

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	\$0	\$0	\$8,420	\$0	\$0	\$0
Reinvest in Minnesota (RIM) Program	2	50,000	0	0	50,000	0	0	0
Total Project Requests		\$58,420	\$0	\$0	\$58,420	\$0	\$0	\$0

Local Government Roads Wetland Replacement

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

AGENCY PROJECT PRIORITY: 1 of 2

PROJECT LOCATION: Road Replacement projects are bid statewide via, a RFP and it is not possible to give a project, location at this time.

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 as is required by state and federal no-net-loss-of-wetlands standards.

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 using economies of scale to save land acquisition 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 responsibility for replacing wetlands lost due to local government road construction with the Board of Water and Soil Resources (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 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 create or support 133 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 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 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;

Local Government Roads Wetland Replacement

- reversal of the stakeholder consensus that resulted in wetland regulatory reforms (*Laws 1996, Chap.462 and Laws 2000, Chap. 382*); and
- 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 federal permits.

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 in 2008 varied widely, from a low of \$5,250 an acre in rural Minnesota to more than \$43,000 an acre for metro projects.

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 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 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 acres 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 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 would increase replacement ratios and associated costs even further.

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

1. Increased cost for replacement wetlands in urbanizing areas of the State;
2. The need to establish a 2 year credit balance to fulfill state and federal no-net-loss-of-wetlands criteria and to minimize expected future cost increases;
3. Implementation of the new Corps of Engineers Saint Paul District Compensatory Mitigation Policy for Minnesota that has resulted in less wetland credit from a given site and a disincentive penalty for wetland credits that are not generated in advance.

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

History of appropriations for the Local Gov't Roads Wetland Replacement Program:

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

This section intentionally left blank.

Local Government Roads Wetland Replacement**Project Contact Person**

John Jaschke, Executive Director
Board of Water and Soil Resources
520 Lafayette Road North
Saint Paul, Minnesota 55155
Phone: (651) 296-0878
Fax: (651) 297-5615
Email: john.jaschke@state.mn.us

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: Statewide eligibility but with priority to areas, of the state with the greatest loss of wetlands

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, \$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.

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. The public benefits of wetland restoration include:

- restoration of wildlife habitat,
- enhanced native plant communities,
- water quality improvement,
- flood control,
- carbon sequestration and
- potential bio-energy production.

The wetland restoration sites average about 100 acres in size and include restoration of adjacent prairie grasslands to assure these public benefits are sustained.

The State of Minnesota achieves quantifiable water quality benefits by removing this environmentally sensitive cropland from production. From

Reinvest in Minnesota (RIM) Program

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.

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. Permanent protection ensures that Minnesota's tax dollars are benefiting all citizens, both current and future.

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, RIM-WRP Phase II 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 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:

1. Reduced Flood Damages to cropland, roads and bridges by eliminating cross over flow and improving channel efficiency.
2. Improved Water Quality by reducing channel and upland erosion with buffers and designed channel stabilization.
3. Restored Fish Habitat and River Fishery by reestablishing the natural stream channel meandering and creating natural channel stabilization.
4. 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 with or without recent cropping 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)

\$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

Recent Appropriations for the RIM Reserve Program:

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 \$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, the Minnesota Natural Resources Conservation Service (NRCS) estimates that \$25 million dollars will be allocated to Minnesota for federal fiscal year 2010 (October 1, 2009 to September 30, 2010) for the federal Wetlands Reserve Program (WRP). By the end of October 2009, a more concrete figure will be available. Another similar allocation is expected for federal fiscal year 2011 (October 1, 2010 to September 30, 2011).

The RIM Reserve program does not currently have any remaining funds to leverage these new federal WRP dollars to Minnesota. While a state match is not a federal program requirement, most of this \$25 million Minnesota WRP allocation can only become viable when combined with a state match of \$18 million to the Board of Water and Soil Resources (BWSR) for the Re-Invest in Minnesota (RIM) Reserve program. Combining the state and federal programs via the RIM Reserve - WRP Partnership is critical for success because the partnership:

1. offers combined -- and thus competitive -- payment rates to landowners for a seamless 30 year federal conservation easement and a perpetual state RIM easement, and
2. shares perpetual easement acquisition and wetland restoration costs between the state and federal partners.

Reinvest in Minnesota (RIM) Program

Because of the Minnesota RIM Reserve - WRP Partnership, Minnesota is positioned to leverage \$1.4 of federal conservation funding for every \$1 of state money available.

Because very few other states have a similar partnership to leverage federal WRP funds, Minnesota NRCS estimates that up to \$25 million more could be available to the state in federal FY2010 from funds turned back from other states that are unable to allocate their state WRP funds. This means that to capture the potential maximum federal funding for one year, the state needs to have \$36 million available as match, or \$72 million for the biennium. This amount includes easement acquisition, site restoration and implementation costs.

The table below shows 2008 - 2009 funding, the number of easements and acres. It also shows the potential federal funding over the next four years if state match is provided.

Reinvest in Minnesota (RIM) Reserve – Wetlands Reserve Program (WRP) Partnership

Permanent Wetland Restorations on Private Lands (in Minnesota 2008 – 2009)

RIM Reserve – State \$	WRP – Federal \$	Total \$	# of Easements	# of Acres [^]
2008* \$14.2M	\$20.0M	\$34.2M	98	9,776
2009*+ \$16.0M	\$25.0M	\$41.0M	127	13,060

Permanent Wetland Restoration Potential with Sufficient State Funds Available

	State \$ Needed	WRP \$ Estimated	Total Estimated \$	# of Easements	# of Acres [^]
2010	\$18 - \$36M	\$25 - 50M	\$43M - \$86M	120 - 240	12,000 – 24,000
2011	\$18 - \$36M	\$25 - 50M	\$43M - \$86M	120 - 240	12,000 – 24,000
2012	\$18 - \$36M	\$25 - 50M	\$43M - \$86M	120 - 240	12,000 – 24,000
2013	\$18 - \$36M	\$25 - 50M	\$43M - \$86M	120 - 240	12,000 – 24,000

* Bond funds

+ \$9.058M Outdoor Heritage Funds (OHF)

[^] Includes wetland and adjacent grassland acres restored. Avg. wetland:grassland rates = 1:2

- Minnesota Natural Resources Conservation Service (NRCS) estimates that during the life of the 2008 Federal Farm Bill they will receive at least \$25M (with the potential for as much as \$50M) WRP funds in Minnesota during the 2010 federal fiscal year (October 1, 2009 – September 30, 2010). They believe this level of funding will be available to Minnesota NRCS for WRP over the life of the 2008 Farm Bill through 2013.

- The RIM Reserve – WRP Partnership leverages \$1.4 federal WRP funds for every \$1 in state funding

Project Contact Person

John Jaschke, Executive Director
 Board of Water and Soil Resources
 520 Lafayette Road North
 Saint Paul, Minnesota 55107
 Phone: (651) 296-0878
 Fax: (651) 297-5615

Reinvest in Minnesota (RIM) Program

Email: john.jaschke@state.mn.us

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