

Twin Cities Campus

*Office of the Vice President and Chief
Financial Officer / Treasurer*

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November 10, 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:

The Office of the Legislative Auditor's Report on the Environment and Natural Resources Trust Fund (ENTRF) issued February 11, 2016 found, "The statute governing how the state pays money appropriated from the Environment and Natural Resources Trust Fund to the University of Minnesota is in conflict with the statute governing the investment of trust fund money." The audit report went on to state:

We think the state has a duty to reduce the time between when the money leaves the trust fund and when the university spends it, so that earnings to the trust fund can be maximized and added to the trust fund's balance for future appropriation by the Legislature. Alternatively, the university could return to the state income earned through investment of unspent money from the trust fund.

The University responded to the Legislative Auditor's report by supporting a statutory change to modify the State's payment schedule for ENTRF appropriations. The University preferred this option rather than submitting long-term payments to the state related to future appropriations. To implement the statutory change, the University worked with the Legislative-Citizen Commission on Minnesota's Resources (LCCMR), the Legislature, and MN Management and Budget to amend Minnesota Statutes 137.025, the University's appropriation statute. This statutory change became law in 2016 Session, Chapter 186. Beginning in FY 2017, all University ENTRF appropriations will be made on a reimbursement basis; therefore, the Legislative Auditor's recommendation was implemented.

Because the University continues to earn interest on unspent funds from past appropriations, the University also agreed to submit quarterly payments to the State for interest earned from the date the University became aware of the issue until unspent funds drawn under the old method are expended. The University made its first interest payment in August 2016 for \$217,343, and the second interest payment will be made in late November for \$24,624. The University will continue to make interest payments until all funds drawn under the old method are expended. Additional details on these payments were submitted to you in a letter on April 19, 2016.

Legislative Auditor's Report on ENTRF

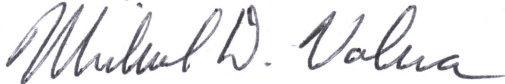
November 10, 2016

Page 2

In a July 22, 2016 letter to President Kaler, the LCCMR also requested the University of Minnesota submit a payment to the State for \$511,714 for interest the University earned prior to the release of the Legislative Auditor's report. This payment was made to the State of Minnesota on November 2, 2016.

Based on your July 22nd correspondence and the University's actions to date, we understand this issue to be resolved. Please contact me with any questions on the University of Minnesota's actions to date.

Sincerely,

A handwritten signature in black ink that reads "Michael D. Volna". The signature is written in a cursive style with a large initial "M".

Michael Volna

Interim Vice President and Chief Financial Officer