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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-THIRD SESSION

H. F. No. 2353

03/02/2023 Authored by Pursell; Hansen, R., and Fischer
The bill was read for the first time and referred to the Committee on Environment and Natural Resources Finance and Policy

1.1 A bill for an act
1.2 relating to natural resources; establishing Lowland Conifer Carbon Reserve;
1.3 modifying uses of positive general fund balance; requiring reports; appropriating
1.4 money; amending Minnesota Statutes 2022, section 16A.152, subdivision 2;
1.5 proposing coding for new law in Minnesota Statutes, chapter 88.

1.6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.7 Section 1. Minnesota Statutes 2022, section 16A.152, subdivision 2, is amended to read:

1.8 Subd. 2. Additional revenues; priority. (a) If on the basis of a forecast of general fund
1.9 revenues and expenditures, the commissioner of management and budget determines that
1.10 there will be a positive unrestricted budgetary general fund balance at the close of the
1.11 biennium, the commissioner of management and budget must allocate money to the following
1.12 accounts and purposes in priority order:

1.13 (1) the cash flow account established in subdivision 1 until that account reaches
1.14 \$350,000,000;

1.15 (2) the budget reserve account established in subdivision 1a until that account reaches
1.16 \$2,377,399,000;

1.17 (3) the amount necessary to increase the aid payment schedule for school district aids
1.18 and credits payments in section 127A.45 to not more than 90 percent rounded to the nearest
1.19 tenth of a percent without exceeding the amount available and with any remaining funds
1.20 deposited in the budget reserve;

1.21 (4) the amount necessary to restore all or a portion of the net aid reductions under section
1.22 127A.441 and to reduce the property tax revenue recognition shift under section 123B.75,
1.23 subdivision 5, by the same amount;

2.1 (5) the amount necessary to increase the Minnesota 21st century fund by not more than  
 2.2 the difference between \$5,000,000 and the sum of the amounts credited and canceled to it  
 2.3 in the previous 12 months under Laws 2020, chapter 71, article 1, section 11, until the sum  
 2.4 of all transfers under this section and all amounts credited or canceled under Laws 2020,  
 2.5 chapter 71, article 1, section 11, equals \$20,000,000; and

2.6 (6) the amount necessary to compensate the permanent school fund for lands in the  
 2.7 Lowland Conifer Carbon Reserve as required under section 88.85, subdivision 9; and

2.8 ~~(6)~~ (7) for a forecast in November only, the amount remaining after the transfer under  
 2.9 clause (5) must be used to reduce the percentage of accelerated June liability sales tax  
 2.10 payments required under section 289A.20, subdivision 4, paragraph (b), until the percentage  
 2.11 equals zero, rounded to the nearest tenth of a percent. By March 15 following the November  
 2.12 forecast, the commissioner must provide the commissioner of revenue with the percentage  
 2.13 of accelerated June liability owed based on the reduction required by this clause. By April  
 2.14 15 each year, the commissioner of revenue must certify the percentage of June liability  
 2.15 owed by vendors based on the reduction required by this clause.

2.16 (b) The amounts necessary to meet the requirements of this section are appropriated  
 2.17 from the general fund within two weeks after the forecast is released or, in the case of  
 2.18 transfers under paragraph (a), clauses (3) and (4), as necessary to meet the appropriations  
 2.19 schedules otherwise established in statute.

2.20 (c) The commissioner of management and budget shall certify the total dollar amount  
 2.21 of the reductions under paragraph (a), clauses (3) and (4), to the commissioner of education.  
 2.22 The commissioner of education shall increase the aid payment percentage and reduce the  
 2.23 property tax shift percentage by these amounts and apply those reductions to the current  
 2.24 fiscal year and thereafter.

2.25 **Sec. 2. [88.85] LOWLAND CONIFER CARBON RESERVE.**

2.26 Subdivision 1. **Definition.** For the purposes of this section, "lowland conifer stands"  
 2.27 means treed wetlands that occur on mucky mineral or wet organic soils. Lowland conifer  
 2.28 stands include black spruce, tamarack, and white cedar cover types, including stagnant  
 2.29 stands. These cover types include three wetland forest systems:

2.30 (1) wet forest system;

2.31 (2) rich forested peatland system; and

2.32 (3) acid peatland system.

3.1 Subd. 2. **Establishment.** (a) The Lowland Conifer Carbon Reserve is established to  
3.2 mitigate climate change and protect ecologically unique areas. It includes all stands in the  
3.3 state forest system identified as lowland conifer stands under this section and includes the  
3.4 distribution of underlying peatlands associated with or adjoining each stand.

3.5 (b) By January 1, 2024, the commissioner must designate and list the areas included in  
3.6 the Lowland Conifer Carbon Reserve and submit a report with the designated list to the  
3.7 chairs and ranking minority members of the legislative committees and divisions with  
3.8 jurisdiction over environment and natural resources.

3.9 (c) By July 1, 2024, the commissioner must prepare maps locating the areas identified  
3.10 under paragraph (b); provide, to the extent possible, legal descriptions of each area; and  
3.11 submit the maps and legal descriptions to the chairs and ranking minority members of the  
3.12 legislative committees and divisions with jurisdiction over environment and natural resources.

3.13 Subd. 3. **Carbon sequestration; reports.** (a) By January 1, 2025, the commissioner  
3.14 must prepare and submit a report to the chairs and ranking minority members of the  
3.15 legislative committees and divisions with jurisdiction over environment and natural resources  
3.16 with a list of all stands in the Lowland Conifer Carbon Reserve that are 90 years of age or  
3.17 older and an estimate of the tons of carbon sequestered in the boles of the trees in these  
3.18 stands. The commissioner must update and submit the report to the chairs and ranking  
3.19 minority members every five years thereafter.

3.20 (b) By January 1, 2025, the commissioner must prepare and submit a report to the chairs  
3.21 and ranking minority members of the legislative committees and divisions with jurisdiction  
3.22 over environment and natural resources identifying any bogs and peatlands in the Lowland  
3.23 Conifer Carbon Reserve and an estimate of the tons of carbon sequestered in the peat.

3.24 Subd. 4. **Productive stands; report.** By January 1, 2025, the commissioner must prepare  
3.25 and submit a report to the chairs and ranking minority members of the legislative committees  
3.26 and divisions with jurisdiction over environment and natural resources with a list and map  
3.27 showing all productive stands in the Lowland Conifer Carbon Reserve and identify which  
3.28 stands were harvested within the five years preceding establishment of the Lowland Conifer  
3.29 Carbon Reserve. By January 15 each year thereafter, the commissioner must update the list  
3.30 showing the most recent harvest year and species harvested and submit the list in a report  
3.31 to the chairs and ranking minority members of the legislative committees and divisions with  
3.32 jurisdiction over environment and natural resources finance and policy.

3.33 Subd. 5. **Timber harvesting restrictions.** (a) The commissioner may issue a timber  
3.34 permit to harvest a stand in the Lowland Conifer Carbon Reserve only if:

4.1 (1) the stand is less than 90 years of age; and

4.2 (2) the stand is accessible to heavy logging equipment as determined by the commissioner.

4.3 (b) For stands accessible for only part of the year, trees may be harvested only during  
4.4 the times the stand is accessible as determined by the commissioner.

4.5 Subd. 6. **Peat harvesting restrictions.** (a) A person may not harvest peat in the Lowland  
4.6 Conifer Carbon Reserve.

4.7 (b) This subdivision does not apply to peat harvested under a permit issued before the  
4.8 peat was included in the Lowland Conifer Carbon Reserve.

4.9 Subd. 7. **Management.** To the extent possible, the commissioner must passively manage  
4.10 stands in the Lowland Conifer Carbon Reserve. Regeneration of harvested stands in the  
4.11 Lowland Conifer Carbon Reserve must be done naturally.

4.12 Subd. 8. **Drained lands.** The commissioner must identify lands in the Lowland Conifer  
4.13 Carbon Reserve that were drained for agricultural purposes but forfeited to the state for  
4.14 nonpayment of taxes. The commissioner must make reasonable efforts to restore the lands  
4.15 to their original hydrological condition, such as blocking or filling active drain pipes, tiles,  
4.16 or ditches on the lands.

4.17 Subd. 9. **School trust lands.** The commissioner must compensate the permanent school  
4.18 fund for school trust lands in the Lowland Conifer Carbon Reserve. To the extent funding  
4.19 is available under section 16A.152, subdivision 2, and other sources, the commissioner must  
4.20 extinguish the school trust interest of lands as provided under section 92.83. Payments for  
4.21 school trust lands without commercial value must be compensated at an amount equal to  
4.22 \$500 per acre. Payments for school trust lands with commercial value must be compensated  
4.23 at a rate agreed to by the commissioner and the school trust lands director for each parcel,  
4.24 with a parcel comprising a single stand or multiple adjoining stands.

4.25 Subd. 10. **Existing contracts and legislation.** Obligations, including permits, leases,  
4.26 and legislative directives, that are in effect before designation of the Lowland Conifer Carbon  
4.27 Reserve are not impacted by this section and continue until they expire or are removed.

4.28 Subd. 11. **Sunset.** This section expires December 31, 2099.

4.29 Sec. 3. **APPROPRIATION.**

4.30 \$..... in fiscal year 2024 is appropriated from the general fund to the commissioner of  
4.31 natural resources for purposes of the Lowland Conifer Carbon Reserve under Minnesota  
4.32 Statutes, section 88.85. This is a onetime appropriation and is available until June 30, 2026.