

Water & Soil Resources Board

Project Funding Summary
(\$ in Thousands)

Project Title	Agency Priority	Funding Source	Agency Request			Governor's Rec	Governor's Planning Estimates	
			2014	2016	2018	2014	2016	2018
Reinvest in Minnesota (RIM) Reserve Program	1	GO	\$50,000	\$50,000	\$50,000	\$0	\$0	\$0
Local Government Roads Wetlands Replacement Program	2	GO	5,400	5,400	5,400	0	0	0

Project Total	\$55,400	\$55,400	\$55,400	\$0	\$0	\$0
General Obligation Bonding (GO)	\$55,400	\$55,400	\$55,400	\$0	\$0	\$0

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

Mission

To improve and protect Minnesota's water and soil resources by working in partnership with local organizations and private landowners.

Statewide Outcome(s)

Water and Soil Resources, Board of supports the following statewide outcome(s).

A clean, healthy environment with sustainable uses of natural resources.

Context

BWSR's business model is designed to operate as a lean, state-level source of technical and financial assistance powering a large local government delivery system. This partnership is focused on putting conservation practices and projects on-the-ground. BWSR's experienced staff balances local resource needs with state plans and objectives, and works to leverage federal, state and local dollars. Minnesota's public goals cannot be achieved without a strong cooperative partnership that works with the 78% of the state that is in private ownership.

A critical element of the agency's success is the engagement and oversight provided by the 20 member board that consists of three citizens, 11 local government officials, four commissioners of state agencies, and one representative of the University of Minnesota Extension Service. The board's mix of perspectives leads to practical and credible conservation policy and program development. The board provides a means for citizens and local governments to take direct ownership of conservation issues and assures the balance of private and public interests needed to achieve and sustain significant conservation advances.

BWSR has a unique role as a bridge to local government units. Working through the agency's primary customers, local government partners and others, BWSR's key issues and agency priorities include:

- Funding for conservation activities in a mix of state and federal funds. BWSR has enjoyed great success in leveraging federal funds to amplify state conservation funds. Additionally, the outcome reporting system

eLINK operated by BWSR and used by local government units captures fiscal data on local projects including non-state funds leveraged federal, landowner, non-profits, and local government sources.

- Putting land and water conservation projects on-the-ground in the best location for multiple benefits. Conservation measures are implemented throughout the state via local governments that work with landowners who voluntarily adopt conservation practices or enroll their land in a permanent protection conservation easement.
- Providing for targeted resource planning and evaluating the effectiveness of both the local governments implementing conservation efforts as well as the environmental outcomes.
- Ensuring compliance with environmental laws, rules, and regulations. BWSR is responsible for administering the Wetland Conservation Act (WCA) and providing oversight to drainage authorities operating under the drainage law.
- Implementing agency operations through board and administrative leadership, internal business systems, and operational support. This includes the board and board management, financial and accounting services, legislative and public relations, communications, and human resources.

Passage of the Clean Water, Land, and Legacy Amendment in 2008 brought high expectations for the outcomes achieved through Legacy funds. BWSR is committed to obtaining the best environmental outcomes through technical capacity and excellence at the local level and is providing transparent data and information that shows progress toward protecting and improving the state's natural resources.

BWSR currently receives the majority of its funding from the General Fund, Clean Water Fund and Outdoor Heritage Fund. In the FY2014-15 biennium, total revenue is projected at \$116,484,000. Of this amount, 22% is General Fund, 56% is Clean Water Fund and 19% is Outdoor Heritage Fund. Both the Clean Water and Outdoor Heritage Funds are from the Legacy Constitutional Amendment. Not included in the total revenue projection is \$79 million in active Bonding appropriations.

Strategies

The agency utilizes five major strategies to accomplish its mission and address its key issues:

- Develop and implement targeted conservation and clean water grant programs that encourage voluntary adoption of land management practices and projects that protect and improve the environment. This strategy addresses priority state and local resource concerns such as keeping water on the land; maintaining healthy soils; reducing pollutants in ground and surface water; assuring biological diversity; reducing flooding potential; and maintaining stream integrity.
- Oversee and assist local units of government in the development of comprehensive water and resource planning and implementation programs that target investments in conservation to obtain the greatest ecological benefit. This strategy is carried out by providing technical, administrative, and financial support to more than 240 local governments.
- Administer the state's Wetland Conservation Act through coordinating the regulatory functions of federal and state agencies. The agency provides oversight of local implementation through annual reporting and adjudicating or mediating disputes elevated through an appeals process of local government decisions; managing and administering the state wetland bank system; and coordinating inter-agency funding to local governments for implementation of the WCA.
- Provide an essential interface between the state and local units of governments so that water, soil and habitat conservation and protection programs are integrated.
- Secure permanent conservation easements of environmentally sensitive land that remains in private ownership.

Measuring Success

Agency programs, primarily delivered through local units of government, have resulted in:

- Less sediment and nutrients entering our lakes, rivers and streams; as tabulated in eLINK & PCA water quality monitoring
- Greater fish, wildlife and native plant habitat; as measured by acres of conservation easements, wetland reporting, wetland and prairie

restoration and multi-agency wetland monitoring of MN Department of Natural Resources and MN Pollution Control Agency

- Conservation measures on private land with landowner contributions; as recorded in eLINK
- No net loss protection for the state's wetland resources; as measured by wetland reporting, wetland and prairie restoration, and multi-agency wetland monitoring of DNR and PCA

These outcomes are achieved despite intensification of agriculture, greater demands for forest products, and urbanization in many parts of the state.

At A Glance: Agency Long-Range Strategic Goals

The Board of Water and Soil Resources (BWSR) Strategic Plan, developed in 2007 and updated in 2012, 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 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 federal, state and local financial resources that enhance the State’s investment.

Two requests are outlined in this capital budget request: 1) Reinvest in Minnesota (RIM) Reserve Program and 2) Local Government Roads Wetlands Replacements Program. Both these requests are programmatic in nature and reflect strategic, long-term efforts that are central to BWSR’s mission and that address 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.

Synopsis of Requests

No.	Goal	Source	Approach	Why now?
1	Permanently protect and restore 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 and we want to maximize this leverage
	Permanently protect highly erodible lands, marginal cropland, drained wetlands, prairies and grasslands, and flood damaged areas. A particular focus is enrolling expiring CRP acres.	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 and wildlife habitat
2	175 acres of wetland acquisition and restoration to: 1) replace wetland drained or filled by local government road construction projects and 2) establish a wetland credit balance that ensures wetlands are replaced prior to impact.	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

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, including capital 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 more than 600,000 acres of CRP expiring over the next 5 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

Conservation Acres (RIM)

Over the next five years, Minnesota will lose a significant amount of conservation acres due to expiring CRP contracts.

Year	Acres
2013	130,246
2014	207,841
2015	101,634
2016	90,803
2017	103,283
Total:	633,807

Over the last 25 years, CRP has been the largest and most significant private lands conservation program in Minnesota’s history. The multiple water quality and wildlife benefits are now in jeopardy unless action is taken to continue protection of these lands through programs like RIM.

Additionally, Minnesota’s Prairie Conservation Plan identifies the need to protect through fee title or easements 850,000 acres of prairies, wetlands and other habitats. Specifically, the plan outlines a goal for BWSR to enroll 10,000-20,000 acres per year in RIM or RIM-WRP programs.

Local Road Wetland Replacement Program

Current projected surplus/deficit estimates by bank service area (BSA) for wetland replacement credits associated with the local wetland road replacement program.

BSA	Credits Required ¹	Credits Available ²	Anticipated Credits ³	Surplus / Deficit
1 - Great Lakes	7	10	144	147
2 – Rainy River	20	222	0	202
3 – Red River North	78	740	44	706
4 – Red River South	12	13	0	1
5 – Upper Mississippi North	38	50	131	173
6 – St. Croix River	27	243	79	295
7 – Upper Mississippi South	91	0	146	55
8 – Lower Mississippi	10	130	16	136
9 – Minnesota River	50	25	106	81
Seven-County Metro	68	0	41	-27

Agency Process Used to Arrive at These Capital Requests

To determine the amount of the RIM request, acreage and application estimates were compiled based on historical program demands and

expenditures, the number of projects currently in the pipeline, and by documented opportunities to leverage federal conservation funding.

The amount of the Local Government Roads Wetlands Replacement request is based on BWSR’s goal of having at least four years of credits in the bank. Maintaining this credit balance is essential to achieving replacement of wetlands prior to the loss and preventing increased costs and project delays.

Major Capital Projects Authorized in 2012 and 2013

2012 Projects:

- Reinvest in Minnesota (RIM) Reserve Program: \$6.0 million
- Local Government Roads Wetlands Replacement Program: \$6.0 million
- 2012 Flooding \$1.5 million

2013 Projects:

- Reinvest in Minnesota (RIM) Reserve Program: None
- Local Government Roads Wetlands Replacement Program: None

Reinvest in Minnesota (RIM) Reserve Program

2014 STATE APPROPRIATION REQUEST: \$50,000,000

AGENCY PROJECT PRIORITY: 1 of 2

Project At A Glance

RIM Reserve is Minnesota's largest private land conservation easement program that 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;
- Restoring fish, game and wildlife habitat;
- Protecting groundwater quality and enhancing groundwater recharge retention systems;
- Implementing key components of the state's wetland restoration, waterfowl habitat and prairie protection plans; and
- Leveraging federal, state and local financial resources that enhance the State's investment.

Project Description

The Board of Water and Soil Resources (BWSR) is requesting \$50 million to address state goals for flood prevention, water quality, productive soil, and abundant fish and wildlife habitat by securing permanent conservation easements and completing comprehensive wetland and upland restoration projects. The Reinvest In Minnesota (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. It is a critical component of the state's efforts to address chronic flooding problems, improve water quality, and enhance wildlife habitat on private lands. RIM Reserve is implemented in cooperation with local Soil and Water Conservation Districts (SWCDs).

RIM-WRP Partnership (Approximately 10 easements)

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). RIM-WRP is a state/federal/local partnership that combines a 30-year federal WRP easement with a perpetual state RIM Reserve easement and provides Minnesota with an opportunity to leverage \$1.6 of Federal WRP funding for every state dollar.

RIM-WRP has a priority focus in the areas of the state that have had significant losses of wetland and associated prairies. BWSR partners with local SWCDs to carry-out oversight, monitoring and inspection of its conservation easements.

National Water Quality and Habitat Initiatives (Approximately 5 easements)

BWSR also will 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), through which we can leverage additional federal dollars to acquire conservation easements to improve and protect Minnesota resources in targeted watersheds and projects.

Flood Damage Reduction and Retention (Approximately 25 easements)

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.

Implementing the MN Prairie Conservation Plan (Approx. 10 easements)

Minnesota's conservation partners, including BWSR, collaborated to develop a twenty-five year strategy for accelerating prairie conservation. This strategy developed due to the continuing loss and degradation of prairies, grasslands, wetlands and associated habitats along with the fish and wildlife dependent upon them. As outlined in the plan, BWSR hopes to enroll 10,000-20,000 acres/year in conservation easements using RIM, RIM-WRP, and other appropriations.

Reinvest in Minnesota (RIM) Reserve Program

Expiring Conservation Reserve Program Acreage Approx. 50 easements) Nearly 823,000 acres (60 percent) of Minnesota conservation lands enrolled in the federal Conservation Reserve Program (CRP) will expire by September 2016. Unless action is taken to continue protection of these lands using a combination of conservation programs, they will likely be converted back into cropland, eliminating the associated water quality benefits that address critical priorities such as reducing sediment and nutrients, as well as providing a multitude of wildlife benefits. RIM easement opportunities will be identified using the Ecological Ranking Tool (ERT). This tool identifies areas on the landscape that are (1) at risk for soil erosion, (2) at risk for contributing sediment to surface waters, and (3) are of high habitat quality. Local SWCD, NRCS and partner staff will provide outreach to landowners with expiring CRP acres on these targeted lands.

Existing RIM Easement Enhancement Needs

A portion of the existing 6,000 RIM easements are in need of vegetation and hydrology enhancements in order to attain the highest environmental benefits for the site. Often these enhancements involve converting introduced plant species to native grasses and forbs. In addition, enhancing the wetland portion of RIM easements by more fully restoring the hydrology of the site also is needed.

Total Project Cost: The total cost of this project is \$50 million. Of that amount, \$42 million is for easements, restoration and conservation practices, and \$8 million is for implementation (surveying, engineering designs, realty transactions) in cooperation with local Soil and Water Conservation Districts (SWCDs) who work with the landowner to select local contractors. Additional federal leverage is anticipated but the amount is unknown.

Impact on Agency Operating Budgets (Facilities Notes)

\$8 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

Capital Investment Appropriations

1996	\$11.5million
1998	\$15.0million
2000	\$21.0million
2001	\$51.4million
2003	\$ 1.0 million
2005	\$23.0million
2007	\$ 1.0million
2008	\$25.0million
2009	\$0.5million (NW Flood Recovery)
2010	\$10.0million (SE Flood Special Session)
2011	\$20.0million
2011	\$ 1.614million (Grass Lake Kandiyohi County)
2012	\$ 6.0 million
2012	\$ 1.5 million (2012 flooding)

Project Contact Person

Bill Penning, Conservation Easement Section Mgr., MN BWSR
 Sarah Strommen, Assistant Director, MN BWSR
 John Jaschke, Executive Director, MN BWSR

Governor’s Recommendation

The Governor does not recommend capital funding for this request.

TOTAL PROJECT COSTS All Years and Funding Sources	Prior Years	FY 2014-15	FY 2016-17	FY 2018-19	TOTAL
1. Property Acquisition	0	40,000	40,000	40,000	120,000
2. Predesign Fees	0	0	0	0	0
3. Design Fees	0	0	0	0	0
4. Project Management	0	5,500	5,500	5,500	16,500
5. Construction Costs	0	4,500	4,500	4,500	13,500
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	50,000	50,000	50,000	150,000

CAPITAL FUNDING SOURCES	Prior Years	FY 2014-15	FY 2016-17	FY 2018-19	TOTAL
State Funds :					
G.O Bonds/State Bldgs	0	50,000	50,000	50,000	150,000
State Funds Subtotal	0	50,000	50,000	50,000	150,000
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	50,000	50,000	50,000	150,000

CHANGES IN STATE OPERATING COSTS	Changes in State Operating Costs (Without Inflation)			
	FY 2014-15	FY 2016-17	FY 2018-19	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	50,000	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
Yes	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 2019

Local Government Roads Wetlands Replacement Program

2014 STATE APPROPRIATION REQUEST: \$5,400,000

AGENCY PROJECT PRIORITY: 2 of 2

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 MN Statute 103G.222. This program supports the “no-net-loss” requirements of both state and federal regulations and consolidates the necessary technical, financial and record-keeping to provide high quality, more cost effective wetland replacement.

Project Description

The Board of Water and Soil Resources (BWSR) is requesting \$5.4 million to acquire and restore wetlands on approximately 175 acres to:

- (1) replace wetlands drained or filled by local government road construction projects over the FY2014-15 biennium; and
- (2) 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 with 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 85 jobs, over the biennium, based on the requested expenditure of \$5.400 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;
- 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

Local Government Roads Wetlands Replacement Program

- Reversal of an agreement with the Army Corps of Engineers (COE) that allows this program to meet federal regulatory requirements.

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. Currently it takes an average of five to seven years to transform the requested funds into approved wetland credits. 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 of 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. 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 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 total cost of this project is \$5.4 million, which is the amount of this request.

Impact on Agency Operating Budgets (Facilities Notes)

The 2014 capital budget request is based on ensuring a 5 year credit balance in each of the bank areas. Current areas of concern are the Red River South Bank Service Area, the Minnesota River Bank Service Area and the seven county metropolitan area, which have a current cumulative balance of 107 wetland credits. The estimated five-year need for these areas is 282 credits, resulting in a deficit of 175 credits. The average total cost of generating a wetland credit is \$30,888. The cost of developing credits is based on the 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.

This request allows BWSR to meet the statutory obligation to provide wetland replacement for local road authority projects.

Previous Appropriations for this Project

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

Other Considerations

Other factors considered in developing this request included:

- Appropriations in 2008, 2010 and 2012 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.

Local Government Roads Wetlands Replacement Program**Project Contact Person**

Dave Weirens, Land & Water Section Mgr, MN BWSR
Sarah Strommen, Assistant Director, MN BWSR
John Jaschke, Executive Director, MN BWSR

Governor's Recommendation

The Governor does not recommend capital funding for this request.

TOTAL PROJECT COSTS All Years and Funding Sources	Prior Years	FY 2014-15	FY 2016-17	FY 2018-19	TOTAL
1. Property Acquisition	0	3,780	3,780	3,780	11,340
2. Predesign Fees	0	0	0	0	0
3. Design Fees	0	0	0	0	0
4. Project Management	0	540	540	540	1,620
5. Construction Costs	0	1,080	1,080	1,080	3,240
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	5,400	5,400	5,400	16,200

CAPITAL FUNDING SOURCES	Prior Years	FY 2014-15	FY 2016-17	FY 2018-19	TOTAL
State Funds :					
G.O Bonds/State Bldgs	0	5,400	5,400	5,400	16,200
State Funds Subtotal	0	5,400	5,400	5,400	16,200
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	5,400	5,400	5,400	16,200

CHANGES IN STATE OPERATING COSTS	Changes in State Operating Costs (Without Inflation)			
	FY 2014-15	FY 2016-17	FY 2018-19	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	5,400	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
Yes	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 2019