

Water & Soil Resources Board

Projects Summary
(\$ in Thousands)

| Project Title | 2010 Agency Priority Ranking | Agency Project Request for State Funds (\$ by Session) | | | | Governor's Recommendations 2010 | Governor's Planning Estimate | |
|--|------------------------------|--|----------|----------|-----------|---------------------------------|------------------------------|------|
| | | 2010 | 2012 | 2014 | Total | | 2012 | 2014 |
| Local Government Roads Wetland Replacement | 1 | \$8,420 | \$4,630 | \$4,630 | \$17,680 | \$0 | \$0 | \$0 |
| Reinvest in Minnesota (RIM) Program | 2 | 50,000 | 50,000 | 50,000 | 150,000 | 0 | 0 | 0 |
| Total Project Requests | | \$58,420 | \$54,630 | \$54,630 | \$167,680 | \$0 | \$0 | \$0 |

Local Government Roads Wetland Replacement

2010 STATE APPROPRIATION REQUEST: \$8,420,000

AGENCY PROJECT PRIORITY: 1 of 2

PROJECT LOCATION:

Project At A Glance

The Minnesota Local Government Roads Wetland Replacement Program replaces wetlands lost due to local public road improvements as required by state statute.

Project Description

The Board of Water and Soil Resources (BWSR) is requesting \$8.42 million to acquire 440 acres of wetlands to replace wetlands lost due to local government road construction over the next biennium and to acquire additional 440 acres of wetlands for establishing a 2 year wetland credit balance to allow for in advance replacement to meet the standards established in current state and federal policy.

The Minnesota Local Government Roads Wetland Replacement Program has been established in response to a state **statutory obligation** to replace wetlands lost to improvements made to public transportation projects as required under M.S. 103G.222, subd.1 (m). This program supports the “no-net loss” requirements of both state and federal regulations and benefits a wide number of constituent groups including: local road authorities by assessing responsibility for replacing inevitable loss of wetlands to the State; environmental interests by establishing high quality wetland replacement sites; state taxpayers by saving land acquisition costs due to economies of scale; and citizens by avoiding delays in undertaking public safety road enhancements 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. It transfers responsibility for replacing wetlands lost due to local government road construction from the local road authority to the Board of Water and Soil Resources (BWSR). The Local Government Roads Wetland Replacement Program provides the following benefits:

- ◆ 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 provide of higher quality, more cost-effective wetland replacement.
- ◆ Consolidation of fragmented impacts from road projects in targeted areas to provide habitat, water quality and other wetland functions away from traffic and highway runoff areas at a lower public cost.
- ◆ Integration of state and local water management goals such as improving water quality, flood control, greenway preservation, and wildlife corridor enhancement through collective action.
- ◆ Coordination of state, local and federal agencies in ranking project proposals and setting program strategies consistent with overall state and federal wetland goals.
- ◆ Referencing a USDA – NRCS economic impact survey titled *Assessing the Economic Impact of WRP (Wetland Reserve Program) on the Minnesota Economy*, (Sommer and Duzy, 2008) it is estimated the program will provide 130 jobs, over the biennium, based on the requested expenditure of \$8.42 million.

There is stakeholder consensus on the benefits of the program and the need to permanently fund it. Local government road authorities have stated that funding for this program needs to be part of BWSR’s capital budget request each biennium. Without a continued state commitment to this funding, local governments face paying for this work locally, which could result in several negative consequences, including:

- ◆ reduced or delayed completion of local government road projects;
- ◆ increased local property tax levies;
- ◆ reversal of the stakeholder consensus that resulted in wetland regulatory reforms (*Laws 1996, Chap.462 and Laws 2000, Chap. 382*); and

Local Government Roads Wetland Replacement

- ◆ reversal of an agreement with the Army Corps of Engineers (COE) that allows this program to meet federal regulatory requirements on behalf of local communities. Local road authorities would again have to seek individual permit approvals.

Impact on Agency Operating Budgets (Facilities Notes)

The 2008 capital budget request was based on an average of 236 acres of required wetlands replacement every year at an annual cost of \$2.36 million. An analysis of required replacement for the period 2006-2008 has determined that the annual replacement need has remained stable at 220 acres. The number of acres impacted depends most directly on the money available to local governments for road construction. The cost of establishing wetland credit in 2008 varied widely, from a low of \$5,250 a credit in rural Minnesota to more than \$43,000 a credit for metro projects.

State statute and federal policy requires the replacement of wetlands to occur prior to the loss occurring. However, current practice lags two years behind due to the availability of funding. This is important because it takes an average of 3 years to transform allotted funds into approved wetland credits. This 3 year period is comprised of 2 years to find sites, acquire land and implement the wetland bank plan and another year for the site to stabilize before the initial credits can be certified and deposited into the wetland bank. In addition, it generally takes five years before all wetland credits developed at a project site are certified and deposited into the state wetland bank. This means that in order to comply with the state and federal regulations, that require the replacement to be done prior to or concurrent with the wetland losses, 2 years worth of credits or a positive balance of at least 440 credits should be established and maintained in the bank.

The current system of replacement has satisfied the federal agencies in the past but BWSR anticipates programmatic changes stimulated by federal rulemaking that will intensify the need to build this buffer as soon as possible so replacement precedes impacts by a minimum of one growing season. Failure to meet this in-advance wetland replacement requirement will increase replacement ratios and associated costs even further.

The increase in funding requested for this program is principally due to the following:

- ◆ Increased cost for replacement wetlands in urbanizing areas of the State;
- ◆ The need to establish a 2 year credit buffer to avoid further program cost increases;
- ◆ Implementation of the new Corps of Engineers Saint Paul District Compensatory Mitigation Policy for Minnesota has resulted in less credit being generated from a given site due to upland buffer credit decreasing from 100% to 25% credit.

In order to meet the statutory obligation to conduct wetland replacement and establish a 2 year balance of wetland credits, BWSR projects that it will need \$8.42 million for the upcoming two years (July 2010 through July 2012); however the total dollars needed may increase due to increased road construction activity, increases in land values, and increased cost to develop replacement wetlands.

Previous Appropriations for this Project

| | |
|------|----------------|
| 1996 | \$3.00 million |
| 1998 | \$2.75 million |
| 2000 | \$2.30 million |
| 2001 | \$2.00 million |
| 2002 | \$0.30 million |
| 2003 | \$2.70 million |
| 2005 | \$4.36 million |
| 2006 | \$4.20 million |
| 2008 | \$4.20 million |

Other Considerations

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Local Government Roads Wetland Replacement

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Governor's Recommendations (To be completed by MMB at a later date)

Reinvest in Minnesota (RIM) Program

2010 STATE APPROPRIATION REQUEST: \$50,000,000

AGENCY PROJECT PRIORITY: 2 of 2

PROJECT LOCATION:

Project At A Glance

RIM Reserve, Minnesota's largest private land conversation easement program, restores wetlands and riparian areas on private lands and provides public benefits, including;

- ◆ Protect or retire marginal and environmentally sensitive agricultural lands;
- ◆ Protect, restore and enhance water quality of rivers, streams, and lakes;
- ◆ Protect, restore and enhance wetlands and fish, game and wildlife habitat;
- ◆ Contribute toward a net gain of wetland resources;
- ◆ Reduce flood damage, protect groundwater quality and enhance groundwater recharge through the creation of natural water retention systems;
- ◆ Leverage federal conservation funds;
- ◆ Carbon sequestration;
- ◆ Keep lands in private ownership and on local tax rolls;
- ◆ Enables partnership with federal, state and local entities to leverage additional financial resources that enhances the state's investment; and
- ◆ Creates and/or retains jobs and the potential for biofuel production from native grasslands.

Project Description

Degrading water quality and diminished wildlife 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 restored native prairie and wetlands. The RIM Reserve program compensates landowners for granting conservation easements and

establishing native vegetation habitat on these economically marginal, flood-prone, environmentally sensitive or highly erodible lands.

The Board of Water and Soil Resources (BWSR) is requesting \$50 million in 2010 to acquire conservation easements on private land. Of that amount, \$41 million is for easements, restoration and conservation practices, and \$9 million is for implementation 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 inputs to lakes, rivers and streams. Soil erosion reduces farm productivity, increases the costs of farming, and creates water-borne 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.

The RIM Reserve Program (RIM) meets the goals and objectives of BWSR's strategic plan. It protects 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 development. 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 and groundwater quality and enhance groundwater recharge;
- ◆ Working toward a net gain of wetland resources; and
- ◆ Installing best management practices on Minnesota lands.

The state of Minnesota achieves quantifiable water quality benefits by removing this environmentally sensitive cropland from production. From 1998 to 2002, with data reported by SWCDs, BWSR calculated the benefits at 9.6 tons/acre/year sediment reduction, 4.2 tons/acre/year soil loss reduction, and 5.3 pounds/acre/year reduction from each acre enrolled in a conservation easement.

Reinvest in Minnesota (RIM) Program

RIM-WRP Partnership

Described as the premier private lands wetland restoration easement program in the nation, the RIM-WRP partnership combines Minnesota's RIM Reserve and the United States Department of Agriculture's (USDA) Natural Resources Conservation Service (NRCS) Wetlands Reserve Program (WRP). Combining RIM Reserve and WRP allows state capital investment funds or other state funds to leverage Federal Farm Bill conservation dollars. Utilizing both programs results in competitive payment rates to landowners and sharing of perpetual easement acquisition and restoration costs. The RIM-WRP partnership is successfully restoring drained wetlands by combining a federal WRP 30-year easement with a perpetual state RIM Reserve easement.

RIM-WRP is a state/federal/local partnership that provides Minnesota with an opportunity to leverage significant federal dollars to increase wetland restoration conservation easement enrollment in Minnesota. In 2008, Minnesota secured 20% of the nation's WRP funds for the RIM-WRP partnership, leveraging \$20 million federal WRP funds partnered with \$14.2 million in RIM Reserve funds or 1.4 federal dollars for every 1 state dollar.

In 2008, 98 easements were enrolled totaling 9,775 acres. In 2009, in RIM-WRP Phase II we just recently accepted and approved for funding approximately 127 easements totaling 13,000 acres. Permanent protection ensures that Minnesota's tax dollars are benefiting all citizens, both current and future.

This opportunity will be offered statewide but has a priority focus in the ecological provinces of the state that have experienced significant losses of wetland and associated prairies. It will be delivered by local NRCS staff, local Soil and Water Conservation District (SWCD) staff and assisted by program staff from both NRCS and the Board of Water and Soil Resources (BWSR). Since the SWCD is responsible for the local delivery of the RIM Reserve program to private landowners on behalf of the state of Minnesota, they are ideally suited to work in concert with their local NRCS staff to efficiently and effectively deliver the RIM-WRP partnership. Once an easement is acquired NRCS is responsible for maintenance, inspection and monitoring during the life of their 30-year WRP easement. The state of Minnesota assumes sole responsibility via its RIM Reserve easement once the 30-year WRP easement has expired. BWSR partners with local SWCDs

to carry-out oversight, monitoring and inspection of its conservation easements.

The 2008 legislature appropriated \$25 million to the BWSR to be used for acquisition of RIM Reserve Conservation easements on private lands. The focus of these easements is to restore drained wetlands and reduce flooding. In addition, three priority areas were identified for funding in this appropriation; the Red River Valley watershed, the Turtle Creek and Cedar watersheds, and the seven southeast MN disaster counties. The BWSR has allocated all of the \$25 million 2008 bond funds provided to the RIM Reserve program.

The RIM-WRP partnership will expand past efforts and provide important benefits to the citizens of Minnesota by restoring and permanently protecting priority wetlands and associated upland native grassland wildlife habitat via perpetual conservation easements. According to USDA economic estimates, every \$33 million in funding creates or sustains 527 jobs. Since WRP receives annual appropriations from the 2008 Federal Farm Bill, this leveraging opportunity is available for at least the next five years.

RIM Reserve Red River Valley Restoration Initiative (RRVRI)

The goals and objectives of the RRVRI are to achieve priority river/stream restoration and flood damage reduction outcomes consistent with the Red River Mediation Agreement (RRMA) and RIM Reserve Program. The specific goals/outcomes of the RRMA that will be achieved are:

- ◆ Reduced Flood Damages to cropland, roads and bridges by eliminating cross over flow and improving channel efficiency.
- ◆ Improved Water Quality by reducing channel and upland erosion with buffers and designed channel stabilization.
- ◆ Restored Fish Habitat and River Fishery by reestablishing the natural stream channel meandering and creating natural channel stabilization.
- ◆ Improved Wildlife Habitat by establishing native vegetative buffers along the river/stream.

RIM Reserve will be paying for easements and vegetative practices. Non-state funds will be leveraged via watershed districts paying for construction and setback levees, responsible for design and application.

Reinvest in Minnesota (RIM) Program

Metro Wetland Restoration Initiative

This activity will be focused on the 11 county metro area of Minnesota. With a rapidly increasing population and its influence on wetland resources, it is necessary to place a special focus in this area. Due to the challenges presented by increasing land values and small ownership with multiple landowners we must accelerate wetland restoration protection activities on the remaining wetland opportunities in the metro area.

Drained, altered or degraded wetlands without recent crop history will be a priority for enrollment and restoration. These wetland restorations will provide multiple benefits; water quality will be protected and improved, and wildlife habitat protected in that portion of Minnesota where the majority of its population resides.

Impact on Agency Operating Budgets (Facilities Notes)

\$9 million of the request is required to implement the RIM Reserve program. This amount is required to support the necessary realty, engineering and administrative functions associated with easement acquisition and establishment of conservation practices on those easement lands. SWCDs will receive a portion of this total as a Conservation Easement Services Grant to offset their cost to secure easements, develop conservation plans and monitor easement compliance.

Previous Appropriations for this Project

| | | |
|------|----------------|--------------------------|
| 1996 | \$11.5 million | Capital Investment Funds |
| 1998 | \$15.0 million | Capital Investment Funds |
| 2000 | \$21.0 million | Capital Investment Funds |
| 2001 | \$51.4 million | Capital Investment Funds |
| 2003 | \$ 1.0 million | Capital Investment Funds |
| 2005 | \$23.0 million | Capital Investment Funds |
| 2008 | \$25.0 million | Capital Investment Funds |
| 2009 | \$ 9.0 million | Outdoor Heritage Funds |
| | \$.5 million | Capital Investment Funds |

Other Considerations

The 2008 Federal Farm Bill reauthorized the WRP. Minnesota NRCS has indicated that they could receive \$20-25 million per year over the next five years if Minnesota funds are available to leverage these federal WRP funds. In addition, the recently passed constitutional amendment authorizing the use of Outdoor Heritage Funds to increase the sales tax 3/8 of 1% was passed by the Minnesota voters to protect, restore and enhance wetlands, prairies and forests and fish, game and wildlife habitat.

The RIM-WRP Partnership received \$9.05 million of Outdoor Heritage Funds (OHF) in FY2010 and helped leverage \$12.6 million WRP funds in 2009. These new OHF funds, along with existing RIM Reserve appropriation balances, allowed us to leverage federal FY09 WRP funds available to Minnesota. However, since WRP receives annual appropriations NRCS is expecting to receive an estimated \$20-25 million in new FY10 WRP funds October 1, 2009. The RIM Reserve program does not currently have any remaining funds to leverage these new federal WRP dollars to Minnesota.

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Governor's Recommendations (To be completed by MMB at a later date)