

Project Title	Agency Priority	Strategic Score	Funding Source	Agency Request			Governor's Rec	Governor's Planning Estimates	
				2004	2006	2008	2004	2006	2008
RIM Reserve Program and CREP	1	420	GF	\$3,200	\$3,200	\$1,700	\$2,000	\$2,000	\$1,000
		420	GO	20,000	20,000	10,000	20,000	20,000	10,000
Local Government Road Wetland Replacement	2	240	GO	4,362	4,362	4,362	4,362	4,362	4,362
Streambank, Lakeshore & Roadside Erosion Control	3	125	GF	260	260	260	0	0	0
		125	GO	5,000	5,000	5,000	0	0	0

Project Total	\$32,822	\$32,822	\$21,322	\$26,362	\$26,362	\$15,362
General Obligation Bonding (GO)	\$29,362	\$29,362	\$19,362	\$24,362	\$24,362	\$14,362
General Fund Projects (GF)	\$3,460	\$3,460	\$1,960	\$2,000	\$2,000	\$1,000

Funding Sources:	GF = General Fund	THF = Trunk Highway Fund	OTH = Other Funding Sources
	GO = General Obligation Bonds	THB = Trunk Highway Fund Bonding	UF = User Financed Bonding

Agency Profile At A Glance

Two-year State Budget:

- ◆ \$ 8.8 million in operating funds
- ◆ \$28 million in pass-through grants
- ◆ \$32.5 million in local government match funds for project implementation

Local Government Delivery System:

Agency responsibilities are delivered with or implemented by local government to assure local priorities and participation in private lands management. These include:

- ◆ Soil and Water Conservation Districts (SWCD) – 91 SWCD’s; 450 Elected Supervisors; 359 District Employees
- ◆ Watershed Districts-44 Watershed Districts; 220 Managers; 66 Employees
- ◆ Watershed Management Organizations (WMO) - 27 WMO’s; 162 Members
- ◆ 87 Counties
- ◆ 230 Cities
- ◆ 304 WCA LGU's

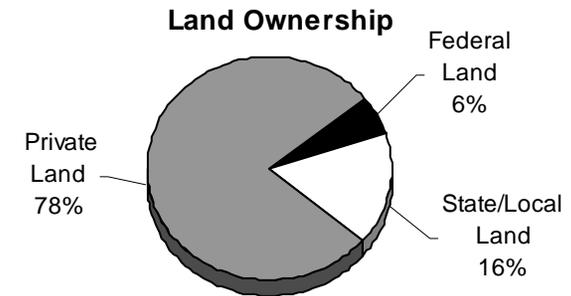
Accomplishments:

- ◆ 178,181 acres of private land wildlife habitat and restored wetland through RIM Reserve
- ◆ 29,588 acres of wetland loss avoided
- ◆ 208 feedlot fixes through state cost share
- ◆ 1.9 million tons per year of prevented soil erosion
- ◆ 522,000 tons of sediment kept out of lakes, rivers and streams
- ◆ 1.105 million pounds of phosphorus kept out of lakes, rivers and streams.

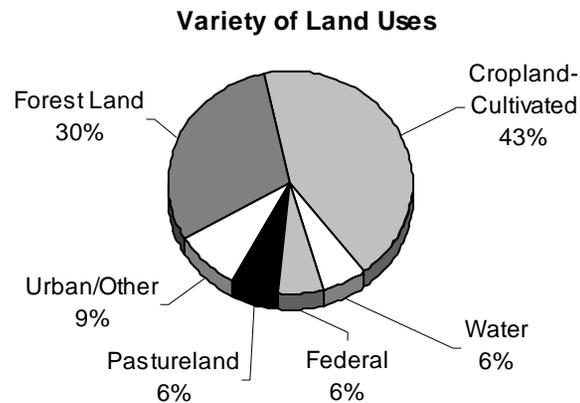
Agency Purpose

The Board of Water and Soil Resources (BWSR) purpose is to protect and enhance the state’s irreplaceable soil and water resources by implementing

(though local government) the state’s soil and water conservation policy, comprehensive local water management and the wetland conservation act as it relates to the 41.7 million acres of private land in Minnesota. The agency is the state’s administrative agency for 91 soil and water conservation districts, 44 watershed districts, 27 metropolitan watersheds and 80 county water management organizations.



Because 78% of the state is held in private ownership, the agency’s focus on private lands is critical to the state attaining its goals for clean water, clean air and abundant fish and wildlife. Managed wisely, these working lands – Minnesota’s farms, forests and urban areas – contribute greatly to the production of environmental goods and benefits including cleaner air and water, fish and wildlife habitat and preservation of open spaces.



Agency programs to assist landowners and local government have resulted in less sediment and nutrients entering our lakes, rivers and streams, more fish and wildlife habitat and the drastic slowing of wetland losses. These outcomes are achieved, in spite of intensification of agriculture, greater demands for forest products and rapid urbanization in many parts of the state.

Core Functions

BWSR's mission is implemented through the following core functions:

- ⇒ The state soil conservation agency. (M.S. 103B.101)
- ⇒ Direct private land soil and water conservation programs through the action of SWCD's, counties, cities, townships, Watershed Districts, and Water Management Organizations. (M.S. 103C, 103D)
- ⇒ To link water resource planning with comprehensive land use planning. (M.S. 103B)
- ⇒ To provide resolution of water policy conflicts and issues (M.S. 103A.211, 103A.305, 103A.315, 103A.311).
- ⇒ To implement the comprehensive local water management acts. (M.S. 103B.201, 103B.255, 103B.301)
- ⇒ To provide the forum (through the board) for local issues, priorities and opportunities to be incorporated into state public policy. (M.S. 103B.101)

⇒ The state agency responsible for the wetland conservation act. (M.S. 103G)

⇒ To coordinate state and federal resources to realize local priorities.

Operations

The board consists of 17 members representing local government entities delivering BWSR services, state agencies and citizens. The board sets a policy agenda designed to enhance service delivery through the use of local government. Agency staff is located in eight locations throughout Minnesota. The focus of agency staff is to provide technical and financial assistance to local government to plan and implement agency policy on private lands. The agency has a unique service delivery system using the staff and resources of local government, along with the state staff and resources, to work with private landowners to implement conservation on the ground. This provides an opportunity to partner state, federal, local and private resources to projects that help maintain water quality, prevent soil loss and erosion, plan for land use, and protect wetlands, located on private lands. These partnerships in service delivery ensure that the interest of state policy is implemented with local issues and problems in mind.

Budget

BWSR funding is primarily from the general fund. The majority of the funds are passed through to local government to administer state policies and programs the agency is responsible for. Outcomes are evaluated to assure conservation policy objectives are attained and that resources are expended to assure program success.

Contact

Minnesota Board of Water and Soil Resources
 Ronald Harnack, Executive Director
 One West Water Street, Suite 200
 St. Paul, Minnesota 55107
 Phone: (651) 296-3767
 Fax: (651) 297-5615
 BWSR Home page: <http://www.bwsr.state.mn.us>

At A Glance: Agency Long-Range Strategic Goals

Water & Soil Resources Board's (BWSR) Strategic Plan identifies voluntary resource management strategies and related goals. The resource management strategies specified are education, incentives, and regulation. The plan also identifies goals that focus on assisting local governments and landowners in preventing natural resource problems and mitigating existing problems.

Agency goals and objectives that are achieved through capital projects include:

- ◆ Protecting or retiring marginal agricultural and environmentally sensitive lands.
- ◆ Targeting limited resources to the highest priority marginal and sensitive lands.
- ◆ Permitting land managers to focus their stewardship efforts on more productive lands.
- ◆ Creating natural retention systems to improve surface water runoff and enhance groundwater recharge.
- ◆ Achieving the state's policy of no net loss of wetlands.
- ◆ Installing the best management practices on Minnesota lands.

BWSR programs, as outlined in the capital budget request, use incentives and include tools local governments can use to enhance local conservation program delivery. Incentives provide opportunities to remove marginal agricultural and environmentally sensitive land from production and provide solutions for extreme shoreland erosion and flood damage to land and wildlife habitat. They encompass both urban and rural values and promote both loan and grant programs.

Conservation Easement Programs: As part of the state's effort to protect marginal land and improve water quality, BWSR administers various conservation easement programs. These programs acquire or support the acquisition of easements to restore or protect critical lands.

The state established the Reinvest in Minnesota (RIM) Reserve Program in 1986. Since 1986, state-funded easement programs have secured more than 121,000 environmentally sensitive acres throughout the state.

The focus for acquiring easements over the past three years has been on the Minnesota River Conservation Reserve Enhancement Program (CREP) to realize the 100,000-acre goal and related water quality and habitat benefits. While not ignoring the Minnesota River's on-going resource needs, the RIM Reserve program will resume a statewide focus. RIM conservation easement programs include:

RIM Reserve Match to the Minnesota River Basin Project under the CREP

The purpose of this program is to retire marginal, flood-prone cropland along the Minnesota River and its tributaries and to reduce phosphorus and sediment pollution in the river.

RIM Reserve: Leverage Funding for Wetland Reserve Partnership (WRP)

This program restores previously drained wetlands and protects them from future drainage with a perpetual easement. The combination of a 30-year National Resource Conservation Service(NRCS)/WRP easement and a RIM Reserve perpetual easement streamlines the easement process for both local units of government and landowners. The requested funding provides the state match for the program. The geographic focus of this program is the Prairie Pothole Region.

RIM Reserve and Permanent Wetland Preserves (PWP)

RIM Reserve takes marginal agricultural land out of crop production to protect soil and water quality and support fish and wildlife habitat. PWP protects existing, at-risk, urban and rural wetlands from conversion to other uses by offering financial compensation to landowners in return for a perpetual easement. The geographic focus is statewide and the benefits are protection at a lower cost as compared to restoring drained or filled wetlands after the fact.

BWSR will continue to leverage federal funding through CRP, WRP, CREP, North American Wetland Conservation Council (NAWCC), and other private conservation organizations to the maximum degree practical to realize program outcomes.

Public Transportation Wetland Replacement Program: The Minnesota Local Government Roads Wetland Replacement Program results from a **statutory obligation** of the state to replace wetlands lost to safety improvements made to public transportation projects (M.S. 103G.222, Subd.1(1)). This program supports the “no-net-loss” requirements of both state and federal regulations. It benefits a wide number of constituent groups: local road authorities by assigning responsibility for replacing the inevitable loss of wetlands to the state; environmental interests by establishing higher quality wetland replacement sites; state taxpayers by reducing the overall costs of constructing these replacement wetlands due to economies of scale; and citizens by avoiding delays in undertaking public safety enhancements to existing roads due to wetland mitigation costs.

Streambank, Lakeshore, and Roadside Erosion Control Program: This program will provide for the protection of water quality, fish and wildlife habitat, public infrastructures, and public safety through:

- ◆ protection and restoration of environmentally sensitive lake and river shoreland areas through the purchase of conservation easements, 103F.225 (Shoreland Protection Program);
- ◆ correction of severely eroded lake and river stream banks through the installation of erosion control practices with cooperating public entities; and
- ◆ reduction of flood damage through the installation of road retention projects.

Trends, Policies and Other Issues Affecting the Demand for Services, Facilities, or Capital Programs

The following trends and issues are shaping the development of programs at BWSR:

- ⇒ **Non-point source pollution strategy moves to implementation phase.** The strategy for non-point source pollution has moved to the implementation phase, which accelerates the need to install soil

erosion and water quality practices on the land. BWSR’s local government network provides the critical means of disseminating conservation and water quality financial and technical aid to private landowners throughout the state. BWSR has the structure and relationships needed, through its local water management programs, to identify, assess, prioritize, and implement programs and practices to address non-point concerns at the local level.

- ⇒ **Federal action increases pressure.** Federal action by both the Environmental Protection Agency (EPA) and the USDA over the past several years has increased pressure on BWSR and local governments to increase their efforts in land and water conservation. The federal government, through the CREP, has included authorization in the current farm bill for states to apply and have set-aside up to 100,000 acres in conservation easements. This program provides the potential for the state to leverage \$4 of federal funds for every \$1 of state match. On the other hand, decreased USDA staffing for the NRCS has increased pressure on local and state governments to provide the technical assistance necessary to design and install conservation practices. Increased emphasis by EPA is also being placed on the state to address water quality impairments through the Total Maximum Daily Loads (TMDL) process and on nutrient enrichment (hypoxia) in the Gulf of Mexico. Greater response and accountability by the state also affects service demands.

- ⇒ **Increased acknowledgement of and reliance on the role and capabilities of local government.** Partnerships – particularly between state, local, and federal government – are an effective way to accomplish natural resource and environmental protection goals. Over the past several years, state government agencies have grown increasingly dependent on local government to carry out state initiatives. Cooperative resource management is an effective way to maintain or increase resources without increasing funding. State agencies acknowledge that local government officials and staff have advantages that the state does not – local governments have knowledge of local resources and attitudes, personal friendships, an awareness of local needs and priorities, and, probably the most important factor, the authority over local land use decisions. With these increased expectations and BWSR assistance, local government capabilities in resource management have grown

significantly. Local governments are now at a point, however, where they need a wider variety of training and assistance, from the most basic level to advanced, in areas such as technical, leadership, and management issues.

⇒ **Increased natural resource awareness and willingness to take action among the general public, including landowners, to ensure a future with high quality natural resources.** Minnesotans are aware of environmental concerns, particularly water quality. With approximately one-third of Minnesota adults either owning a cabin or recreational land, the state's citizens are more willing to make reasonable sacrifices to protect and improve water quality. Going to "the cabin" is part of the tradition for many families. More people will notice if poor water conditions affect their favorite lake or fishing stream. Residents also are more aware of the need to protect marginal lands, especially those close to critical water resources. The agricultural community has accepted the need to remove marginal agricultural lands from production in order to improve overall production efficiency.

Provide a Self-Assessment of the Condition, Suitability, and Functionality of Present Facilities, Capital Projects, or Assets

The following information outlines the condition of Minnesota's 23 million acres of cropland and related conservation needs.

Total Minnesota Cropland: 23 Million Acres

Soil Conservation Needs:

10 Million Acres:

- ◆ adequately protected from erosion
- ◆ annual erosion is less than the tolerable rate of soil loss
- ◆ need to maintain good management practices

8 Million Acres:

- ◆ eroding at one or two times the tolerable rate of soil loss
- ◆ technical assistance to landowners to implement sustainable management practices to protect soil is vital

2.5 Million Acres:

- ◆ eroding at greater than twice the tolerable rate of soil loss
- ◆ productive land only if protected with conservation practices

- ◆ targeted cost-share programs for conservation practices and technical assistance to landowners are critical

◆ **2.5 Million Acres *:**

- ◆ drained wetlands
- ◆ marginal cropland
- ◆ highly erodible and located in floodplains
- ◆ should not be farmed
- ◆ targeted land retirement programs are needed

* Funding for BWSR conservation easement programs will be used on portions of these lands.

Other Resource Protection Needs:

1,600 miles of eroding streambanks and lakeshore
 4,300 cubic yards of soil are lost per year from roadside erosion

Agency Process Used to Arrive at These Capital Requests

In determining the amount of this request, acreage and application estimates were compiled based on historical program demands. All estimates considered the amount of land eligible for the program and estimated landowner interest based on past history.

Internal agency estimates were used to arrive at the amount requested for PWP program. All requests reflect demands for service or assistance provided to local government and citizens.

Major Capital Projects Authorized in 2002 and 2003

Local Government Roads Wetland Banking Appropriations

2002	\$2.7 million (vetoed)
2003	\$2.7 million

Conservation Easement Program Appropriations

2002	\$2.0 million (vetoed)
2003	\$1.0 million

Shoreland Easements

2002	\$750,000 (vetoed)
------	--------------------

RIM Reserve Program and CREP

2004 STATE APPROPRIATION REQUEST: \$23,200,000

AGENCY PROJECT PRIORITY: 1 of 3

PROJECT LOCATION: Statewide (if a CREP application is approved, priority will be NW, SW, SE MN)

Project At A Glance

The Reinvest in Minnesota (RIM) Reserve and the Permanent Wetlands Preserve (PWP) programs compensate landowners for granting conservation easements to:

- ◆ Protect or retire marginal and environmentally sensitive agricultural lands
- ◆ Protect and enhance water quality of rivers, streams, and lakes
- ◆ Create fish and wildlife habitat
- ◆ Contribute toward a net gain of wetland resources
- ◆ Reduce flood damage through the creation of natural water retention systems

Project Description

Degrading water quality and diminished habitats can be found throughout Minnesota. Approximately 2.5 million of the state's 23 million acres of cropland have been targeted as having more benefit to the state as retired cropland. The RIM Reserve and the PWP programs compensate landowners for granting conservation easements and establishing native vegetation habitat on these economically marginal, flood-prone, or highly erodible lands.

The Board of Water and Soil Resources (BWSR) is requesting \$23.2 million in 2004 to purchase conservation easements on private land. Of the total amount, \$20 million is from general obligation bonding for easements and \$3.2 million is from the general fund for implementation. Additional appropriations of \$23.2 million in 2006 and \$11.7 million in 2008 will be requested.

BWSR's RIM Reserve program is an important component of the state's efforts to improve water quality by reducing soil erosion and improving wildlife habitat on private lands. RIM Reserve is implemented in cooperation with local Soil and Water Conservation Districts (SWCDs).

Damage to Minnesota resources occurs in the form of soil erosion, sedimentation of eroded soil, and phosphorus. Soil erosion reduces farm productivity, increases the costs of farming, and creates sediment for downstream communities to address. Sedimentation fills rivers and lakes, destroys habitat, carries pollutants, increases flood severities, and reduces recreational value. Phosphorus makes water unsuitable for fish or human activities, promotes excess aquatic plant growth, and promotes eutrophication of water resources.

Both the RIM Reserve and PWP programs meet the goals and objectives of BWSR's strategic plan. They protect the state's water and soil resources by retiring existing marginal agricultural lands, by restoring drained wetlands, and by protecting existing wetlands that are highly susceptible to alteration.

Agency goals that are achieved through capital projects include:

- ◆ protecting or retiring marginal and highly sensitive agricultural lands;
- ◆ targeting limited fiscal resources to highest priority natural resources;
- ◆ allowing land managers to focus stewardship efforts on more productive and profitable lands;
- ◆ creating natural retention systems to improve surface water quality and enhance groundwater recharge;
- ◆ working toward a net gain of wetland resources; and
- ◆ installing best management practices on Minnesota lands.

Data from the 991 easements obtained in the 1998-99 biennium indicate that 395 *tons/year/easement* of soil did not erode due to the presence of these easements. Approximately 137 *tons/year/easement* of sediment was kept out of our waterways. Total phosphorous reductions of 173-*lbs./year/easement* were realized.

RIM Reserve Program and CREP

Conservation Easement Partnerships/Funding Initiatives

BWSR is completing two agreements that have been secured with the United States Department of Agriculture (USDA) that effectively partners the RIM Reserve program with two popular federal land retirement programs. These partnerships enable BWSR to leverage significant federal funds towards the goal of protecting our vital natural resources. The two partnerships are outlined below:

RIM Reserve / USDA Wetland Reserve Program Partnership

BWSR signed an agreement with the USDA Natural Resources Conservation Service (NRCS) to jointly fund wetland restoration easements statewide via the RIM Reserve and NRCS Wetland Reserve Program (WRP). This agreement expires on 12-31-03. Landowners who apply and are accepted enter into a 30-year WRP easement and a perpetual RIM Reserve easement on the same parcel of land. To date, BWSR has approximately 8,500 acres enrolled under this program. This partnership also reduces the state's easement payments to landowners by 50%, and effectively leverages \$2 federal dollars for each state dollar. Funding for this program is dependent on federal appropriations. State funds will come from those appropriated for RIM/PWP.

Conservation Reserve Enhancement Program (CREP)

BWSR entered into an agreement with the USDA Farm Services Agency (FSA) to do a CREP in the Minnesota River watershed. This state/federal partnership combines the existing USDA Conservation Reserve Program (CRP) with the RIM Reserve program to retire up to 100,000 acres of environmentally sensitive land in the Minnesota River watershed. BWSR met its 100,000-acre goal in that CREP. The state of Minnesota provided \$81.4 million for the entire effort, which leveraged \$163 million in federal CRP dollars. This CREP leveraged about \$2.30 for each state dollar spent. Under CREP, landowners voluntarily enrolled eligible land in a 15-year CRP contract followed by a RIM Reserve easement. A total of 98% of the RIM Reserve easements in the Minnesota River watershed were permanent easements.

BWSR is presently developing a statewide CREP application with the state FSA office for a new 100,000-acre CREP in Minnesota. If the governor and 2004 legislature support this application, it will target enrollment of conservation easements in the following watershed locations: Lower Mississippi, Red River Basin, Des Moines and Missouri. It has been estimated that the total cost of this project would be \$200 million, to which the state would contribute approximately \$40 million (20%); the rest of the funding would be provided by the federal government (80%), or a 4:1 leverage opportunity. The state contribution can also include in-kind contributions as well as funds. A statewide CREP will allow the agency to begin working simultaneously in three watersheds toward our state cap of 100,000 acres. As of this writing the breakdown of percentage of permanent easements in this project is not finalized. However, we know that the 30,000 acres of the project that will be in wetland restoration will be permanent, or 30% of the total. The remaining 70% of acreage will be 50 years or perpetual easements.

Other Conservation Initiatives

BWSR has solicited and received matching funds from the federal North American Wetland Conservation Council (NAWCC) for RIM wetland restoration easements. To date, BWSR has received approximately \$2.8 million for projects throughout the state. These habitat restoration projects include the Minnesota River watershed, the Heron Lake restoration (in Jackson, Nobles, Cottonwood, and Murray counties), Grass Lake restoration (in Kandiyohi County, near Willmar), Northern Tallgrass Prairie restoration (covering 18 counties in Northwestern Minnesota), and the Prairie Heritage restoration project (covering 38 counties in Southern Minnesota). These projects include numerous partners and have been initiated at the local level. BWSR continues to seek grants from NAWCC to fund conservation easements associated with special projects like those listed above or projects located within priority watersheds. This matching program requires a 1.5:1 match in order to be competitive nationally.

It is anticipated that conservation groups, such as Pheasants Forever, Ducks Unlimited, Isaac Walton League, Minnesota Waterfowl Association, The Nature Conservancy, Trout Unlimited, and the U.S. Fish and Wildlife Service will continue to leverage dollars towards the establishment of conservation practices on RIM Reserve easements. From 1992 to present, these

RIM Reserve Program and CREP

organizations contributed approximately \$800,000 to the program, and made additional donations in the form of grass seed and in-kind services.

Anticipated Outcomes

Target enrollment for the CREP/RIM Reserve and PWP programs is approximately 50,000 acres for the 2004-05 biennium. Acreage enrollment goals and funds required are shown below:

Acreage Enrollment Goals

	<u>RIM/CREP</u>	<u>RIM/PWP</u>	<u>Total</u>
Year to Date	100,000	79,880	179,880
04-05	50,000		50,000
06-07	<u>50,000</u>		<u>50,000</u>
	200,000	79,880	279,880

State Funds Required to Enroll Goal Acreage:

	<u>RIM/PWP/CREP</u>		<u>Total</u>
To Date	<u>Easement</u>	<u>Implementation</u>	
	\$67.239 M	\$16.150 M	\$83.389 M
04-05	20.000 M	3.200 M	23.200 M
06-07	<u>20.000 M</u>	<u>3.200 M</u>	<u>23.200 M</u>
	\$107.239 M	\$22.550 M	\$129.789 M

Funding levels requested in this budget proposal reflect additional demand that we anticipate being placed on our conservation easement programs as a result of BWSR's highly successful CREP initiative in the Minnesota River watershed. The success of this initiative has put the spotlight on the numerous benefits to the state, landowners, and the public of conservation easements obtained through BWSR's RIM Reserve program.

Since funding for RIM Reserve outside the Minnesota River watershed has been limited in recent years, BWSR anticipates increased demand for easements outside of this project area, particularly in the northwestern and

southeastern regions of Minnesota. Conservation easements promote community sustainability by providing landowners with an alternative to try to earn a profit on flood-prone and marginal croplands. Greenways established by those easements will connect rural areas across the Minnesota landscape. The state achieves quantifiable water quality benefits by removing these marginal croplands from production. Through the agency's Local Government Annual Reporting System (LARS), with data reported by SWCDs, BWSR has calculated the benefits of 9.6-tons/acre/year soil loss reduction, 4.7-tons/acre/year sediment reduction, and 5.8-lbs/acre/year reduction of phosphorus from each acre enrolled in a conservation easement per year.

Impact on Agency Operating Budgets (Facilities Notes)

A direct operating budget appropriation of \$3.2 million is required to implement this program. This amount is required to support the necessary realty, engineering, and administrative functions associated with 425-easement acquisition and establishment of conservation practices on those easement lands. SWCDs will receive approximately 50% of this total as a RIM Services Grant to offset their cost to secure easement, develop conservation plans, and monitor easement compliance.

Previous Appropriations for this Project

1996	\$11.5 million
1998	\$15 million
2000	\$21 million
2001	\$51.4 million
2003	\$1 million

Other Considerations

In April of 1998, a citizen's advisory committee issued a report "The Continuing Journey to Preserve Minnesota's Outdoor Heritage," that sums up the state of wildlife-based recreation in Minnesota. This committee was established by the 1997 legislature to review the original RIM program to see if it had been successful. The report found that RIM has been successful, but it has been under funded. As a result, Minnesota's fish, wildlife, and native habitats continue to lose ground due to urban sprawl, agricultural

RIM Reserve Program and CREP

practices, and other development. The report concluded that Minnesota must increase investment into programs that protect and restore fish, wildlife, and native plant habitats. The report called for expansion of the RIM Reserve, PWP, and CREP easement programs so that the state can protect more habitat, and recommended a funding level of \$20 million a year to accomplish it.

Project Contact Person

Ronald D. Harnack, Executive Director
Board of Water and Soil Resources
One West Water Street, Suite 200
St. Paul, Minnesota 55107
Phone: (651) 296-0878
Fax: (651) 297-5615
E-mail: ron.harnack@bwsr.state.mn.us

Governor's Recommendations

The Governor recommends general obligation bonding of \$20 million for this project. The Governor also recommends a general fund appropriation of \$2 million for program implementation. The Governor encourages the Board to explore opportunities to reduce administrative costs.

Also included are budget planning estimates of \$20 million in bonding and \$2 million in general fund appropriations in 2006 and \$10 million in bonding and \$1 million general fund appropriations in 2008.

TOTAL PROJECT COSTS All Years and Funding Sources	Prior Years	FY 2004-05	FY 2006-07	FY 2008-09	TOTAL
1. Property Acquisition	236,500	110,000	110,000	55,000	511,500
2. Predesign Fees	0	0	0	0	0
3. Design Fees	0	0	0	0	0
4. Project Management	9,889	3,200	3,200	1,700	17,989
5. Construction Costs	0	0	0	0	0
6. One Percent for Art	0	0	0	0	0
7. Relocation Expenses	0	0	0	0	0
8. Occupancy	0	0	0	0	0
9. Inflation	0	0	0	0	0
TOTAL	246,389	113,200	113,200	56,700	529,489

CAPITAL FUNDING SOURCES	Prior Years	FY 2004-05	FY 2006-07	FY 2008-09	TOTAL
State Funds :					
G.O Bonds/State Bldgs	67,239	20,000	20,000	10,000	117,239
General Fund Projects	16,150	3,200	3,200	1,700	24,250
State Funds Subtotal	83,389	23,200	23,200	11,700	141,489
Agency Operating Budget Funds	0	0	0	0	0
Federal Funds	163,000	90,000	90,000	45,000	388,000
Local Government Funds	0	0	0	0	0
Private Funds	0	0	0	0	0
Other	0	0	0	0	0
TOTAL	246,389	113,200	113,200	56,700	529,489

CHANGES IN STATE OPERATING COSTS	Changes in State Operating Costs (Without Inflation)			
	FY 2004-05	FY 2006-07	FY 2008-09	TOTAL
Compensation -- Program and Building Operation	1,696	1,696	901	4,293
Other Program Related Expenses	1,504	1,504	731	3,739
Building Operating Expenses	0	0	0	0
Building Repair and Replacement Expenses	0	0	0	0
State-Owned Lease Expenses	0	0	0	0
Nonstate-Owned Lease Expenses	0	0	0	0
Expenditure Subtotal	3,200	3,200	1,632	8,032
Revenue Offsets	0	0	0	0
TOTAL	3,200	3,200	1,632	8,032
Change in F.T.E. Personnel	0.0	0.0	0.0	0.0

SOURCE OF FUNDS FOR DEBT SERVICE PAYMENTS (for bond-financed projects)	Amount	Percent of Total
General Fund	20,000	100.0%
User Financing	0	0.0%

STATUTORY AND OTHER REQUIREMENTS	
Project applicants should be aware that the following requirements will apply to their projects after adoption of the bonding bill.	
No	MS 16B.335 (1a): Construction/Major Remodeling Review (by Legislature)
No	MS 16B.335 (3): Predesign Review Required (by Administration Dept)
No	MS 16B.335 and MS 16B.325 (4): Energy Conservation Requirements
No	MS 16B.335 (5): Information Technology Review (by Office of Technology)
Yes	MS 16A.695: Public Ownership Required
No	MS 16A.695 (2): Use Agreement Required
No	MS 16A.695 (4): Program Funding Review Required (by granting agency)
Yes	Matching Funds Required (as per agency request)
Yes	MS 16A.642: Project Cancellation in 2009

RIM Reserve Program and CREP

STATEWIDE STRATEGIC SCORE		
Criteria	Values	Points
Critical Life Safety Emergency - Existing Hazards	0/700	0
Critical Legal Liability - Existing Liability	0/700	0
Prior Binding Commitment	0/700	0
Strategic Linkage - Agency Six Year Plan	0/40/80/120	120
Safety/Code Concerns	0/35/70/105	0
Customer Service/Statewide Significance	0/35/70/105	70
Agency Priority	0/25/50/75/100	100
User and Non-State Financing	0-100	80
State Asset Management	0/20/40/60	0
State Operating Savings or Operating Efficiencies	0/20/40/60	0
Contained in State Six-Year Planning Estimates	0/25/50	50
Total	700 Maximum	420

Local Government Road Wetland Replacement

2004 STATE APPROPRIATION REQUEST: \$4,362,000

AGENCY PROJECT PRIORITY: 2 of 3

PROJECT LOCATION: Statewide

Project At A Glance

The Minnesota Local Government Roads Wetland Replacement program is in response to a **statutory obligation** of the state to replace wetlands lost to safety improvements made to public transportation projects as required under M.S. 103G.222, Subd.1(l).

Project Description

The Minnesota Local Government Roads Wetland Replacement program is in response to a **statutory obligation** the state has to replace wetlands lost to safety improvements made to public transportation projects as required under M.S. 103G.222, Subd.1(l). This program supports the “no-net-loss” requirements of both state and federal regulations. It benefits a wide number of constituent groups: local road authorities by assigning responsibility for replacing the inevitable loss of wetlands to the state; environmental interests by establishing higher quality wetland replacement sites; state taxpayers by reducing the overall costs of constructing these replacement wetlands due to economies of scale; and citizens by avoiding delays in undertaking public safety enhancements to existing roads due to wetland mitigation costs.

The 1996 and 2000 legislatures amended the Wetland Conservation Act (WCA) after several years of controversy and regulatory inconsistency among local governments, business interests, environmental groups, and others. The Local Government Roads Wetland Replacement program was a key outcome of these amendments and transferred responsibility for replacing wetlands lost due to local road construction from the local road authority to Water & Soil Resources Board (BWSR). This eliminates the need for local government transportation officials to undertake and finance

environmental reclamation projects and consolidates the necessary technical, financial, and other implementation work to ensure high quality and more cost-effective wetland replacement.

The Local Government Roads Wetland Replacement program provides the following benefits:

- ⇒ Regulatory simplification and efficient and improved wetland mitigation are achieved by eliminating the need for each local road authority to maintain its own staff expertise and budget to mitigate impacts to wetlands from road projects.
- ⇒ Fragmented impacts from road projects are consolidated in targeted areas to provide habitat, water quality, and other wetland functions away from traffic and highway runoff areas at a lower public cost.
- ⇒ Water management goals such as improving water quality, flood control, greenway preservation, and wildlife corridor enhancement can be better addressed collectively.
- ⇒ Site selection, ranking of project proposals, and setting program strategies consistent with overall state and federal wetland goals are achieved through an interagency process.

Local governments (counties, cities, and townships) believe strongly this state mandate should be a base element in BWSR’s budget. The legislature also recognized the ongoing state obligation this program fulfills and thus included the requirement for an assessment and recommendations report for the 2001 session. There is stakeholder consensus on the benefits of the program and the need to permanently fund this state obligation. Without a continued state commitment to this funding, local governments will face paying for this work locally. That would result in a number of negative consequences, such as:

- ◆ reduced or delayed completion of local government road projects;
- ◆ increased local property tax levies (levy limits restrict increases);
- ◆ reverses recent statute changes and jeopardizes a fragile stakeholder consensus that resulted in recent wetland regulatory reforms (*ML 1996, Chap. 462 and ML 2000, Chap. 382*); and

Local Government Road Wetland Replacement

- ◆ negation of an agreement with the U.S. Army Corps of Engineers that allows this program to meet federal regulatory requirements on behalf of local communities. Local road authorities would again have to seek individual federal permits and be responsible for wetland replacement.

Impact on Agency Operating Budgets (Facilities Notes)

Historically, an average of 193 acres of wetlands need replacement each year at a total annual cost of \$1.6 million. Over the past two years, this amount has increased to 225 acres per year at a cost \$1.9 million annually. The number of acres impacted depends most directly on the money available to local governments for road construction. The cost of establishing the wetlands varies widely, from a low of \$3,000 an acre in rural Minnesota, to more than \$20,000 an acre for some projects in the metro area. In order to meet its minimum statutory obligations to conduct wetland replacement *BWSR projects that it will need \$4.362 million for two years (July 2004 through July 2006) however, the total dollars needed may increase due to increased road construction projects.* Of the \$4.326 million, \$3.2 million is for projects and \$562,000 is for implementation.

Previous Appropriations for this Project

1996	\$3 million
1998	\$2.75 million
2000	\$2.75 million
2001	\$2 million
2003	\$2.7 million

Other Considerations

The state has not determined whether this program should be funded from transportation sources, environmental sources, or some combination of the two and so it has always been funded via the capital budget. The program was funded for one year from the capital (bonding) budget by the 2000 legislature via a \$2.3 million capital appropriation with a \$400,000 supplement for annual implementation costs. In 2001, the legislature appropriated \$2 million for the program and in 2003 appropriated \$2.7 million to cover past and current needs through June 2004.

It should be noted that state statute actually requires the replacement of wetlands to occur before the losses, which is not the current practice. BWSR projects that it would need \$7.2 million in 2004 if it were to fund in this manner, as it takes an average of 2.5 years from the date the funds are available to establish wetland banking credits. Since the current system of funding has satisfied the federal agencies involved, BWSR does not feel it is necessary to change the process.

Project Contact Person

Ronald D. Harnack, Executive Director
Board of Water and Soil Resources
One West Water Street, Suite 200
St. Paul, Minnesota 55107
Phone: (651) 296-0878
Fax: (651) 297-5615
E-mail: ron.harnack@bwsr.state.mn.us

Governor's Recommendations

The Governor recommends general obligation bonding of \$4.362 million for this project. Also included are budget planning estimates of \$4.362 million in 2006 and \$4.362 million in 2008.

TOTAL PROJECT COSTS All Years and Funding Sources	Prior Years	FY 2004-05	FY 2006-07	FY 2008-09	TOTAL
1. Property Acquisition	12,352	3,800	3,800	3,800	23,752
2. Predesign Fees	0	0	0	0	0
3. Design Fees	0	0	0	0	0
4. Project Management	798	562	562	562	2,484
5. Construction Costs	0	0	0	0	0
6. One Percent for Art	0	0	0	0	0
7. Relocation Expenses	0	0	0	0	0
8. Occupancy	0	0	0	0	0
9. Inflation	0	0	0	0	0
TOTAL	13,150	4,362	4,362	4,362	26,236

CAPITAL FUNDING SOURCES	Prior Years	FY 2004-05	FY 2006-07	FY 2008-09	TOTAL
State Funds :					
G.O Bonds/State Bldgs	10,000	4,362	4,362	4,362	23,086
General Fund Projects	2,750	0	0	0	2,750
General	400	0	0	0	400
State Funds Subtotal	13,150	4,362	4,362	4,362	26,236
Agency Operating Budget Funds	0	0	0	0	0
Federal Funds	0	0	0	0	0
Local Government Funds	0	0	0	0	0
Private Funds	0	0	0	0	0
Other	0	0	0	0	0
TOTAL	13,150	4,362	4,362	4,362	26,236

CHANGES IN STATE OPERATING COSTS	Changes in State Operating Costs (Without Inflation)			
	FY 2004-05	FY 2006-07	FY 2008-09	TOTAL
Compensation -- Program and Building Operation	0	0	0	0
Other Program Related Expenses	0	0	0	0
Building Operating Expenses	0	0	0	0
Building Repair and Replacement Expenses	0	0	0	0
State-Owned Lease Expenses	0	0	0	0
Nonstate-Owned Lease Expenses	0	0	0	0
Expenditure Subtotal	0	0	0	0
Revenue Offsets	0	0	0	0
TOTAL	0	0	0	0
Change in F.T.E. Personnel	0.0	0.0	0.0	0.0

SOURCE OF FUNDS FOR DEBT SERVICE PAYMENTS (for bond-financed projects)	Amount	Percent of Total
General Fund	4,362	100.0%
User Financing	0	0.0%

STATUTORY AND OTHER REQUIREMENTS	
Project applicants should be aware that the following requirements will apply to their projects after adoption of the bonding bill.	
No	MS 16B.335 (1a): Construction/Major Remodeling Review (by Legislature)
No	MS 16B.335 (3): Predesign Review Required (by Administration Dept)
No	MS 16B.335 and MS 16B.325 (4): Energy Conservation Requirements
No	MS 16B.335 (5): Information Technology Review (by Office of Technology)
Yes	MS 16A.695: Public Ownership Required
No	MS 16A.695 (2): Use Agreement Required
No	MS 16A.695 (4): Program Funding Review Required (by granting agency)
No	Matching Funds Required (as per agency request)
Yes	MS 16A.642: Project Cancellation in 2009

Local Government Road Wetland Replacement

STATEWIDE STRATEGIC SCORE		
Criteria	Values	Points
Critical Life Safety Emergency - Existing Hazards	0/700	0
Critical Legal Liability - Existing Liability	0/700	0
Prior Binding Commitment	0/700	0
Strategic Linkage - Agency Six Year Plan	0/40/80/120	80
Safety/Code Concerns	0/35/70/105	0
Customer Service/Statewide Significance	0/35/70/105	35
Agency Priority	0/25/50/75/100	75
User and Non-State Financing	0-100	0
State Asset Management	0/20/40/60	0
State Operating Savings or Operating Efficiencies	0/20/40/60	0
Contained in State Six-Year Planning Estimates	0/25/50	50
Total	700 Maximum	240

Streambank, Lakeshore & Roadside Erosion Control

2004 STATE APPROPRIATION REQUEST: \$5,260,000

AGENCY PROJECT PRIORITY: 3 of 3

PROJECT LOCATION: Statewide

Project At A Glance

This program will provide for the protection of water quality, fish and wildlife habitat, public infrastructures, and public safety through:

- ◆ Protection of environmentally sensitive lake and river shore land areas through the purchase of conservation easements;
- ◆ Correction of severely eroded lake and river stream banks through the installation of permanent erosion control structures and practices; and
- ◆ Reduction of flood damages through the installation of road retention projects.

Project Description

The Streambank, Lakeshore, and Roadside Erosion Control program will be implemented by the Board of Water & Soil Resources (BWSR) in partnership with the state's 91 soil and water conservation districts, 43 watershed districts, and 87 counties. The project is comprised of three basic activities: streambank and lakeshore protection easements; restoration of degraded or highly eroded shore land through construction of permanent conservation practices; and creation of temporary flood storage through the development of local floodwater road retention projects.

Conservation easements: Minnesota's lake and river shore lands are under greatly increasing development pressure as the population ages and internet access makes "cabin living" more attractive year-round. This puts urban-like pressures on those remaining undeveloped lake and river shore land areas. Because the best shore lands have already been developed, what remains is often very steep or very wet. Along with being environmentally sensitive,

these areas often include important fish and wildlife habitats such as fish spawning areas and loon nesting areas. A program designed after the Reinvest in Minnesota (RIM) Reserve program was enacted in 2002 (103F.225 Shore land protection program) in order to assist local governments in protecting some of these sensitive shore land areas in concert with their comprehensive local water management plans and land use plans.

As part of a recent BWSR shore land protection pilot program, Cass County was able to use \$250,000 of state dollars to purchase development rights on land valued at over \$1 million. In doing so, they were able to protect 8,160 feet of shoreline and 219 acres of land. The state's investment will allow for the environmental goals of clean water, fish and wildlife habitat, and open space to be produced from this land in perpetuity.

Erosion control structures and practices: The state's 91 soil and water conservation districts have identified more than 165 miles of severely eroded shoreline and 1,500 miles of eroded stream banks. Erosion of soil from these sites results in degraded water quality, destruction of near-shore fish and wildlife habitats, and impaired recreational use. Because the magnitude of the physical erosion is great, so will be the cost to control the problems.

For example: Although the North Shore of Lake Superior is known for its rocky shoreline, it also includes many bays and other reaches of shoreline that are composed of erosion-prone red clay. Some of these shoreline areas have up to 70-foot-high clay banks. Wave action at the shoreline results in plumes of suspended red clay in the near-shore waters of Lake Superior. When wave action subsides, suspended clay settles to the bottom and blankets rock and sand substrate, which is critical for fish spawning and fish habitat. This area of fish habitat is critical in that it occurs only within the first few hundred yards from the shore. Surveys conducted by BWSR have identified approximately 35 miles of the North Shore's total length of 200 miles as high erosion areas.

Road retention projects: The severe flooding in 1993 and again in 1997 and 2002 has continued to highlight the need to reduce flood damage to roads, bridges, public and private structures, farm field, river banks, and urban centers within many rural parts of Minnesota. An interagency hazard mitigation team led by the Federal Emergency Management Agency (FEMA)

Streambank, Lakeshore & Roadside Erosion Control

prepared a report that identified floodwater retention at roads as an appropriate measure to reduce future flood damages. As part of this capital request, BWSR proposes to cost-share with local governments the cost of road retention projects. These projects will result in reduced flood damage to roads, bridges, structures, and fields, as well as reduced downstream sedimentation. The sediment and associated nutrient trapping efficiency of these projects is 50 to 90%, providing significant water quality benefits.

BWSR's strategic plan identifies the role of the state acting through BWSR to solve water quality and soil erosion problems voluntarily and collaboratively with local governments. Additionally, the state's soil and water conservation policy (103A.206) states that it is the policy of the state to encourage land occupiers (including local governments) to conserve soil and water resources through the implementation of practices to prevent erosion, reduce sedimentation of surface waters, control floods, prevent impairment of dams and reservoirs, and protect public lands.

Impact on Agency Operating Budgets (Facilities Notes)

Project Costs 2004-05

Property acquisition

Easements and engineering and construction of supporting practices
\$5 million

Project Management

State Staff and Project Administration \$260,000

Previous Appropriations for this Project

2002 \$750,000 (vetoed)

Other Considerations

The state of Minnesota has a reputation for its quality of life. In 2001, Morgan Quitno Press, which annually ranks cities and states, named Minnesota the nation's "most livable state" – for the fifth year in a row. Minnesota is also known for its lakes, rivers, and outdoor recreation opportunities, from which the state sees a significant economic impact. According to the Department

of Trade and Economic Development, domestic and international travel to Minnesota brings \$9.8 billion into the state's economy annually, supporting 135,400 tourism jobs and generating \$1.1 billion in tax receipts. This program provides additional assurance that the environmental goals of clean water, abundant fish and wildlife, and scenic open spaces that the citizens of Minnesota expect and that people come from around the world to enjoy are preserved and protected.

Project Contact Person

Ronald D. Harnack, Executive Director
Board of Water and Soil Resources
One West Water Street, Suite 200
St. Paul, Minnesota 55107
Phone: (651) 296-0878
Fax: (651) 297-5615
E-mail: ron.harnack@bwsr.state.mn.us

Governor's Recommendations

The Governor does not recommend capital funds for this project.

TOTAL PROJECT COSTS All Years and Funding Sources	Prior Years	FY 2004-05	FY 2006-07	FY 2008-09	TOTAL
1. Property Acquisition	0	5,000	5,000	5,000	15,000
2. Predesign Fees	0	0	0	0	0
3. Design Fees	0	0	0	0	0
4. Project Management	0	260	260	260	780
5. Construction Costs	0	0	0	0	0
6. One Percent for Art	0	0	0	0	0
7. Relocation Expenses	0	0	0	0	0
8. Occupancy	0	0	0	0	0
9. Inflation	0	0	0	0	0
TOTAL	0	5,260	5,260	5,260	15,780

CAPITAL FUNDING SOURCES	Prior Years	FY 2004-05	FY 2006-07	FY 2008-09	TOTAL
State Funds :					
G.O Bonds/State Bldgs	0	5,000	5,000	5,000	15,000
General Fund Projects	0	260	260	260	780
General	0	0	0	0	0
State Funds Subtotal	0	5,260	5,260	5,260	15,780
Agency Operating Budget Funds	0	0	0	0	0
Federal Funds	0	0	0	0	0
Local Government Funds	0	0	0	0	0
Private Funds	0	0	0	0	0
Other	0	0	0	0	0
TOTAL	0	5,260	5,260	5,260	15,780

CHANGES IN STATE OPERATING COSTS	Changes in State Operating Costs (Without Inflation)			
	FY 2004-05	FY 2006-07	FY 2008-09	TOTAL
Compensation -- Program and Building Operation	0	0	0	0
Other Program Related Expenses	0	0	0	0
Building Operating Expenses	0	0	0	0
Building Repair and Replacement Expenses	0	0	0	0
State-Owned Lease Expenses	0	0	0	0
Nonstate-Owned Lease Expenses	0	0	0	0
Expenditure Subtotal	0	0	0	0
Revenue Offsets	0	0	0	0
TOTAL	0	0	0	0
Change in F.T.E. Personnel	0.0	0.0	0.0	0.0

SOURCE OF FUNDS FOR DEBT SERVICE PAYMENTS (for bond-financed projects)	Amount	Percent of Total
General Fund	5,000	100.0%
User Financing	0	0.0%

STATUTORY AND OTHER REQUIREMENTS	
Project applicants should be aware that the following requirements will apply to their projects after adoption of the bonding bill.	
No	MS 16B.335 (1a): Construction/Major Remodeling Review (by Legislature)
No	MS 16B.335 (3): Predesign Review Required (by Administration Dept)
No	MS 16B.335 and MS 16B.325 (4): Energy Conservation Requirements
No	MS 16B.335 (5): Information Technology Review (by Office of Technology)
Yes	MS 16A.695: Public Ownership Required
No	MS 16A.695 (2): Use Agreement Required
No	MS 16A.695 (4): Program Funding Review Required (by granting agency)
No	Matching Funds Required (as per agency request)
Yes	MS 16A.642: Project Cancellation in 2009

Streambank, Lakeshore & Roadside Erosion Control

STATEWIDE STRATEGIC SCORE		
Criteria	Values	Points
Critical Life Safety Emergency - Existing Hazards	0/700	0
Critical Legal Liability - Existing Liability	0/700	0
Prior Binding Commitment	0/700	0
Strategic Linkage - Agency Six Year Plan	0/40/80/120	40
Safety/Code Concerns	0/35/70/105	0
Customer Service/Statewide Significance	0/35/70/105	35
Agency Priority	0/25/50/75/100	50
User and Non-State Financing	0-100	0
State Asset Management	0/20/40/60	0
State Operating Savings or Operating Efficiencies	0/20/40/60	0
Contained in State Six-Year Planning Estimates	0/25/50	0
Total	700 Maximum	125