval.

The University will reimburse the Environment and Natural Resources Trust Fund quarterly in November, February, May, and August based on an analysis of revenues, expenses, and the University's Temporary Investment Pool's total yield rate. The payment schedule is detailed below.

Payment Schedule	
Interest Earned	Payment Month
July 1 to September 30	November
October 1 to December 31	February
January 1 to March 31	May
April 1 to June 30	August

This payment schedule ensures the University will be able to use the actual total yield rate in the calculations for each transfer. The University will submit the interest calculation with the payment to Minnesota Management and Budget.

The University will continue to make quarterly investment earning payments to the State until an interest payment falls below \$50,000. At which time, the University will adjust its payment schedule to an annual payment in August based on fiscal year close data to lessen the administrative burden on the University and Minnesota Management and Budget. Based on the current appropriations, the University anticipates reimbursing the Environment and Natural Resources Trust Fund for interest earned through FY 2023.

We will work with Minnesota Management and Budget to detail the interest calculation and to create a specific process for the transfer into the Environment and Natural Resources Trust Fund. In the meantime, please let me know if you have any questions or concerns on our approach.

Sincerely,



Richard H. Pfutzenreuter III
Vice President and Chief Financial Officer

cc: Amelia Cruver, Executive Budget Officer, MN Management and Budget