

(\$ in thousands)

Project Title	Priority Ranking	Funding Source	Project Requests for State Funds		
			2016	2018	2020
Reinvest in Minnesota (RIM) Reserve Program	1	GO	\$ 75,000	\$ 50,000	\$ 50,000
Local Government Roads Wetland Replacement Program	2	GO	\$ 10,330	\$ 10,840	\$ 10,500
Total Project Requests			\$ 85,330	\$ 60,840	\$ 60,500
General Obligation Bonds (GO) Total			\$ 85,330	\$ 60,840	\$ 60,500

Reinvest in Minnesota (RIM) Reserve Program

AT A GLANCE

2016 Request Amount: \$75,000

Priority Ranking: 1

Project Summary: \$75 million in state funds are requested to acquire perpetual Reinvest In Minnesota (RIM) Reserve conservation easements for water quality and wildlife habitat purposes in the agricultural portions of the state. This money is intended to be used as part of a state-federal partnership known as the Conservation Reserve Enhancement Program (CREP) which will put 100,000 acres of new buffers, wetland restorations, and wildlife habitat on the ground in the next 5 years leveraging federal funding at up to \$4 for every state dollar spent.

Project Description

This request for \$75M in state funds is to address the Governor’s goals for buffers, abundant fish and wildlife habitat, water quality, flood prevention, and productive soil. This is accomplished through a comprehensive program securing permanent conservation easements. Local agencies and organizations identify interested private landowners. The Reinvest In Minnesota (RIM) Reserve program compensates landowners for permanent granting conservation easements and establishing native vegetation in riparian areas, on economically marginal, flood-prone, environmentally sensitive or highly erodible lands.

Conservation Reserve Enhancement Program (CREP)

The goal of Minnesota’s CREP is to benefit water quality and provide wildlife habitat by permanently protecting riparian land and other priority land in targeted areas of the state. Using the nationally-recognized Reinvest in Minnesota (RIM) Reserve conservation easement program, this CREP will focus on nutrient and sediment reduction priorities and habitat goals identified in local and statewide management strategies. It will use riparian buffer, wetland restoration, and hydrologic treatment CRP practices to address areas of critical riparian protection and areas with water quality impairments due to modifications in hydrology, sedimentation, and nutrient transport. Key CRP practices include buffers, wetland restorations, and wellhead protection. The Minnesota CREP will also provide supplemental wildlife habitat, and groundwater protection. With a goal to achieve 100,000 acres of permanent protection in 54 counties, the state has established strong partnerships with agencies, producers (and producer organizations) soil and water conservation districts, and non-governmental organizations. This effort will leverage State and Local technical expertise, strategic planning, and fiscal resources to assure that projects are cost effective and provide significant environmental benefits for both water quality and habitat.

BWSR has worked closely with the Commissioners of DNR, Agriculture, Health, PCA and the Governor’s Office to develop our CREP initiative for 100,000 acres. It is estimated to have a total

cost of approximately \$800 million over the next five years. A combination of USDA CRP payments and incentives and state funding will be necessary to achieve a potential 80:20 federal to state match. The State's portion will be significant and will require a mixture of Bonding, Outdoor Heritage Fund, and Clean Water Funds to meet our obligation. Because of the short term duration of a CREP (five years) and the length of time that it takes to complete easement transactions on a large scale (1-2 years) it is important to secure as much state funding in the beginning so that we can enter into agreements with landowners for easements and begin easement transaction work as soon as possible.

Project Rationale

The state has invested heavily in conducting assessments of water quality throughout the state in the last few years. There are numerous reports that document numerous water quality impairments in the agricultural region of the state. This project will directly improve water quality, protect water courses and provide wildlife habitat through buffers, wetland restorations, wellhead protection strategies and floodplain restorations.

Other Considerations

This is an opportunity to leverage up to \$4 of federal funds for every state dollar. This proposal can help to initiate the Governor's Buffer Initiative. Although we are confident that another CREP will happen and are currently working closely with state and national USDA Farm Service Agency staff as of this writing (5/22/15) a signed agreement is not yet ready. If for unforeseen reasons a signed CREP agreement is not ready our intention is to acquire stand-alone RIM easements for the purposes outlined above without federal match.

Impact on Agency Operating Budgets

Up to \$25 million of the request is required to support 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 assist BWSR with securing easements, developing conservation plans and monitoring easement compliance.

Description of Previous Appropriations

1996	\$11.5 million	
1998	\$15.0 million	
2000	\$21.0 million	
2001	\$51.4 million	(CREP)
2003	\$ 1.0 million	
2005	\$23.0 million	
2007	\$ 1.0 million	

2008	\$25.0 million	
2009	\$.5 million	(NW Flood Recovery)
2010	\$10.0million	(SE Flood Special Session)
2011	\$20.0 million	
2011	\$1.614 million	(Grass Lake Kandiyohi County)
2012	\$6.0 million	
2012	\$1.5 million	(2012 flooding)
2014	\$6.0 million	

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(\$ in thousands)

Local Government Roads Wetland Replacement Program

AT A GLANCE**2016 Request Amount:** \$10,330**Priority Ranking:** 2

Project Summary: \$10.33 million in state funds is requested to restore and permanently protect 300 to 500 acres resulting in the generation of approximately 454 wetland mitigation credits for the Local Road Wetland Replacement Program to meet state and federal requirements. This request will replace wetland functions lost due to public road reconstruction and rehabilitation projects as required by State law. The level of funding will provide the necessary wetland credits to ensure statutory wetland replacement obligations for the next 5 years are met and generate additional credits to pay off 50% of the wetland credits currently obligated to MnDOT.

Project Description

Since its inception in 1996 the Local Government Roads Wetland Replacement Program (LRWRP) has provided approximately 4,300 compensatory wetland mitigation credits to offset 2,900 acres of wetlands impacted by eligible public road projects at a cost of \$35.59 million dollars. The wetland mitigation credits generated by the program have provided the following public benefits:

- Necessary public transportation projects are expedited.
- Mitigation is consolidated in larger, more environmentally sustainable and beneficial sites.
- Mitigation is provided at a lower public cost due to economies of scale.

The LRWRP is currently operating with a deficit of wetland credits. The Board has been managing this deficit by delaying wetland credit obligations and borrowing from the Mn Department of Transportation (MnDOT). The principal cause of this deficit is that appropriations in 2008, 2010, 2012, and 2014 were less than 50% of the Agency's request. Other factors include:

- Increased land costs;
- Increased construction and project development costs due in part to more stringent federal regulatory program requirements; and
- Reduced credit amounts that anticipated in some instances as a result of implementation of the U.S. Army Corps of Engineers Saint Paul District Compensatory Mitigation Policy for Minnesota.

The program as required by statute is not sustainable without a significant ongoing increase in funding. The LRWRP has a current deficit of 32 credits; in addition the LRWRP has a debt of 350 credits to MnDOT. When combined with the average annual need for credits (171) over the next 5 years, and accounting for the projected 606 credits that current funded projects will generate; failure

to provide additional funding will increase the debt to MnDOT by an additional 289 credits. The alternative is for the State to fail to comply with statute and suspend mitigating wetland impacts resulting from local government road projects.

The Board has entered into an agreement with MnDOT in July 2015 to continue the cooperative approach to wetland mitigation for road and highway improvement projects. This agreement addresses the current debt that the LRWRP has to MnDOT by establishing a monetary value on this debt allowing BWSR to develop a long-term plan that will provide stability to the LRWRP.

Project Rationale

The LRWRP replaces wetlands lost as a result of local public road improvement projects as *required* by MN Statute 103G.222. This program:

- Supports the “no-net-loss” requirements of both state and federal wetland regulations and consolidates the necessary technical, financial and record-keeping to provide high quality, more cost effective wetland replacement.
- Eliminates the need for local governments (counties, cities, townships) to undertake and finance environmental reclamation projects associated with road improvements.
- Consolidates fragmented impacts from road projects and replaces them in targeted areas to provide habitat, water quality and other wetland functions away from traffic and highway runoff areas at a lower public cost.
- Integrates state and local water management goals such as improving water quality, flood control, greenway preservation, and wildlife corridor enhancement through collective action.
- Coordinates state, local and federal agencies in ranking project proposals and setting program strategies consistent with overall state and federal wetland goals.

Other Considerations

Without a continued state commitment to this funding the LRWRP is projected to run out of credits by 2018 and possibly sooner in certain geographic areas of the State. Local governments face the resulting negative consequences:

- Reduced or delayed completion of local government road projects;
- Increased local road project costs requiring either higher property taxes or fewer projects;
- Reversal of the stakeholder consensus that resulted in wetland regulatory reforms (*Laws 1996, Chap. 462 and Laws 2000, Chap. 382*);
- Loss of public value due to lower quality replacement wetlands; and
- Reversal of an agreement with the Army Corps of Engineers (COE) that allows this program to meet federal regulatory requirements.

Impact on Agency Operating Budgets

The amount requested is estimated to cover program costs for the intended outcome. The Agency capital budget requests in the 2018-19 biennium will include a request for funding to generate credits

needed to fully re-pay the wetland credit debt to MnDOT.

Description of Previous Appropriations

Previous Appropriations for this Program

Capital Investment Appropriations

1996-97	\$3.00 million
1998-99	\$2.75 million
2000-01	\$4.30 million
2002-03	\$3.00 million
2004-05	\$4.36 million
2006-07	\$4.20 million
2008-09	\$3.48 million
2010-11	\$2.50 million
2012-13	\$6.00 million
2013-14	\$2.00 million

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