

Water & Soil Resources Board

Projects Summary
(\$ in Thousands)

Project Title	2012 Agency Priority Ranking	Agency Project Request for State Funds (\$ by Session)				Governor's Recommendations 2012	Governor's Planning Estimate	
		2012	2014	2016	Total		2014	2016
Reinvest in Minnesota (RIM) Program	1	\$25,000	\$25,000	\$25,000	\$75,000	\$0	\$0	\$0
Local Government Roads Wetland Replacement	2	13,100	8,400	8,400	29,900	0	0	0
Grass Lake Wetland Restoration	3	1,600	0	0	1,600	0	0	0
Total Project Requests		\$39,700	\$33,400	\$33,400	\$106,500	\$0	\$0	\$0

Agency Profile At A Glance

Key partnerships:

- State Conservation programs provide about \$44 million annually (includes local, state and federal dollars) for land and water treatment practices that reduce soil erosion and improve water quality
- RIM Reserve - Wetlands Reserve Program (RIM-WRP) leverages \$1.40 federal for every state dollar to restore previously drained wetlands and adjacent grasslands
- Local government units (cities, counties or soil and water conservation districts (SWCDs)) and BWSR administer the WCA, the state's wetland protection program
- BWSR and local watershed districts administer a broad range of programs and services to protect and improve water quality, inform citizens about best management practices to reduce nonpoint source pollution, and minimize damage to property caused by flooding

Agency Purpose

The Board of Water and Soil Resources (BWSR) implements state soil and water conservation programs and wetland policies through a statewide partnership. The mission of the BWSR board and staff is to improve and protect Minnesota's water and soil resources by working in partnership with local organizations and private landowners.

Agency programs, primarily delivered through local units of government, have resulted in less sediment and nutrients entering our lakes, rivers, and streams; greater fish, wildlife and native plant habitat; and improved management of public drainage systems. These outcomes are achieved in spite of intensification of agriculture, greater demands for forest products, and urbanization in many parts of the state.

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 – can contribute to the state's environmental goals.

BWSR programs include Conservation Cost-Share, Reinvest in Minnesota (RIM) Reserve, Clean Water Legacy and the Constitutionally-dedicated Clean Water Fund, the Wetland Conservation Act (WCA), and Comprehensive Local Water Management. These programs are administered locally by the state's 91 SWCDs, 87 county water planners (some are SWCD staff), 338 WCA local government units (including cities, counties and SWCDs), 46 watershed districts, 20 metropolitan watershed management organizations and other local government units.

Core Functions

The main duties of BWSR and staff include:

- Serving as the state soil conservation agency (M.S. 103B.101).
- Implementing best management practices that reduce nonpoint source pollution, promoting native vegetation and controlling invasive plant species by providing financial, technical, and administrative assistance to local government units and private landowners (M.S. 103B, 103C, 103D).
- Providing planning assistance to ensure that local water resource planning is linked with comprehensive land use planning and approving all local water management plans (M.S. 103B).
- Resolving water policy disputes (M.S. 103A.211, 103A.305, 103A.315, 103A.311).
- Providing a public forum for citizens and a broad range of interests to make decisions on complex water and soil conservation policies (M.S. 103B.101).
- Protecting wetlands from being drained or filled by implementing the Wetland Conservation Act (M.S. 103G).
- Coordinating local, state and federal resources to achieve the most effective conservation outcomes for the state's investment.

Operations

The 20-member board consists of 12 members representing citizens and local government entities (county commissioners, City Council members, township officers, SWCD supervisors and watershed district managers), four commissioners of state agencies, and one representative of the University of

Minnesota Extension Service. Agency staff is located in eight geographically distributed offices throughout Minnesota.

Budget

Two-year state budget:

- \$78.2 million for FY 2010-2011 biennium
- \$68.0 million (86 percent) in grants to local government units and easements
- \$10.2 million operating budget (14percent)
- FY 2010 staff complement: 81 FTE, of which 49 FTE are funded by general fund

The primary funding source for agency operations is the general fund.

Contact

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At A Glance: Agency Long-Range Strategic Goals

The Board of Water and Soil Resources (BWSR) Strategic Plan identifies water and soil resource management strategies and related goals. BWSR's mission is to *Improve and protect Minnesota's water and soil resources by working in partnership with local organizations and private landowners. We build local capacity for leadership and resource management by providing assistance to local governments and helping innovative partnerships address water and soil resource issues.*

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

- protecting or retiring marginal agricultural and environmentally sensitive lands.
- targeting conservation projects to the highest priority sites and to local governments with a track record of delivering results
- restoring natural retention systems to cost-effectively improve surface water quality, enhance groundwater recharge, and prevent flood damage.
- achieving the state's policy of no net loss of wetlands while minimizing federal regulatory and administrative burdens on local public road authorities
- leveraging non-state funding to restore and protect landscapes and habitat on private lands.

Three requests are outlined in this capital budget recommendation. The first two are programmatic in nature and reflect strategic, long-term campaigns addressing habitat, water and soil resource goals developed and embraced by large numbers of stakeholder groups. The long-term nature of these programs can be seen in the legislative histories detailed in the description for each request.

The third request is for an individual project site that is so large and so complex that it has been decades in the making. Recent appropriations and stakeholder efforts have allowed the project to quantify the specific impacts the 1200-acre basin restoration will have on Kandiyohi County public drainage systems and flood elevations in the City of Willmar. There is now

agreement on how to proceed with completing the maximum restoration possible.

Synopsis of Requests

No.	Goal	Source	Approach	Why now?
1	1.4M acres of restored wetland and adjacent upland primarily for restoring habitat, but also for water quality improvement	State Duck Plan (DNR)	Local partners seek landowners and BWSR leverages federal WRP funds at ratio of 1.6 :1	MN is receiving an uncommonly large share of federal funds
	2.5M acres of protection of highly erodible lands, marginal cropland, and drained wetlands	State ReInvest in MN plan (BWSR)	Local partners seek landowners in target areas to progress steadily toward goal while funding the highest ranking priority sites	Removing chronic flood areas from production and retiring erosive lands improves water quality
2	500 ac/year of wetland mitigation	MN Statute 103G.222	Pool regulatory needs of public road projects so better results are obtained at lower cost to governments	A negative balance of mitigation acres greatly increases cost of state and federal compliance
3	1200 acre Grass Lake prairie wetland restoration	Very large individual site	Consortium recently worked out a completion plan for complex	Partners ready to complete project begun in 1989

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 means to effectively disseminate conservation, financial and technical assistance to private landowners throughout the state. Through its local water management programs, BWSR can identify, assess, prioritize, implement and oversee programs and practices to address non-point concerns at the local level.
- **Federal action increases pressure.** Federal action has increased pressure on BWSR and local governments to increase their efforts in land and water conservation. The current farm bill authorizes states to apply and have land set-aside in conservation easements. This program provides the potential for the state to leverage \$1.6 of federal funds for every \$1 of state match. Further, decreased USDA staffing for the NRCS has increased workload for local and state governments to provide the technical assistance necessary to design and install conservation practices. In addition, EPA is requiring states to address impaired waters and nutrient enrichment (hypoxia) in the Gulf of Mexico.
- **Federal Conservation Reserve (CRP) lands are decreasing.** There was once over 1.8 million acres of land enrolled in this short-term federal set-aside program. As these contracts begin expiring there is financial pressure for landowners to return these lands—many of them marginal farm land—to production. Currently there are about 1.5 million acres of CRP of which we expect 1 million to expire in the next three years. This decline will have adverse effects on habitat, biodiversity, water quality, groundwater recharge, and flood protection currently provided by these lands.
- **Agricultural land values continue to rise.** Land prices have not been affected negatively by the economic downturn or housing market crisis. Rental rates and land values have ascended as demand for food, livestock, and biofuel industries seek larger supplies of primarily corn and

soybeans. This pressure results in marginal or highly erodible lands being brought into row crop production.

- **Increased acknowledgement of and reliance on the role and capabilities of local government.** Over the past several years, state government has 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. Local government officials and staff have advantages that the state does not – they have knowledge of local resources and attitudes, community relationships, an awareness of local needs and priorities and authority over local land use decisions. Local government capabilities in resource management have grown significantly. They are now at a point, however, where they need a wider variety of training and assistance in technical, leadership, and management issues.
- **Increased natural resource awareness and willingness to take action 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 owning recreational property, the state's citizens are more willing to make reasonable investments and accommodations to protect and improve water quality. 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 production efficiency and water quality.

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

Minnesota private lands total 39.2 million acres. Total Minnesota *farmland* is 30.5 million acres. The following information outlines the condition of Minnesota's 23 million acres of *cropland* and its related conservation needs.

10 Million Acres:

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

8 Million Acres:

- eroding at one to two times the tolerable rate of soil loss
- need for technical assistance to landowners to implement sustainable management practices 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
- 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
- 102,000 acres of land within 50 feet of a perennial surface water without a vegetated buffer

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 and by documented opportunities to leverage federal conservation funding.

Major Capital Projects Previously Authorized

Conservation Easement Program Appropriations

1996	\$11.5million	
1998	\$15.0million	
2000	\$21.0million	
2001	\$51.4million	
2002	\$2.0 million	(vetoed)
2003	\$1.0million	
2005	\$23.0million	
2007	\$1.0million	
2008	\$25.0million	
2009	\$9.0 million	(Outdoor Heritage Funds)
	\$0.5million	(NW Flood Recovery)
2010	\$10.0million	(SE Flood Special Session)
	\$6.9million	(Heritage Funds)
2011	\$20.0 million	(Special Session)
	\$13.0 million	(Outdoor Heritage Funds)

Local Government Roads Wetland Banking 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

Grass Lake Wetland Restoration Appropriations

2006	\$2.2 million
2008	\$0.8 million
2011	\$1.614 million (special session reauthorization of the 2006 appropriation)

Reinvest in Minnesota (RIM) Program

2012 STATE APPROPRIATION REQUEST: \$25,000,000

AGENCY PROJECT PRIORITY: 1 of 3

PROJECT LOCATION:

Project At A Glance

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

- Protecting or retiring marginal and environmentally sensitive lands;
- Reducing flood damage;
- Improving water quality of rivers, streams, and lakes;
- Restoration of fish, game and wildlife habitat;
- Protection of groundwater quality and enhancing groundwater recharge retention systems;
- Implementing key components of the state's wetland restoration and waterfowl habitat plans;
- Leverages federal, state and local financial resources that enhances the State's investment; and
- Potential for biofuel production from native grasslands.

Project Description

This request for \$25 million in state funds addresses state goals for flood prevention, water quality, productive soil, and abundant fish and wildlife habitat. This is accomplished through a comprehensive wetland restoration initiative securing permanent conservation easements. Local organizations identify interested private landowners. The RIM Reserve program compensates landowners for granting conservation easements and establishing native vegetation habitat on economically marginal, flood-prone, environmentally sensitive or highly erodible lands.

The RIM Reserve program is a critical component of the state's efforts to address chronic flooding problems, improve water quality by reducing soil erosion, reducing phosphorus and nitrogen loading and improving wildlife

habitat on private lands. RIM Reserve is implemented in cooperation with local Soil and Water Conservation Districts (SWCDs).

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 Conversation 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 \$1.60 of Federal WRP funding for every state dollar to increase wetland restoration conservation easement enrollment in Minnesota.

This opportunity has a priority focus in the areas of the state that have had significant losses of wetland and associated prairies. Once an easement is acquired, NRCS is responsible for maintenance, inspection and monitoring during the life of the 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 carryout oversight, monitoring and inspection of its conservation easements.

RIM Reserve Easement Initiatives:

Flood Damage Reduction and Retention

Funds will be used to help landowners address flood damaged cropland and chronic flooding in watersheds that have known or potential flood damages. These funds will be used to leverage federal conservation or disaster recovery funds to the extent possible.

Reinvest in Minnesota (RIM) Program

USDA NRCS has just begun a multi-year special wetlands initiative in the Red River Basin in three states to reduce flooding, restore wetlands, and enhance wildlife habitat in the Red River Basin through USDA’s Wetlands Reserve Program (WRP).

USDA is providing funding for this special WRP initiative in Minnesota. With RIM Reserve funds, we can leverage our successful RIM-WRP Partnership to mitigate flood damage within the basins restored by retaining waters within easement acres and slow floodwaters in that portion of Minnesota in the Red River Basin, while providing valuable wildlife habitat, water quality benefits and reducing damages from severe flooding.

National Water Quality and Habitat Initiatives

The BWSR will also look at the use of RIM Reserve funds to assist in national, state, and local initiatives such as Mississippi River Basin Initiatives (MRBI) and Wetlands Reserve Enhancement Program (WREP) in which we can leverage additional federal dollars to acquire conservation easements to improve and protect Minnesota resources in targeted watersheds and projects.

Impact on Agency Operating Budgets (Facilities Notes)

\$4 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	
1998	\$15.0 million	
2000	\$21.0 million	
2001	\$51.4 million	
2003	\$1.0 million	
2005	\$23.0 million	
2007	\$ 1.0 million	
2008	\$25.0 million	
2009	\$.5 million	(NW Flood Recovery)
2010	\$10.0 million	(SE Flood Special Session)
2011	\$20.0 million	(2011 Special Session)

Other Considerations

Project Contact Person

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Governor's Recommendations:

The Governor does not recommend capital funding for this request.

TOTAL PROJECT COSTS All Years and Funding Sources	Prior Years	FY 2012-13	FY 2014-15	FY 2016-17	TOTAL
1. Property Acquisition	0	56,800	16,800	16,800	90,400
2. Predesign Fees	0	0	0	0	0
3. Design Fees	0	0	0	0	0
4. Project Management	0	4,000	4,000	4,000	12,000
5. Construction Costs	0	4,200	4,200	4,200	12,600
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	65,000	25,000	25,000	115,000

CAPITAL FUNDING SOURCES	Prior Years	FY 2012-13	FY 2014-15	FY 2016-17	TOTAL
State Funds :					
G.O Bonds/State Bldgs	0	25,000	25,000	25,000	75,000
State Funds Subtotal	0	25,000	25,000	25,000	75,000
Agency Operating Budget Funds	0	0	0	0	0
Federal Funds	0	40,000	0	0	40,000
Local Government Funds	0	0	0	0	0
Private Funds	0	0	0	0	0
Other	0	0	0	0	0
TOTAL	0	65,000	25,000	25,000	115,000

CHANGES IN STATE OPERATING COSTS	Changes in State Operating Costs (Without Inflation)			
	FY 2012-13	FY 2014-15	FY 2016-17	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	25,000	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.	
Yes	MS 16B.335 (1a): Construction/Major Remodeling Review (by Legislature)
Yes	MS 16B.335 (3): Predesign Review Required (by Administration Dept)
Yes	MS 16B.335 and MS 16B.325 (4): Energy Conservation Requirements
Yes	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 2017

Local Government Roads Wetland Replacement

2012 STATE APPROPRIATION REQUEST: \$13,100,000

AGENCY PROJECT PRIORITY: 2 of 3

PROJECT LOCATION:

Project At A Glance

The Minnesota Local Government Roads Wetland Replacement Program replaces wetlands lost as a result of local public road improvement projects as required by Minnesota Statute 103G.222. Economies of scale are realized by having the state fulfill its obligation to local transportation authorities to provide no net loss of wetland resources. Design, federal permitting, and construction are all addressed in a smaller number of large wetland restorations than individual local governments could undertake.

Project Description

The Board of Water and Soil Resources (BWSR) is requesting \$13.100 million to:

- (1) Acquire and restore wetlands on approximately 500 acres and to replace wetlands drained or filled by local government road construction projects over the FY 2012-13 biennium; and
- (2) Acquire and restore wetlands on an additional 780 acres to establish a wetland credit balance that ensures wetlands are replaced prior to impact as required by state and federal regulations.

The Minnesota Local Government Roads Wetland Replacement Program has been established 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 assigning responsibility for replacing inevitable loss of wetlands to the State; environmental interests by establishing high quality wetland replacement sites; state taxpayers by using economies of scale to save on land acquisition and wetland restoration costs;

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 places the responsibility for replacing wetlands lost due to local government road construction with BWSR. The Local Government Roads Wetland Replacement Program provides the following benefits:

- Eliminates the need for local government transportation officials (counties, cities, townships) to undertake and finance environmental reclamation projects, and consolidates the necessary technical, financial and record-keeping to provide high 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 that program will create or support 198 jobs, over the biennium, based on the requested expenditure of \$12.560 million.

There is stakeholder consensus on the benefits of the program and the need to permanently fund it. Local governments have recommended that funding for this program should be part of BWSR’s capital budget request each biennium. Without a continued state commitment to this funding, local governments face the resulting negative consequences:

- Reduced or delayed completion of local government road projects;

Local Government Roads Wetland Replacement

- 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 (Facilities Notes)

The 2012 capital budget request is based on an average of 209 acres of wetland replacement credits every year at an annual cost of \$2,620,860. An analysis of required replacement for the period 2000-2010 indicated that the annual replacement need fluctuated from a high of 242 acres of credit to a low of 136 acres of credit with an average of 209 for the ten-year period. The number of credits impacted depends most directly on the money available to local governments for road construction. The cost of developing credits was based on BWSR's recent experience with developing wetland replacement projects, with an inflationary factor that accounts for increases in land costs, project construction and development, and regulatory compliance.

State statute and federal policy requires the replacement of wetlands to occur prior to the loss, but current practice lags two years behind in wetland replacement due to lack of available funds. This is important because it takes an average of seven years to transform the requested funds into approved wetland credits. This seven year period is comprised of: two years to find sites, acquire land and implement the project; another year for the site to stabilize before the credits can be approved and deposited into the State Wetland Bank; and then a minimum of four years of monitoring is required by the federal government before all credits can be approved and deposited in the wetland bank. This means that in order to comply with state and federal regulations that require replacement to be completed prior to the wetland losses, a minimum of four years' worth of credits or a positive balance of at least 836 credits should be established and maintained in the bank. This amount should be viewed as an absolute minimum balance; BWSR has the goal of establishing a five year balance of wetland replacement credits. A five year balance would require developing 1,045 wetland credits, and then receiving future bond appropriations to maintain this balance. Achieving this goal will assure the U.S. Army Corps of Engineers that the State is complying

with Section 404 of the Clean Water Act. In addition, local road authorities that budget and plan their projects several years in advance will have the assurance that adequate wetland replacement will be available at the time of project completion.

The current system of replacement has satisfied the federal agencies in the past, but new federal rule requirements are intensifying the need to build a positive wetland credit balance to ensure that replacement precedes impacts by a minimum of one growing season. Failing to achieve this in-advance wetland replacement requirement will increase replacement ratios and associated costs and result in project delays due to the lack of federal permits.

The increase in requested funding compared to previous requests for this program is due to:

- Appropriations in 2008 and 2010 that were less than 50% of the Agency request;
- The need to establish a positive balance in the wetland bank equal to five years of local road authority wetland impacts;
- Land costs are increasing due to increasing demand for land for agricultural production and other competing uses;
- Construction and project development costs are increasing due to increased federal regulatory program requirements; and
- Implementation of the U.S. Army Corps of Engineers Saint Paul District Compensatory Mitigation Policy for Minnesota results in a reduced credit amounts being generated from a given site.

In order to meet the statutory obligation to provide wetland replacement for local road authority projects BWSR requests \$13.1 million in funding for 2012.

Previous Appropriations for this Project

History of appropriations for the Local Government Roads Wetland Replacement Program:

1996-97	\$3.00 million
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Local Government Roads Wetland Replacement

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

Other Considerations**Project Contact Person**

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Saint Paul, Minnesota 55155
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Fax: (651) 297-5615

Governor's Recommendations:

The Governor does not recommend capital funding for this request.

TOTAL PROJECT COSTS All Years and Funding Sources	Prior Years	FY 2012-13	FY 2014-15	FY 2016-17	TOTAL
1. Property Acquisition	0	9,301	6,189	6,189	21,679
2. Predesign Fees	0	0	0	0	0
3. Design Fees	0	0	0	0	0
4. Project Management	0	1,179	1,179	1,179	3,537
5. Construction Costs	0	2,620	1,032	1,032	4,684
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	13,100	8,400	8,400	29,900

CAPITAL FUNDING SOURCES	Prior Years	FY 2012-13	FY 2014-15	FY 2016-17	TOTAL
State Funds :					
G.O Bonds/State Bldgs	0	13,100	8,400	8,400	29,900
State Funds Subtotal	0	13,100	8,400	8,400	29,900
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	13,100	8,400	8,400	29,900

CHANGES IN STATE OPERATING COSTS	Changes in State Operating Costs (Without Inflation)			
	FY 2012-13	FY 2014-15	FY 2016-17	TOTAL
Compensation -- Program and Building Operation	0	0	0	0
Other Program Related Expenses	0	0	0	0
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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	13,100	100.0%
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STATUTORY AND OTHER REQUIREMENTS	
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Yes	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 2017

Grass Lake Wetland Restoration

2012 STATE APPROPRIATION REQUEST: \$1,600,000

AGENCY PROJECT PRIORITY: 3 of 3

PROJECT LOCATION:

Project At A Glance

Completes the 1,200-acre Grass Lake restoration project located adjacent to the city of Willmar, Minnesota, which began in 1989. This project would complete easement acquisition and substantial drainage system modifications to enable completion of the restoration of Grass Lake.

Benefits include wildlife habitat improvement within and adjacent to Grass Lake, water quality improvement in Lake Wakanda, Little Kandiyohi Lake and the South Fork of the Crow River, which are impaired waters downstream from Grass Lake, and improved stormwater runoff management for the city of Willmar and downstream.

Project Description

Grass Lake is a 1,200 acre, shallow prairie pothole lake that was drained for agricultural production and urban development during the early 20th century. The area in and around Grass Lake is relatively flat. Kandiyohi County Ditch 23A, an associated Branch 3 ditch, and extensive public and private subsurface tile were used to drain Grass Lake. Lake Wakanda, which is located a few miles downstream of Grass Lake, is controlled by a low-head dam that backs water up into CD 23A during major runoff events.

CD 23A drains approximately 3,300 acres within the City of Willmar and is the outlet for the 7,000 acre Peach Creek agricultural watershed north and east of Grass Lake.

Hydrologic, hydraulic and water quality analyses for various alternatives to restore Grass Lake were conducted by Barr Engineering, Inc. in 2008 and 2009 under contract with Kandiyohi County and in coordination with BWSR and the City of Willmar. These alternative analyses led to the identification of

key components of an overall restoration plan, including: 1) directing Peach Creek into Grass Lake; 2) diversion of high flows of CD 23A around the western and southern sides of Grass Lake; 3) construction of a stormwater lift station to pump “first flush” stormwater runoff from Willmar into a pretreatment pond within Grass Lake; 4) construction of an outlet control structure on CD 23A at the outlet of Grass Lake and; 5) diversion of low flows from Branch 3 to the stormwater lift station.

Acquisition of remaining land rights necessary to fully restore Grass Lake, as well as final design and implementation of project components, would enable this large basin to better serve as a contiguous wildlife habitat area and a runoff detention and bioretention area. Grass Lake is located in the Prairie Pothole Region of Minnesota, which is a high priority waterfowl habitat restoration area. Restoration of Grass Lake has also been identified as a goal for water quality improvement and flood damage reduction in the Lake Wakanda and Little Kandiyohi Lake areas downstream.

Impact on Agency Operating Budgets (Facilities Notes)

The BWSR operating budget is not directly connected to this project. BWSR and local government easement acquisition, project management and engineering work is included in the project.

Previous Appropriations for this Project

\$2.2 million F.Y. 2006, (Laws 2006, Ch. 258), of which \$1.614 million was reauthorized in the 2011 Special Legislative Session.

\$800,000 F.Y. 2008, (Laws 2008, Ch. 179)

Other Considerations

This is a complex project involving many landowners, a very challenging site and multiple government units. The restoration of Grass Lake has progressed incrementally as funding was available and landowner participation progressed. Due to impaired waters designations in Lake Wakanda, Little Kandiyohi Lake and the South Fork of the Crow River, Kandiyohi County is very interested in restoration of Grass Lake to improve

Grass Lake Wetland Restoration

water quality downstream, in addition to potential flood damage reduction and wildlife habitat benefits.

Project Contact Person

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Governor's Recommendations

The Governor does not recommend capital funding for this request.

TOTAL PROJECT COSTS All Years and Funding Sources	Prior Years	FY 2012-13	FY 2014-15	FY 2016-17	TOTAL
1. Property Acquisition	2,450	900	0	0	3,350
2. Predesign Fees	0	0	0	0	0
3. Design Fees	70	80	0	0	150
4. Project Management	0	70	0	0	70
5. Construction Costs	970	1,100	0	0	2,070
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	3,490	2,150	0	0	5,640

CAPITAL FUNDING SOURCES	Prior Years	FY 2012-13	FY 2014-15	FY 2016-17	TOTAL
State Funds :					
G.O Bonds/State Bldgs	2,986	1,600	0	0	4,586
State Funds Subtotal	2,986	1,600	0	0	4,586
Agency Operating Budget Funds	0	0	0	0	0
Federal Funds	0	0	0	0	0
Local Government Funds	504	550	0	0	1,054
Private Funds	0	0	0	0	0
Other	0	0	0	0	0
TOTAL	3,490	2,150	0	0	5,640

CHANGES IN STATE OPERATING COSTS	Changes in State Operating Costs (Without Inflation)			
	FY 2012-13	FY 2014-15	FY 2016-17	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	1,600	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.	
Yes	MS 16B.335 (1a): Construction/Major Remodeling Review (by Legislature)
Yes	MS 16B.335 (3): Predesign Review Required (by Administration Dept)
Yes	MS 16B.335 and MS 16B.325 (4): Energy Conservation Requirements
Yes	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 2017