Water and Soil Resources Board — Projects Summary

($ in thousands)

Project Title	Priority Ranking	Funding Source	Project Requests for State Funds 2026	2028	2030
Local Government Roads Wetlands Replacement	1	GO	$ 18,500	$ 0	$ 0
		GF	$ 16,500	$ 0	$ 0
Reinvest in Minnesota (RIM) and Conservation Reserve Enhancement Program (CREP)	2	GO	$ 40,000	$ 20,000	$ 20,000
Water Quality and Storage Program	3	GF	$ 9,000	$ 0	$ 0
Restored Wetlands Asset Preservation	4	GO	$ 2,000	$ 0	$ 0
Total Project Requests			$ 86,000	$ 20,000	$ 20,000
General Obligation Bonds (GO) Total			$ 60,500	$ 20,000	$ 20,000
General Fund Cash (GF) Total			$ 25,500	$ 0	$ 0

($ 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

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($ 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 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.

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($ 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

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($ 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

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