



Natural Resource Damage Account

Annual Legislative Report
October 17, 2024

Legislative Charge

By November 1 each year, the commissioner of natural resources must submit a report to the chairs and ranking minority members of the House of Representatives and Senate committees and divisions with jurisdiction over environment and natural resources policy and finance on expenditures from the natural resources damages account during the previous fiscal year.

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As requested by Minnesota Statute 3.197, this report cost approximately \$500 to prepare, including staff time, printing and mailing expenses.

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NRDA Legislative Report Executive Summary

Wildlife, water, air, and other natural resources can be harmed when petroleum or hazardous substances are released into the environment. These natural resources, and benefits/opportunities provided by natural resources, belong to all Minnesotans. State co-trustees assess injuries to natural resources resulting from releases of petroleum and hazardous substances and may pursue a Natural Resource Damage Assessment (NRDA) claim against the party (parties) responsible for the release. The goal of the NRDA Program is to rehabilitate, restore, or acquire natural resources to compensate for injuries or losses to natural resources resulting from the release of hazardous substances or petroleum by:

1. Assessing injury to natural resources and lost human use services provided by natural resources;
2. Seeking compensation for damages from the responsible party; and
3. Planning and implementing restoration projects.

The Governor's April 5, 2019, Executive Order #19-29 authorizes the Commissioners of Natural Resources and the Pollution Control Agency as co-trustees for natural resources in Minnesota under CERCLA, 42 U.S.C. § 9607(f), the Clean Water Act, 33 U.S.C. § 1321 9f) and the Oil Pollution Act of 1990, 22 U.S.C., as well as Minnesota Environmental Response and Liability Act, Minn. Stat. 115B.17, subd. 7.

Minnesota's NRDA statute (Minn. Stat. § 115B.172), within the Minnesota Environmental Response and Liability Act, requires the Department of Natural Resources (DNR) to provide a report to the Minnesota Legislature on expenditures from the NRDA account during the previous fiscal year. This report fulfills the requirement and covers FY 2024 (July 1, 2023, to June 30, 2024) activities. NRDA staff also assist with the 2018 3M NRDA Settlement implementation. Efforts on 3M, including staff costs, are reported annually and separately from the general NRDA program.

NRDA program highlights in FY 2024 included:

1. Commenced restoration planning for the Douglas Corporation settlement, with up to \$1,000,000 designated for restoration projects. This settlement compensates the public for injured and lost natural resources including groundwater, surface water and recreational fishing opportunities as a result of releases of per- and polyfluoroalkyl substances (PFAS) compounds and chromium.
2. Actively managed multiple NRDA cases (St. Regis, US Steel, etc.), including participation in three formal trustee councils with federal and tribal trustees to conduct injury assessments and implement restoration projects to offset the injuries.
3. Completed the stream stabilization restoration project along Kingsbury Creek (total project costs of \$500,000) to reduce sediment migration to Kingsbury Bay. The Kingsbury Bay restoration project, completed in 2021, removed excess sediment to reestablish a diverse marsh, create more open-water habitat, and increase recreational opportunities. For more information on this restoration project progress, visit [St. Louis River Restoration Initiative | Minnesota DNR \(state.mn.us\)](https://state.mn.us/st-louis-river-restoration-initiative) and select the Kingsbury Bay and Grassy Point and Kingsbury Creek Watershed tabs.

The NRDA Program spent \$195,334 on project development, public engagement and administrative costs in FY 2024 to accomplish these and other activities.

Future NRDA work includes striving to settle cases that are in progress and restoration planning work to identify projects for two existing settlements (Douglas and Northwest Refinery). Program administration is currently funded by a limited portion of revenue available from some settled NRDA cases, account interest and funding agreements. This account does not receive any appropriations from state or federal governments and therefore limits the program capacity. FY2025 capacity was also diminished due to staffing shortages. DNR and MPCA are evaluating potential funding options to continue the important work of the NRDA program.

Fiscal Year 2024 NRDA Program Accomplishments

Assessment and Restoration Planning Activity

1. The NRDA assessment process consists of case screening, preliminary identification of potential injuries, assessment studies to determine injury, damage quantification and initial restoration planning. In FY2024, Minnesota participated in three formal Trustee Councils, each represented by federal, state and tribal natural resource managers for three complex Superfund cases; St. Louis River: Interlake/Duluth Tar and US Steel cases and St. Regis in Cass Lake, Minnesota.
2. The trustee council continues participating with US Steel in a funding agreement that allows cooperative injury assessment and restoration planning processes for the US Steel Duluth Superfund site case.

Restoration Project Implementation Activity

1. The 2017 St. Louis River: Interlake/Duluth Tar settlement for \$8.2 million dollars provided funds for four restoration projects. The DNR is managing two of these projects which are completed (www.dnr.state.mn.us/st-louis-river-restoration/index.html):
 - Kingsbury Bay restoration project restored 70 acres of shallow, sheltered embayment habitat. Construction was completed in November 2021 and was part of the DNR Kingsbury Bay-Grassy Point Habitat Restoration Project. In addition, the DNR purchased and installed a new fishing pier in Kingsbury Bay; and
 - Kingsbury Creek watershed project will result in a reduction of sediment deposition to Kingsbury Bay, improving water quality and protecting against degradation of the shallow sheltered embayment habitat.
2. The state co-trustees achieved a settlement with Douglas Corporation, located in St. Louis Park on May 2, 2023, for \$1,375,000. The co-trustees commenced the process to identify restoration projects (\$1,000,000 available) that will restore and enhance surface water and groundwater quality, fisheries, natural resource improvement and outdoor recreational opportunities. Projects are targeted in locations east of Highway 169 within the lower watershed of Minnehaha Creek and in other locations that would benefit impacted areas.

Program Restoration Projects Cumulative Benefits

From 1995-2024, Minnesota’s NRDA Program has funded or supported 39 restoration projects, with a value of \$19.9 million across Minnesota. Restoration projects provide multiple benefits to natural resources and human use services such as outdoor recreation. The list below identifies the quantifiable benefits for projects completed and planned under Minnesota’s NRDA Program, with some restoration projects containing multiple project types and having more than one primary benefit:

Project Types	#Projects	Benefits/Metrics
Habitat and Shoreland Protection	17	2489 Acres
Habitat Restoration for Improved Ecosystem Services	13	360 Acres
Debris Removal	1	114,000 Yds ³
Stream Habitat Restoration	1	2300 Linear Feet
Air Emission Reduction	3	118,404 Pounds/yr.
Recreational/Cultural (Tribal) Opportunities	12	Trails, fishing access, cultural preservation
Groundwater Protection/Recharge/Conservation Projects	2	Groundwater quantity and quality
Other Research/Education Opportunities	2	Enhanced information and public knowledge
Surface Water/Stormwater Projects	2	Surface water quality improvements

Future NRDA Work

1. Explore long term funding options to support the NRDA program:
 - DNR and MPCA NRDA program currently supports 1.5 FTE and is funded solely from the NRDA account within the Remediation Fund established under Minn. Stat. § 115B.172. The NRDA account receives settlement funds, account interest and funding agreements that are used to support injury assessment, restoration projects that compensate for the injury and program administration. As the agencies do not receive any state or federal funding to fulfill trustee authorities, program capacity is limited. The DNR and MPCA are currently evaluating potential sustainable solutions for funding the important work of the NRDA program.
2. Injury Assessment:
 - Continue work on several existing cases, prioritizing Responsible Party funded assessments and state-only trustee cases; and
 - Screen several new cases as needed and potentially start one new case as capacity allows.
3. Restoration Project Implementation:
 - St. Louis River Interlake/Duluth Tar Settlement (2017): Monitor recovery of restored marsh/open water habitat and wild rice reestablishment in Kingsbury Bay (Project construction completed in November 2021, DNR lead) and Kingsbury Creek restoration projects (FY2024, DNR lead); and support two additional trustee council projects in development;
 - Douglas Corporation Settlement (2023): Identify and implement restoration projects; and
 - Northwest Refinery Settlement (2012): Identify and implement restoration projects.

Expenditures

Expenses related to the Natural Resource Damage Account (115B.172)

Covering the period July 1, 2023 - June 30, 2024

Balance as of July 1, 2023	\$1,514,473
Revenue	\$591,452
Fund Reimbursement	\$33,619
Expenditures (FY 2024)	
<i>Injury/Damage Assessment and Restoration Planning</i>	\$0
Primarily contracting with outside vendors	
<i>Restoration Project Implementation</i>	\$1,730
For the St. Louis River Interlake/Duluth Tar (SLRIDT) settlement, DNR is in process of implementing the Kingsbury Creek restoration projects in 2023.	
<i>MPCA/DNR Payroll and Expenses</i>	\$193,604
MPCA and DNR have dedicated agency resources to oversee NRDA activities. Such activities include planning, communication, implementation, and coordination with other Trustees, consultants, and stakeholder groups.	
<i>Expenditures subtotal</i>	\$195,334
Balance as of June 30, 2024	\$1,944,210