

(\$ in thousands)

Project Title	Priority Ranking	Funding Source	Project Requests for State Funds		
			2024	2026	2028
Local Government Roads Wetlands Replacement Program	1	GO	\$ 10,000	\$ 10,000	\$ 0
		GF	\$ 16,500	\$ 0	\$ 0
MN CREP - Conservation Reserve Enhancement Program	2	GO	\$ 40,000	\$ 0	\$ 0
<b>Total Project Requests</b>			<b>\$ 66,500</b>	<b>\$ 10,000</b>	<b>\$ 0</b>
<b>General Obligation Bonds (GO) Total</b>			<b>\$ 50,000</b>	<b>\$ 10,000</b>	<b>\$ 0</b>
<b>General Fund Cash (GF) Total</b>			<b>\$ 16,500</b>	<b>\$ 0</b>	<b>\$ 0</b>

(\$ in thousands)

**Local Government Roads Wetlands Replacement Program**

**AT A GLANCE**

<b>2024 Request Amount:</b>	\$26,500
<b>Priority Ranking:</b>	1
<b>Project Summary:</b>	\$10M in GO Bonds and \$16.5M in GF is requested in 2024 to meet M.S. §103G.222 which requires BWSR to replace wetlands and wetland areas of public waters drained or filled by public transportation projects on existing roads. These funds will restore and permanently protect approximately 800-1400 acres of wetlands and generate up to 755 wetland replacement (mitigation) credits for the Local Government Roads Wetland Replacement Program (LGRWRP) to meet requirements.

**Project Description**

Local public road 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 LGRWRP has provided approximately 5,600 compensatory wetland mitigation credits to offset 3,900 acres of wetlands impacted by eligible public road projects.

The program is implemented on a regional basis consisting of ten “bank service areas,” which are based on watersheds. 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. Due to insufficient funding, the program currently has less than one year's worth of credits in five of the state's ten bank service areas, with two of those areas having a zero balance. In addition, the program has a debt of approximately \$560,000 in wetland credits to the Minnesota Department of Transportation (MnDOT) resulting from credits previously loaned to the program to temporarily offset credit shortages. Finally, when allowable under Federal law, credits can be taken from certain other bank service areas with a penalty, which results in spending credits at an even faster rate when sufficient credits were not available in a given bank service area.

The current 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 projects. This current 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.

The current request of \$36.5 million will provide for the planning, design, construction, restoration, permanent protection, and stewardship of 800 to 1400 acres of wetlands to generate approximately

755 wetland replacement credits over seven to nine years for compliance with State and Federal permitting requirements for public road improvement projects. The wetland restoration projects are completed in accordance with State and Federal rules and credits are typically allocated two to seven years after initiation of the project, necessitating a long-term approach to program planning and funding.

### **Project Rationale**

While local road improvement projects are necessary for public safety and transportation, 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. As noted above, statute requires the State to provide required wetland mitigation for qualifying local road improvement projects.

Public benefits generated by the program include the following:

- 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 (responsible for issuing permits under Section 404 of the Federal Clean Water Act).
- Mitigation is provided at a lower public cost due to program efficiencies and economies of scale.
- Higher quality, more sustainable and environmentally beneficial replacement wetlands.

### **Project Timeline**

Wetland restoration projects that generate wetland replacement credits (otherwise known as wetland banks under the WCA and Federal Clean Water Act Section 404 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 plan and gain regulatory approval of the wetland bank plan.
- Construction and implementation of the wetland bank plan typically takes 1-2 years, and is affected by the limited construction season in Minnesota as well as the seasonality of the native vegetation restoration.
- After construction and initial vegetation establishment activities have been completed, the wetland bank enters the mandatory 5-year 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 the performance standards.

Bonding dollars are encumbered in accordance with state timeline requirements and used over the life of the project.

### **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, a lack of full State funding will result in the following negative consequences:

- Increased costs of mitigation that will be transferred to local governments.
- 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 a loss of public value.
- Reversal of the stakeholder consensus that resulted in wetland regulatory reforms (Laws 1996, Chap. 462 and Laws 2000, Chap. 382).

Also, a lack of credits in certain bank service areas due to inadequate funding necessitates use of credits from other bank service areas, resulting in the State incurring a penalty in the form of a higher replacement ratio (additional credits are required for the same impact). These penalties use credits at a faster rate and increase the cost to taxpayers.

### **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 Funds 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; and
- 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**

2016: \$0

2017: \$5 million GO bonds, \$5 million GF cash

2018: \$6.7 million GO bonds

2019: \$0

2020: \$15 million GO bonds, \$8 million GF cash

2023: \$12 million GO bonds

### **Project Contact Person**

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(\$ in thousands)

**MN CREP - Conservation Reserve Enhancement Program**

**AT A GLANCE**

**2024 Request Amount:** \$40,000

**Priority Ranking:** 2

**Project Summary:** \$40M is requested to acquire conservation easements from landowners to preserve, restore, create, and enhance wetlands and associated uplands of prairie and grasslands, and 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, and phosphorus and nitrogen loading, and improving wildlife habitat and flood attenuation on private lands. The RIM Reserve program compensates landowners for granting conservation easements and establishing native vegetation habitat on economically marginal, flood-prone, environmentally sensitive or highly erodible lands. The program protects the state’s water and soil resources by permanently restoring wetlands, adjacent native grassland wildlife habitat complexes and permanent riparian buffers, and protecting existing high-quality cover. BWSR acquires, on behalf of the state, conservation easements to permanently protect, restore, and manage critical natural resources without owning the land outright. The land remains in private ownership. BWSR provides statewide program coordination and administration and implementation at the local level is done by county Soil & Water Conservation Districts (SWCDs). This project would secure additional easements throughout Minnesota.

**Project Rationale**

The state has invested heavily in assessing water quality and wildlife habitat throughout the state. There are numerous reports that document water quality impairments throughout the state. 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 and protection of buffers, wetland restorations and wellhead areas.

Approximately 20,000 acres remain under CREP agreement, with an estimated \$8,000 per acre cost on average. Of the \$160M total cost, the federal government would cover approximately half, leaving the state to cover \$80M - of which the first half (\$40M) is being requested for fiscal year 2024.

## **Project Timeline**

Easements will be recorded within 18 months of receiving applications. Restoration, where necessary, will occur within 3 years of the easement recording.

## **Other Considerations**

Landowner interest continues to be strong in the RIM program, whether to enroll into easements on marginal land with restoration necessary 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 to support the Reinvest in Minnesota (RIM) Reserve operating budget. This amount is necessary to support engineering and easement acquisition functions and for establishment of conservation practices on easement lands. SWCDs receive a portion of this total through a Master Joint Powers Agreement and subsequent contracts to offset their cost in assisting BWSR with securing easements, developing conservation plans, and monitoring easement compliance.

## **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).

Previous bonding requests were for federal match for CREP. This year's request represents going back to traditional RIM-only easements that aren't part of a federal partnership. Bonding has been a historically normal source of RIM funding.

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