Water and Soil Resources Board — Projects Summary

($ in thousands)

Project Title	Rank	Fund	Project Requests for State Funds 2026	2028	2030	Gov's Rec 2026	Gov's Planning Estimates 2028	2030
Local Government Roads Wetlands Replacement	1	GO	18,500	18,500	18,500	5,000	5,000	5,000
		GF	16,500	16,500	16,500	0	0	0
Reinvest in Minnesota (RIM) and Conservation Reserve Enhancement Program (CREP)	2	GO	40,000	0	0	9,000	0	0
Water Quality and Storage Program	3	GF	9,000	0	0	0	0	0
Restored Wetlands Asset Preservation	4	GO	2,000	0	0	0	0	0
Total Project Requests			86,000	35,000	35,000	14,000	5,000	5,000
General Obligation Bonds (GO) Total			60,500	18,500	18,500	14,000	5,000	5,000
General Fund Cash (GF) Total			25,500	16,500	16,500	0	0	0

https://www.bwsr.state.mn.us/

AT A GLANCE

- Small agency of conservation professionals
- Local conservation delivery system
- Governing board of local officials, citizens, and agency partners
- Focus on conservation of private lands (78 percent of Minnesota)
- Transition to comprehensive watershed plans (60 plans in total). Since 2014:
  - 54 approved *One Watershed, One Plan* plans
  - 6 *One Watershed, One Plan* plans in progress
- Collaborative model for results including, since 1987:
  - Over 66,000 conservation practices installed
  - Over 8,500 easements funded
  - Over 21,300 wetland credits deposited into the state's wetland bank
- 238 local government accountability assessments completed annually

PURPOSE

The Board of Water and Soil Resources' (BWSR's) mission is to work with partners to improve and protect Minnesota's land and water resources. The agency has a unique business model that is designed to:

- Operate as an efficient state-level source of technical and financial assistance to the local government delivery system.
- Target implementation of conservation practices and projects that support local goals and meet state objectives.
- Focus on Minnesota's private lands.

STRATEGIES

BWSR's mission is implemented through the following core functions:

- Serve as the statewide soil conservation agency
- Direct private land soil and water conservation programs through the actions of soil and water conservation districts, counties, cities, townships, watershed districts, and other water management organizations
- Link water resource planning with comprehensive land use planning
- Provide resolution of water policy conflicts and issues
- Oversee comprehensive local water management
- Provide a forum (through the board) for local issues, priorities, and opportunities to be incorporated into state public policy
- Coordinate state and federal resources to realize local priorities
- Administer implementation of the Wetland Conservation Act and Riparian Protection laws

BWSR accomplishes its mission through these key strategies:

- Developing programs that address 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, and reducing flood potential)
- Prioritizing on-the-ground conservation projects in the best locations to achieve multiple benefits and measurable improvements to water and habitat resources

- Ensuring compliance with environmental laws, rules, and regulations
- Implementing agency operations through board and administrative leadership, internal business systems, planning and effectiveness evaluation, and operational support, including the board and board management, financial and accounting services, legislative and public relations, communications, and human resources

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The legal authority for the Board of Water and Soil Resources comes from the following Minnesota Statutes:

M.S. 103A (https://www.revisor.mn.gov/statutes/?id=103A)
M.S. 103B (https://www.revisor.mn.gov/statutes/?id=103B)
M.S. 103C (https://www.revisor.mn.gov/statutes/?id=103C)
M.S. 103D (https://www.revisor.mn.gov/statutes/?id=103D)
M.S. 103E (https://www.revisor.mn.gov/statutes/?id=103E)
M.S. 103F (https://www.revisor.mn.gov/statutes/?id=103F)
M.S. 103G (https://www.revisor.mn.gov/statutes/?id=103G)

AT A GLANCE

- Mission: Work with partners to improve and protect Minnesota's land and water resources.
- Agency Strategic Plan issues:
  1) Broaden and enhance local delivery system and strengthen partnerships to accomplish the agency's mission;
  2) Redeveloping and delivering conservation programs to maximize their impact on land and water resources;
  3) Making needs and accomplishments well-known and understood.

Agency goals and objectives achieved through capital projects include:

- Restoring, enhancing, and protecting 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
- Protecting the public benefits of water quality and habitat on state-held easements by repairing and replacing water control structures that are beyond their designed lifespan
- Leveraging federal and local financial resources that enhance the State's investment

Factors Impacting Facilities or Capital Programs

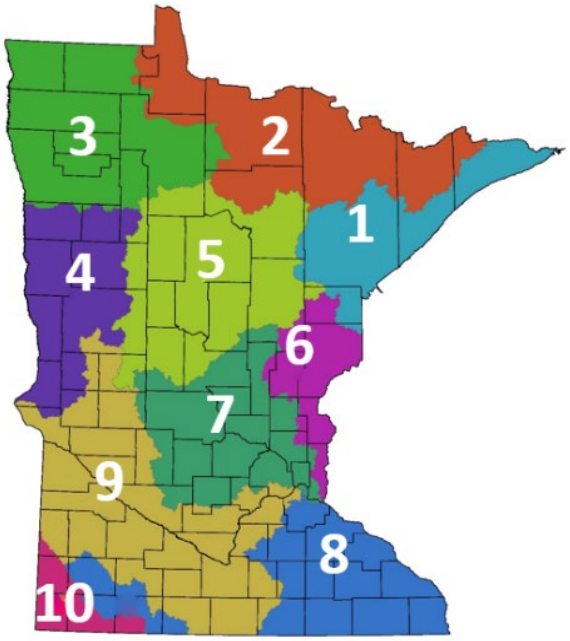
- **Science-based targeting:** Minnesota has completed many systematic assessments and plans on nutrient and sediment issues, grasslands, wetlands, and other topics that have helped focus prioritization of restoration and protection areas to the critical places where they are most needed and most cost effective.
- **Safety:** Aging infrastructure, deferred maintenance, or poor design can pose risks to the public and operations.
- **Statutorily required:** Minnesota Statute 103G.222 requires the Board of Water and Soil Resources (BWSR) to provide wetland mitigation to local road authorities for projects that meet applicable state and federal safety standards to ensure that essential public safety improvements are not hindered by wetland regulatory constraints, while maintaining compliance with environmental protection requirements.
- **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 expire, there is financial pressure for landowners to return these lands—many of them marginal farmland—to production. Nearly 230,000 acres of CRP will expire in Minnesota by the end of 2023. The decline of conservation land will adversely affect habitat, biodiversity, water quality, groundwater recharge, carbon sequestration and water storage, and flood protection.
- **Agricultural land values continue to rise.** Rental rates and land values continue to rise as demand for food, livestock, and biofuel increase. High commodity prices continued pandemic assistance, and the opportunity for profit continue driving increases in farmland values. This pressure results in marginal or highly erodible lands converted to and maintained in row crop production.
- **Funding for multi-benefit conservation and clean water projects.** Minnesota's Conservation Reserve Enhancement Program (MN CREP), a federal-state partnership agreement established in 2017,

successfully leverages significant USDA funding. This partnership brings federal dollars to Minnesota and directly addresses resource problems with strategic, long-term solutions.

- **Increased landowner willingness to take action.** Minnesotans are aware of environmental concerns, particularly with water quality. Interest in the state's Reinvest in Minnesota Reserve (RIM) program, which establishes permanent conservation easements, greatly exceeds available funding. Residents are more aware of the need to protect marginal lands, especially those close to critical water resources. The agricultural community has increased acceptance of the need to remove marginal agricultural lands from production to improve production efficiency and water quality.
- **Local program delivery readiness:** USDA, local Soil and Water Conservation Districts and Watershed Districts, state agencies, and non-governmental organizations have a strong field-based presence. 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 over time. They are now at a point, however, where they need a wider variety of training and assistance in technical, leadership, and management issues.
- **Climate Subcabinet:** Minnesota is experiencing larger and more frequent and intense rainfall events, resulting in negative impacts to agriculture and infrastructure, significant erosion along riverbanks and declining water quality. Among the recommendations of the Governor's Climate Subcabinet is water storage and management projects to control water volume and rate to mitigate climate impacts.

Self-Assessment of Agency Facilities and Assets

Local Wetland Road Replacement Program. Current wetland replacement credits by bank service area (BSA) and statewide projection are shown in the following figure:



Bank Service Area Map

Bank Service Area	Avg Annual Demand	Current Balance (as of 9/2025)
1 - Great Lakes	5.5	23.8
2 – Rainy River	15.0	98.1
3 – Red River North	26.6	42.2
4 – Red River South	3.8	5.1
5 – Upper Mississippi North	42.9	28.7
6 – St. Croix River	5.3	4.0
7 – Upper Mississippi South	38.5	25.7
8 – Lower Mississippi	16.4	8.7
9 – Minnesota River	27.2	-49.2
10 – Missouri River	0.7	0.0

Statewide –182 Credit Average Annual Demand

- When the credit balance in a Bank Service Area (BSA) is insufficient to meet average annual demand, credits must be drawn from the nearest BSA with a positive balance. This practice results in a penalty, resulting in credits being consumed at an accelerated rate. Given that credit generation typically requires up to seven years for full deposit, relying on out-of-BSA credits becomes increasingly costly and unsustainable.

- Maintaining an ongoing balance within each BSA is critical to the program's operational efficiency and long-term viability. To support consistent credit availability, it is essential to establish a reliable and adequate funding source.

Reinvest in Minnesota (RIM) Reserve Conservation Easement Program. Since 2001, capital investment appropriations have included these funding levels:

Table of RIM Reserve Bond Fund History ($ In Thousands)

LEGISLATIVE SESSION YEAR	REGULAR	DISASTER RELIEF
2000	$21,000	-
2001	$51,500	-
2003	$1,000	-
2005	$23,000	-
2007	-	$1,000
2008	$25,000	-
2009	$500	$500
2010	-	$10,000
2011	$21,600	-
2012	$6,000	$1,500
2013	-	-
2014	$6,000	-
2015	-	$4,700
2016	-	-
2017	$10,000	-
2018	$10,000	-
2019	-	-
2020	$1,000	-
2021	-	-
2022	-	-
2023	$10,700	-
2024	-	-
2025	-	-

Agency Process for Determining Capital Requests

Conservation Easements: The MN CREP is an important, bipartisan initiative focusing on the highest priority areas for reducing nitrogen, phosphorus, and sediment; protecting vulnerable drinking water; and enhancing grassland and wetland habitats. The state's commitment is to unlock the federal leverage of at least 1:1. The requested Capital investment dollars will complement the state's funding strategy that also included Legacy and LCCMR funds.

Local Government Road Wetland Replacement: The amount of the Local Government Roads Wetlands Replacement request is based on current shortfalls and estimated average annual demand. Maintaining a multi-year credit balance is essential to achieving replacement of wetlands prior to the loss and preventing increased costs and project delays.

Water Quality and Storage BWSR has found that the Water Quality and Storage program is one area where conservation efforts are supported by landowners that benefit from drainage systems. While the goal of drainage

systems is usually to remove water from the landscape quickly, BWSR has found that by offering storage as a solution that is paid for mostly by the state, landowners are willing to create water storage systems that can help reduce runoff into lakes, streams, and other waters.

Wetland Capital Infrastructure: BWSR has been designing and restoring wetlands in Minnesota since the 1980s, and older projects have hit the end of their design lifespan. Replacing failing or near-failing infrastructure of our wetland restoration sites throughout the state ensures they continue to meet flood control and water quality needs. These large infrastructure projects, such as large concrete culverts and manholes, or steel sheet pile weirs that are driven 10-20 feet into the ground to support the structure above the ground, require more intensive repairs than maintenance work. BWSR has a list of 26 sites that are in need of infrastructure replacement or updates, and work can begin on these sites as soon as funding becomes available. Repairing these assets will prevent unintended failures that can lead to flooding or runoff events.

Major Capital Projects Authorized in 2024 and 2025

Local Road Wetlands Replacement Program: $5 million in GO Bonds, $3 million in general fund cash in 2025

($ in thousands)

Local Government Roads Wetlands Replacement

AT A GLANCE

2026 Request Amount:	$35,000
Priority Ranking:	1
Project Summary:	$18.5 million in GO bonds and $16.5 million in general fund cash are requested to meet the requirements of MS 103G.222 to replace wetlands drained or filled by public transportation projects that repair and upgrade existing local roads to address safety issues. These funds will purchase easements and restore and permanently protect approximately 800-1,200 acres of wetlands, generating up to 800 wetland replacement credits to fulfill permit requirements for approximately 350 local road projects.

Project Description

Local public road safety improvement projects often include unavoidable impacts to wetlands, and the state has a statutory obligation to provide the required mitigation for the wetlands lost to these local road projects. Since its inception in 1996, the Local Government Roads Wetlands Replacement Program (LGRWRP) has provided approximately 5,900 compensatory wetland mitigation credits to offset 4,100 acres of wetlands impacted by eligible public road projects.

The requested $35 million will provide for the planning, design, construction, restoration, and permanent protection of 800 to 1,200 acres of wetlands to generate up to 800 wetland replacement credits over seven to ten years to comply with state and federal permitting requirements. The wetland restoration projects are completed in accordance with state and federal rules, and credits are typically allocated two to ten years after initiation of the project, necessitating a long-term approach to program planning and funding.

Project Rationale

Local road improvement projects are necessary for public safety and transportation, and both state and federal law require any associated wetland impacts to be “replaced” with other wetland resources (e.g. a previously drained wetland that has been restored). Lacking these replacement wetlands, local road authorities cannot obtain the necessary permits to complete construction of planned road improvement projects. Statute requires the state to provide required wetland mitigation for qualifying local road improvement projects. Public benefits generated by the program include:

- On-time and on-budget completion of local public transportation projects.
- Improved permitting efficiency due to agreements and coordination with the U.S. Army Corps of Engineers (Section 404 of the Federal Clean Water Act).
- Lower public costs due to program efficiencies and economies of scale.

- Higher quality wetland mitigation, providing greater water quality, habitat, and other natural resource benefits.

The program is implemented on a regional basis consisting of ten watershed-based “bank service areas” (BSAs). In early 2020, the LGRWRP was on the verge of default statewide. The state contributed $12 million in 2023, which was half of the program's need. Funds appropriated for this program to date are not projected to meet the demands. As a result, the program currently has less than one year's worth of credits in six of the state's ten BSAs, with three having a balance at or near zero. In addition, the program has a debt of approximately $560,000 in wetland credits to MnDOT resulting from credits previously loaned to the program. Finally, when allowable under federal law, credits can be taken from certain other BSAs with a penalty when sufficient credits were not available in a given BSA, which results in spending credits at an even faster rate.

This funding request accounts for the expected credits that will result from past funding, the debt to MnDOT, and the projected credit needs from approximately 75 to 100 local government road projects annually. In the absence of sufficient funding, local governments would be unable to obtain permits unless and until alternative mitigation is obtained, causing significant delays and cost increases for many road safety projects. This funding request is part of the agency’s long-term plan to bring the program into statewide solvency and meet the State’s statutory obligations.

To address recurrent funding shortages, BWSR and MnDOT convened a workgroup of transportation and local government organizations in 2024 to review the status of the LGRWRP and develop recommendations for predictable and adequate funding to ensure its long-term viability. The workgroup met in 2024 and recommended funding the program through a combination of operating budget (general fund cash) and the capital budget (GO bond funds and general fund cash), in addition to pursuing “catch-up funding." This request is consistent with the workgroup's recommendations.

Project Timeline

Wetland restoration projects that generate wetland replacement credits (AKA "wetland banks" under state and federal regulatory programs) have a typical development timeline of 7-10 years:

- After a project is identified and selected, it takes 1-3 years to develop the restoration (wetland bank) plan and gain regulatory approvals.
- Construction and implementation of the wetland bank plan typically takes 1-2 years and is affected by the limited construction season in Minnesota and the seasonality of native vegetation restoration.
- After construction and initial vegetation establishment activities have been completed, the wetland bank enters the mandatory 5-year (minimum) monitoring and credit release period, where wetland credits are released as the site meets required performance standards over this period. This monitoring and credit release period can also be extended if the site encounters difficulties in its development and is not meeting performance standards.

Other Considerations

Without a full state funding commitment to this program, planned and funded local road

improvement projects will either not be completed or will be delayed and incur substantial increased costs. Specifically, inadequate state funding will result in the following negative consequences:

- Increased costs of mitigation that will be transferred to local governments.
- Higher costs of mitigation originating from outside the watershed-based service area.
- Increased permitting costs and timelines due to elimination of the streamlined process that currently exists with the U.S. Army Corps of Engineers.
- Increased program implementation costs for local, state, and federal agency staff due to the elimination of program efficiencies.
- Decreased wetland mitigation quality resulting in reduced water quality, habitat, and other benefits.
- Reversal of the stakeholder consensus that resulted in wetland regulatory reforms (Laws 1996, Chap. 462 and Laws 2000, Chap. 382).

Impact on Agency Operating Budgets

All of the requested bond funds will be allocated for construction, wetland establishment activities, and acquisition of necessary property rights (i.e. perpetual conservation easements).

The general fund cash will be utilized as follows:

- Up to $10 million for the purchase of private wetland bank credits to meet short-term needs.
- Up to $2.5 million for easement stewardship.
- Remaining funds will be used for planning, design, permitting, easement acquisition, construction oversight, replacement wetland establishment activities, credit allocation, and program administration.

Description of Previous Appropriations

2020: $15 million GO bonds, $8 million general fund cash

2023: $12 million GO bonds

2025: $5 million GO bonds, $3 million general fund cash

Project Contact Person

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Governor's Recommendation

The Governor recommends $5 million in general obligation bonds for this request. Also included are budget estimates of $5 million for each planning period for 2028 and 2030.

($ in thousands)

Local Government Roads Wetlands Replacement

PROJECT FUNDING SOURCES

Funding Source	Six Prior Years	FY 2026	FY 2028	FY 2030
State Funds Appropriated and Requested				
General Obligation Bonds	$ 32,000	$ 18,500	$ 18,500	$ 18,500
General Fund Cash	$ 11,000	$ 16,500	$ 16,500	$ 16,500
State Funds Pending				
Non-State Funds Already Committed				
Non-State Funds Pending				
TOTAL	**$ 43,000**	**$ 35,000**	**$ 35,000**	**$ 35,000**

TOTAL PROJECT COSTS

Cost Category	Six Prior Years	FY 2026	FY 2028	FY 2030
Property Acquisition	$ 13,000	$ 27,350	$ 0	$ 0
Predesign Fees	$ 0	$ 0	$ 0	$ 0
Design Fees	$ 0	$ 1,850	$ 0	$ 0
Project Management	$ 0	$ 3,955	$ 0	$ 0
Construction	$ 30,000	$ 1,845	$ 0	$ 0
Relocation Expenses	$ 0	$ 0	$ 0	$ 0
One Percent for Art	$ 0	$ 0	$ 0	$ 0
Occupancy Costs	$ 0	$ 0	$ 0	$ 0
Inflationary Adjustment	$ 0	$ 0	$ 0	$ 0
TOTAL	**$ 43,000**	**$ 35,000**	**$ 0**	**$ 0**

IMPACT ON STATE OPERATING COSTS

Cost Category	FY 2026	FY 2028	FY 2030
IT Costs	$ 0	$ 0	$ 0
Operating Budget Impact ($)	$ 0	$ 0	$ 0
Operating Budget Impact (FTE)	0	0	0

SOURCE OF FUNDS FOR DEBT SERVICE PAYMENTS

	Amount	Percent of Total
General Fund	$ 18,500	100 %

SOURCE OF FUNDS FOR DEBT SERVICE PAYMENTS

	Amount	Percent of Total
User Financing	$ 0	0 %

STATUTORY REQUIREMENTS

The following requirements will apply to projects after adoption of the bonding bill.

Has the project owner requesting state funds reviewed and agree to meet the applicable capital requirements listed in the "Statutory Requirements" below and in the "Capital Budget Requirements" section of the MMB Capital Budget Instruction documents?	Yes
Is this project exempt from legislative review under M.S. 16B.335 subd. 1a?	Yes
Predesign Review (M.S. 16B.335 subd. 3):	
Does this request include funding for predesign?	N/A
Has the predesign been submitted to the Department of Administration?	N/A
Has the predesign been approved by the Department of Administration?	N/A
Will the project design meet the Sustainable Building Guidelines under M.S. 16B.325?	N/A
Will the project designs meet applicable requirements and guidelines for energy conservation and alternative energy sources (M.S. 16B.335 subd. 4 and 16B.32)?	N/A
Have Information Technology Review Preconditions been met (M.S. 16B.335 subd. 5 & 6)?	N/A
Will the project comply with the targeted group purchasing requirement (M.S. 16C.16 subd. 13)?	Yes
Will the project meet public ownership requirements (M.S. 16A.695)?	Yes
Will a use agreement be required (M.S. 16A.695 subd. 2)?	No
Will program funding be reviewed and ensured (M.S. 16A.695 subd. 5)?	Yes
Will the matching funds requirements be met (M.S. 16A.86 subd. 4)?	N/A
Will the project be fully encumbered prior to the Cancellation Deadline (M.S. 16A.642): December 31, 2030?	Yes
M.S. 16A.502 and M.S. 16B.31 (2): Full Funding Required	
M.S. 473.4485: Guideway Project	
Is this a Guideway Project?	N/A
Is the required information included in this request?	N/A

($ in thousands)

Reinvest in Minnesota (RIM) and Conservation Reserve Enhancement Program (CREP)

AT A GLANCE

2026 Request Amount:	$40,000
Priority Ranking:	2
Project Summary:	$40 million in GO bonds is requested to acquire conservation easements from landowners to preserve, restore, create, and enhance wetlands and associated uplands of prairie and grasslands, as well as restore and enhance rivers and streams, riparian lands, and associated uplands to protect soil and water quality, support fish and wildlife habitat, reduce flood damage, increase climate resiliency, and provide other public benefits.

Project Description

The Reinvest in Minnesota (RIM) Reserve program is a critical component of the state's efforts to improve water quality by reducing soil erosion, phosphorus, and nitrogen loading, to improve wildlife habitat and water attenuation, and to increase climate resiliency on private lands. The RIM Reserve program compensates landowners for granting conservation easements and establishing native vegetation that improves both water quality and habitat on economically marginal, flood-prone, environmentally sensitive, or highly erodible lands. The program protects the state's water and soil resources by permanently restoring wetlands, grassland wildlife habitat complexes, and riparian buffers, and protecting existing high quality land cover. BWSR acquires conservation easements to protect, restore, and manage critical natural resources on private lands. BWSR provides statewide program coordination and administration and implementation at the local level is accomplished by Soil & Water Conservation Districts (SWCDs). This project would secure easements throughout Minnesota.

Project Rationale

The state has invested heavily in assessing water quality and wildlife habitat. There are numerous reports that document water quality impairments and declining habitat. This project will improve water quality, protect sources of drinking water, protect and restore watercourses, and provide wildlife habitat through permanent protection of sensitive landscapes, and restoration of buffers, wetlands, and wellhead areas. Easements could be secured under a state-only funded easement or under the current federal Conservation Reserve Enhancement Program (CREP) agreement with USDA. Securing easements within the CREP area will be a priority due to the possibility of leveraging federal funds. The CREP agreement was amended in January 2025, which extended the life of the agreement, added a conservation practice, increased the maximum acres, and added 12 counties where CREP is available. The request of $40M will create significant opportunities for landowners in the 66 CREP counties and will replace the $2.848M in general fund grassland funding lost for FY2026.

Project Timeline

Easements will be recorded within 18 months of receiving applications. Restoration, where necessary, will occur within three years of the easement recording.

Other Considerations

Landowner interest continues to be strong in RIM and CREP easements, whether to enroll into easements on marginal land with restoration or to protect existing high quality sensitive natural areas.

Impact on Agency Operating Budgets

BWSR will utilize these funds for landowner payments and program support. Up to $3.7 million is necessary to support engineering and easement acquisition functions and for establishment of conservation practices on easement lands.

Description of Previous Appropriations

Since 2014, Capital Investment funds have provided a total of $37.7M towards the RIM program (including CREP but not disaster relief). This year's request would be for easements either enrolled via CREP or RIM-only easements that are not part of the CREP federal partnership. Bonding has been a historically consistent source of RIM funding.

2020: $1 million in GO bonds

2023: $10.7 million in GO bonds

Project Contact Person

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Governor's Recommendation

The Governor recommends $9 million in general obligation bonds for this request.

($ in thousands)

Reinvest in Minnesota (RIM) and Conservation Reserve Enhancement Program (CREP)

PROJECT FUNDING SOURCES

Funding Source	Six Prior Years	FY 2026	FY 2028	FY 2030
State Funds Appropriated and Requested				
General Obligation Bonds	$ 11,700	$ 40,000	$ 0	$ 0
State Funds Pending				
Non-State Funds Already Committed				
Non-State Funds Pending				
TOTAL	**$ 11,700**	**$ 40,000**	**$ 0**	**$ 0**

TOTAL PROJECT COSTS

Cost Category	Six Prior Years	FY 2026	FY 2028	FY 2030
Property Acquisition	$ 8,459	$ 28,920	$ 0	$ 0
Predesign Fees	$ 0	$ 0	$ 0	$ 0
Design Fees	$ 234	$ 800	$ 0	$ 0
Project Management	$ 199	$ 680	$ 0	$ 0
Construction	$ 2,808	$ 9,600	$ 0	$ 0
Relocation Expenses	$ 0	$ 0	$ 0	$ 0
One Percent for Art	$ 0	$ 0	$ 0	$ 0
Occupancy Costs	$ 0	$ 0	$ 0	$ 0
Inflationary Adjustment	$ 0	$ 0	$ 0	$ 0
TOTAL	**$ 11,700**	**$ 40,000**	**$ 0**	**$ 0**

IMPACT ON STATE OPERATING COSTS

Cost Category	FY 2026	FY 2028	FY 2030
IT Costs	$ 0	$ 0	$ 0
Operating Budget Impact ($)	$ 0	$ 0	$ 0
Operating Budget Impact (FTE)	0	0	0

SOURCE OF FUNDS FOR DEBT SERVICE PAYMENTS

	Amount	Percent of Total
General Fund	$ 40,000	100 %
User Financing	$ 0	0 %

STATUTORY REQUIREMENTS	
The following requirements will apply to projects after adoption of the bonding bill.	
Has the project owner requesting state funds reviewed and agree to meet the applicable capital requirements listed in the "Statutory Requirements" below and in the "Capital Budget Requirements" section of the MMB Capital Budget Instruction documents?	Yes
Is this project exempt from legislative review under M.S. 16B.335 subd. 1a?	No
Predesign Review (M.S. 16B.335 subd. 3):	
Does this request include funding for predesign?	N/A
Has the predesign been submitted to the Department of Administration?	N/A
Has the predesign been approved by the Department of Administration?	N/A
Will the project design meet the Sustainable Building Guidelines under M.S. 16B.325?	N/A
Will the project designs meet applicable requirements and guidelines for energy conservation and alternative energy sources (M.S. 16B.335 subd. 4 and 16B.32)?	N/A
Have Information Technology Review Preconditions been met (M.S. 16B.335 subd. 5 & 6)?	N/A
Will the project comply with the targeted group purchasing requirement (M.S. 16C.16 subd. 13)?	N/A
Will the project meet public ownership requirements (M.S. 16A.695)?	Yes
Will a use agreement be required (M.S. 16A.695 subd. 2)?	N/A
Will program funding be reviewed and ensured (M.S. 16A.695 subd. 5)?	N/A
Will the matching funds requirements be met (M.S. 16A.86 subd. 4)?	
Will the project be fully encumbered prior to the Cancellation Deadline (M.S. 16A.642): December 31, 2030?	Yes
M.S. 16A.502 and M.S. 16B.31 (2): Full Funding Required	Yes
M.S. 473.4485: Guideway Project	
Is this a Guideway Project?	N/A
Is the required information included in this request?	N/A

($ in thousands)

Water Quality and Storage Program

AT A GLANCE

2026 Request Amount:	$9,000
Priority Ranking:	3
Project Summary:	$9 million in general fund cash is requested to construct water storage projects to control runoff and reduce runoff volume to protect infrastructure from flooding, improve water quality, and to mitigate climate change impacts. These projects slow down and/or temporarily hold back water before it enters a stream or river, helping to mitigate the negative impacts from more frequent and intense rainfall events.

Project Description

The Water Quality and Storage Program has been extremely successful over the past four years by providing funds to local partners to construct storage in the Minnesota River Basin and the Lower Mississippi River Basin in Minnesota. This area of the state is especially susceptible to erosion of its ditches and rivers due to large storm events. Reducing the peak flow rates in these systems is key to improving the water quality in the Minnesota River and the Mississippi River.

Each site is selected based on its ability to reduce runoff rates or runoff volume and each site has measurable flood reduction benefits or water quality benefits. This program supports the state's Climate Action Framework through adaptation to the more intense and frequent rainfall events that flood our cropland, roads, and other infrastructure and also mitigation by replacing lost wetlands throughout the state. The funds for the Water Quality and Storage Program pay for final design, construction, and easements for the storage sites.

Projects funded by the Water Quality and Storage Program are typically storage ponds, restored wetlands, and large outlet control structures placed on ravines to slowly release runoff.

Project Rationale

While this program supports the individuals living near the newly constructed projects, it also supports many of state strategies. For example, this work directly aligns with the Climate Action Framework Initiative by better managing our agricultural landscapes to hold water and reduce runoff. The Nutrient Reduction Strategy estimates that 29% of the statewide phosphorus load and 73% of the state's nitrogen load is due to agricultural practices. Water storage practices to hold back sediment are a key best management practice to reduce total phosphorus, and best management practices such as wetland restorations are the best way to reducing the nitrogen in our agricultural runoff. Lastly, in the Sediment Reduction Strategy for the Minnesota River Basin, there is a call to reduce peak streamflow in order to reduce near channel erosion. Reduced flows will be a direct result of

implementing storage projects throughout the basin.

Project Timeline

The Board of Water and Soil Resources (BWSR) can typically approve funding for projects within six months. Final design and construction can take anywhere from 12 months to 24 months depending on the complexity of the project and the number of landowners involved.

Other Considerations

BWSR has found that the Water Quality and Storage program is one area where conservation efforts are very supported by landowners that benefit from drainage systems. While the goal of drainage systems is usually to remove water from the landscape quickly, BWSR has found that by offering storage as a solution that is paid for mostly by the state, landowners are willing to be more creative with holding back their runoff.

Impact on Agency Operating Budgets

The majority of the funds will be allocated for construction and easements. Up to $300,000 will be used for an operating budget to oversee grant funds, partner support, and project evaluation.

Description of Previous Appropriations

FY22-23: $2 million general fund

FY24-25: $17 million general fund

Project Contact Person

Andrea Fish
Assistant Director, Strategy and Operations
612-616-5112
andrea.fish@state.mn.us

Governor's Recommendation

The Governor does not recommend capital funding for this request.

($ in thousands)

Water Quality and Storage Program

PROJECT FUNDING SOURCES

Funding Source	Six Prior Years	FY 2026	FY 2028	FY 2030
State Funds Appropriated and Requested				
General Fund Cash	$ 19,000	$ 9,000	$ 0	$ 0
State Funds Pending				
	$	$	$	$
Non-State Funds Already Committed				
Non-State Funds Pending				
Other Local Government Funds	$ 0	$ 800	$ 0	$ 0
TOTAL	**$ 19,000**	**$ 9,800**	**$ 0**	**$ 0**

TOTAL PROJECT COSTS

Cost Category	Six Prior Years	FY 2026	FY 2028	FY 2030
Property Acquisition	$ 2,100	$ 1,000	$ 0	$ 0
Predesign Fees	$ 0	$ 0	$ 0	$ 0
Design Fees	$ 3,200	$ 1,700	$ 0	$ 0
Project Management	$ 900	$ 600	$ 0	$ 0
Construction	$ 12,800	$ 6,500	$ 0	$ 0
Relocation Expenses	$ 0	$ 0	$ 0	$ 0
One Percent for Art	$ 0	$ 0	$ 0	$ 0
Occupancy Costs	$ 0	$ 0	$ 0	$ 0
Inflationary Adjustment	$ 0	$ 0	$ 0	$ 0
TOTAL	**$ 19,000**	**$ 9,800**	**$ 0**	**$ 0**

IMPACT ON STATE OPERATING COSTS

Cost Category	FY 2026	FY 2028	FY 2030
IT Costs	$ 0	$ 0	$ 0
Operating Budget Impact ($)	$ 0	$ 0	$ 0
Operating Budget Impact (FTE)	0	0	0

SOURCE OF FUNDS FOR DEBT SERVICE PAYMENTS

	Amount	Percent of Total
General Fund	$ 0	
User Financing	$ 0	

STATUTORY REQUIREMENTS	
The following requirements will apply to projects after adoption of the bonding bill.	
Has the project owner requesting state funds reviewed and agree to meet the applicable capital requirements listed in the "Statutory Requirements" below and in the "Capital Budget Requirements" section of the MMB Capital Budget Instruction documents?	Yes
Is this project exempt from legislative review under M.S. 16B.335 subd. 1a?	Yes
Predesign Review (M.S. 16B.335 subd. 3):	
Does this request include funding for predesign?	N/A
Has the predesign been submitted to the Department of Administration?	N/A
Has the predesign been approved by the Department of Administration?	N/A
Will the project design meet the Sustainable Building Guidelines under M.S. 16B.325?	N/A
Will the project designs meet applicable requirements and guidelines for energy conservation and alternative energy sources (M.S. 16B.335 subd. 4 and 16B.32)?	N/A
Have Information Technology Review Preconditions been met (M.S. 16B.335 subd. 5 & 6)?	N/A
Will the project comply with the targeted group purchasing requirement (M.S. 16C.16 subd. 13)?	N/A
Will the project meet public ownership requirements (M.S. 16A.695)?	N/A
Will a use agreement be required (M.S. 16A.695 subd. 2)?	N/A
Will program funding be reviewed and ensured (M.S. 16A.695 subd. 5)?	N/A
Will the matching funds requirements be met (M.S. 16A.86 subd. 4)?	
Will the project be fully encumbered prior to the Cancellation Deadline (M.S. 16A.642): December 31, 2030?	Yes
M.S. 16A.502 and M.S. 16B.31 (2): Full Funding Required	Yes
M.S. 473.4485: Guideway Project	
Is this a Guideway Project?	N/A
Is the required information included in this request?	N/A

($ in thousands)

Restored Wetlands Asset Preservation

AT A GLANCE

2026 Request Amount:	$2,000
Priority Ranking:	4
Project Summary:	$2 million in GO bonds is requested to preserve the aging wetland restoration projects throughout the state, which includes major modifications or replacement of infrastructure such as cement outlet structures or steel sheet pile weirs. These are necessary modifications required to state-owned infrastructure that have reached the end of lifespan or have been damaged during flood events - these are not maintenance issues or minor repairs.

Project Description

The requested funds would be used to replace failing or near-failing infrastructure of our wetland restoration sites throughout the state. These are large infrastructure projects, such as large concrete culverts and manholes, or steel sheet pile weirs that are driven 10-20 feet into the ground to support the structure above the ground - they are not minor repairs or maintenance activities.

The number of sites that can be preserved will depend on the final construction cost of each site, but BWSR estimates that with $2M BWSR will be able to preserve approximately 85 wetland restorations.

Project Rationale

BWSR has been designing and restoring wetlands in Minnesota since the 1980s, and older projects have hit the end of their design lifespan. The harsh conditions of freeze/thaw cycles, numerous floods, and even vandalism at these sites can result in failure or near failure of the restoration sites. Upon failure, these sites may no longer act as wetlands or provide the wetland restoration characteristics that benefit our state, such as improved hydrology, upland storage for groundwater recharge, flood prevention, and flow regulation to reduce erosion. It is much more cost effective to restore or replace the failing infrastructure than to secure new easements and design and construct a new wetland project.

A number of wetland restorations in Minnesota have reached the end of their design lifespan or have become damaged due to harsh weather conditions. There has been no plan or funding in place to preserve these sites, and a failed site will not provide the same benefits as the original restoration. In addition, design and construction of a new wetland restoration site is much more expensive than preserving an existing site.

Project Timeline

The Board of Water and Soil Resources already has a list of 26 sites that are in need of infrastructure replacement or updates. Work can begin on these sites as soon as funding becomes available. New sites are added to this list as they are reported by the Soil & Water Conservation Districts (SWCDs) or are evaluated by BWSR staff.

Other Considerations

Impact on Agency Operating Budgets

Approximately $250,000 will be used by BWSR for design of the infrastructure replacement and development of cost estimates and bidding documents. The remaining $1.75M will be used for preservation of the wetland restoration sites.

Description of Previous Appropriations

Project Contact Person

Andrea Fish
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612-616-5112
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Governor's Recommendation

The Governor does not recommend capital funding for this request.

($ in thousands)

Restored Wetlands Asset Preservation

PROJECT FUNDING SOURCES

Funding Source	Six Prior Years	FY 2026	FY 2028	FY 2030
State Funds Appropriated and Requested				
General Obligation Bonds	$ 0	$ 2,000	$ 0	$ 0
State Funds Pending				
Non-State Funds Already Committed				
Non-State Funds Pending				
TOTAL	**$ 0**	**$ 2,000**	**$ 0**	**$ 0**

TOTAL PROJECT COSTS

Cost Category	Six Prior Years	FY 2026	FY 2028	FY 2030
Property Acquisition	$ 0	$ 0	$ 0	$ 0
Predesign Fees	$ 0	$ 0	$ 0	$ 0
Design Fees	$ 0	$ 250	$ 0	$ 0
Project Management	$ 0	$ 50	$ 0	$ 0
Construction	$ 0	$ 1,700	$ 0	$ 0
Relocation Expenses	$ 0	$ 0	$ 0	$ 0
One Percent for Art	$ 0	$ 0	$ 0	$ 0
Occupancy Costs	$ 0	$ 0	$ 0	$ 0
Inflationary Adjustment	$ 0	$ 0	$ 0	$ 0
TOTAL	**$ 0**	**$ 2,000**	**$ 0**	**$ 0**

IMPACT ON STATE OPERATING COSTS

Cost Category	FY 2026	FY 2028	FY 2030
IT Costs	$ 0	$ 0	$ 0
Operating Budget Impact ($)	$ 0	$ 0	$ 0
Operating Budget Impact (FTE)	0	0	0

SOURCE OF FUNDS FOR DEBT SERVICE PAYMENTS

	Amount	Percent of Total
General Fund	$ 2,000	100 %
User Financing	$ 0	0 %

STATUTORY REQUIREMENTS	
The following requirements will apply to projects after adoption of the bonding bill.	
Has the project owner requesting state funds reviewed and agree to meet the applicable capital requirements listed in the "Statutory Requirements" below and in the "Capital Budget Requirements" section of the MMB Capital Budget Instruction documents?	Yes
Is this project exempt from legislative review under M.S. 16B.335 subd. 1a?	Yes
Predesign Review (M.S. 16B.335 subd. 3):	
Does this request include funding for predesign?	N/A
Has the predesign been submitted to the Department of Administration?	N/A
Has the predesign been approved by the Department of Administration?	N/A
Will the project design meet the Sustainable Building Guidelines under M.S. 16B.325?	N/A
Will the project designs meet applicable requirements and guidelines for energy conservation and alternative energy sources (M.S. 16B.335 subd. 4 and 16B.32)?	N/A
Have Information Technology Review Preconditions been met (M.S. 16B.335 subd. 5 & 6)?	N/A
Will the project comply with the targeted group purchasing requirement (M.S. 16C.16 subd. 13)?	N/A
Will the project meet public ownership requirements (M.S. 16A.695)?	N/A
Will a use agreement be required (M.S. 16A.695 subd. 2)?	N/A
Will program funding be reviewed and ensured (M.S. 16A.695 subd. 5)?	N/A
Will the matching funds requirements be met (M.S. 16A.86 subd. 4)?	
Will the project be fully encumbered prior to the Cancellation Deadline (M.S. 16A.642): December 31, 2030?	Yes
M.S. 16A.502 and M.S. 16B.31 (2): Full Funding Required	Yes
M.S. 473.4485: Guideway Project	
Is this a Guideway Project?	N/A
Is the required information included in this request?	N/A