

Project Title	2012 Agency Priority Ranking	Agency Project Request for State Funds (\$ by Session)				Governor's Recommendations	Governor's Planning Estimate	
		2012	2014	2016	Total		2012	2014
Reinvest in Minnesota (RIM) Program	1	\$25,000	\$25,000	\$25,000	\$75,000	\$0	\$0	\$0
Local Government Roads Wetland Replacement	2	13,100	8,400	8,400	29,900	0	0	0
Grass Lake Wetland Restoration	3	1,600	0	0	1,600	0	0	0
Total Project Requests		\$39,700	\$33,400	\$33,400	\$106,500	\$0	\$0	\$0

Reinvest in Minnesota (RIM) Program

2012 STATE APPROPRIATION REQUEST: \$25,000,000

AGENCY PROJECT PRIORITY: 1 of 3

PROJECT LOCATION:

Project At A Glance

RIM Reserve is Minnesota's largest private land conversation easement program, which restores wetlands and riparian areas on private lands and provides public benefits, including:

- Protecting or retiring marginal and environmentally sensitive lands;
- Reducing flood damage;
- Improving water quality of rivers, streams, and lakes;
- Restoration of fish, game and wildlife habitat;
- Protection of groundwater quality and enhancing groundwater recharge retention systems;
- Implementing key components of the state's wetland restoration and waterfowl habitat plans;
- Leverages federal, state and local financial resources that enhances the State's investment; and
- Potential for biofuel production from native grasslands.

Project Description

This request for \$25 million in state funds addresses state goals for flood prevention, water quality, productive soil, and abundant fish and wildlife habitat. This is accomplished through a comprehensive wetland restoration initiative securing permanent conservation easements. Local organizations identify interested private landowners. 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 RIM Reserve program is a critical component of the state's efforts to address chronic flooding problems, improve water quality by reducing soil erosion, reducing phosphorus and nitrogen loading and improving wildlife

habitat on private lands. RIM Reserve is implemented in cooperation with local Soil and Water Conservation Districts (SWCDs).

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 Conversation 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 \$1.6 of Federal WRP funding for every state dollar to increase wetland restoration conservation easement enrollment in Minnesota.

This opportunity has a priority focus in the areas of the state that have had significant losses of wetland and associated prairies. Once an easement is acquired, NRCS is responsible for maintenance, inspection and monitoring during the life of the 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 carryout oversight, monitoring and inspection of its conservation easements.

RIM Reserve Easement Initiatives:

Flood Damage Reduction and Retention

Funds will be used to help landowners address flood damaged cropland and chronic flooding in watersheds that have known or potential flood damages. These funds will be used to leverage federal conservation or disaster recovery funds to the extent possible.

Reinvest in Minnesota (RIM) Program

USDA NRCS has just begun a multi-year special wetlands initiative in the Red River Basin in three states to reduce flooding, restore wetlands, and enhance wildlife habitat in the Red River Basin through USDA’s Wetlands Reserve Program (WRP).

USDA is providing funding for this special WRP initiative in Minnesota. With RIM Reserve funds, we can leverage our successful RIM-WRP Partnership to mitigate flood damage within the basins restored by retaining waters within easement acres and slow floodwaters in that portion of Minnesota in the Red River Basin, while providing valuable wildlife habitat, water quality benefits and reducing damages from severe flooding.

National Water Quality and Habitat Initiatives

The BWSR will also look at the use of RIM Reserve funds to assist in national, state, and local initiatives such as Mississippi River Basin Initiatives (MRBI) and Wetlands Reserve Enhancement Program (WREP) in which we can leverage additional federal dollars to acquire conservation easements to improve and protect Minnesota resources in targeted watersheds and projects.

Impact on Agency Operating Budgets (Facilities Notes)

\$4 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

1996	\$11.5 million	
1998	\$15.0 million	
2000	\$21.0 million	
2001	\$51.4 million	
2003	\$1.0 million	
2005	\$23.0 million	
2007	\$ 1.0 million	
2008	\$25.0 million	
2009	\$.5 million	(NW Flood Recovery)
2010	\$10.0 million	(SE Flood Special Session)
2011	\$20.0 million	(2011 Special Session)

Other Considerations

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

Local Government Roads Wetland Replacement

2012 STATE APPROPRIATION REQUEST: \$13,100,000

AGENCY PROJECT PRIORITY: 2 of 3

PROJECT LOCATION:

Project At A Glance

The Minnesota Local Government Roads Wetland Replacement Program replaces wetlands lost as a result of local public road improvement projects as required by Minnesota Statute 103G.222. Economies of scale are realized by having the state fulfill its obligation to local transportation authorities to provide no net loss of wetland resources. Design, federal permitting, and construction are all addressed in a smaller number of large wetland restorations than individual local governments could undertake.

Project Description

The Board of Water and Soil Resources (BWSR) is requesting \$13.100 million to:

- (1) Acquire and restore wetlands on approximately 500 acres and to replace wetlands drained or filled by local government road construction projects over the FY 2012-13 biennium; and
- (2) Acquire and restore wetlands on an additional 780 acres to establish a wetland credit balance that ensures wetlands are replaced prior to impact as required by state and federal regulations.

The Minnesota Local Government Roads Wetland Replacement Program has been established to replace wetlands lost to improvements made to public transportation projects as required under M.S. 103G.222, subd. 1(m). This program supports the “no-net-loss” requirements of both state and federal regulations and benefits a wide number of constituent groups including: local road authorities by assigning responsibility for replacing inevitable loss of wetlands to the State; environmental interests by establishing high quality wetland replacement sites; state taxpayers by using economies of scale to save on land acquisition and wetland restoration costs;

and citizens by avoiding delays in undertaking public safety road enhancements due to wetland mitigation costs.

The 1996 and 2000 Legislatures amended the Wetland Conservation Act (WCA) after several years of controversy and regulatory inconsistency among local governments, business interests, environmental groups, and others. The Local Government Roads Wetland Replacement Program was a key outcome of these amendments. It places the responsibility for replacing wetlands lost due to local government road construction with BWSR. 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 high quality, more cost effective wetland replacement.
- Consolidation of fragmented impacts from road projects in targeted areas to provide habitat, water quality and other wetland functions away from traffic and highway runoff areas at a lower public cost.
- Integration of state and local water management goals such as improving water quality, flood control, greenway preservation, and wildlife corridor enhancement through collective action.
- Coordination of state, local and federal agencies in ranking project proposals and setting program strategies consistent with overall state and federal wetland goals.
- Referencing a USDA – NRCS economic impact survey titled *Assessing the Economic Impact of WRP (Wetland Reserve Program) on the Minnesota Economy*, (Sommer and Duzy, 2008) it is estimated that program will create or support 198 jobs, over the biennium, based on the requested expenditure of \$12.560 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

Local Government Roads Wetland Replacement

biennium. Without a continued state commitment to this funding, local governments face the resulting negative consequences:

- Reduced or delayed completion of local government road projects;
- Increased local road project costs requiring either higher property taxes or fewer projects;
- Reversal of the stakeholder consensus that resulted in wetland regulatory reforms (*Laws 1996, Chap. 462 and Laws 2000, Chap. 382*);
- Loss of public value due to lower quality replacement wetlands; and
- Reversal of an agreement with the Army Corps of Engineers (COE) that allows this program to meet federal regulatory requirements.

Impact on Agency Operating Budgets (Facilities Notes)

The 2012 capital budget request is based on an average of 209 acres of wetland replacement credits every year at an annual cost of \$2,620,860. An analysis of required replacement for the period 2000-2010 indicated that the annual replacement need fluctuated from a high of 242 acres of credit to a low of 136 acres of credit with an average of 209 for the ten-year period. The number of credits impacted depends most directly on the money available to local governments for road construction. The cost of developing credits was based on BWSR's recent experience with developing wetland replacement projects, with an inflationary factor that accounts for increases in land costs, project construction and development, and regulatory compliance.

State statute and federal policy requires the replacement of wetlands to occur prior to the loss, but current practice lags two years behind in wetland replacement due to lack of available funds. This is important because it takes an average of seven years to transform the requested funds into approved wetland credits. This seven year period is comprised of: two years to find sites, acquire land and implement the project; another year for the site to stabilize before the credits can be approved and deposited into the State Wetland Bank; and then a minimum of four years of monitoring is required by the federal government before all credits can be approved and deposited in the wetland bank. This means that in order to comply with state and federal regulations that require replacement to be completed prior to the wetland losses, a minimum of four years' worth of credits or a positive balance of at

least 836 credits should be established and maintained in the bank. This amount should be viewed as an absolute minimum balance; BWSR has the goal of establishing a five year balance of wetland replacement credits. A five year balance would require developing 1,045 wetland credits, and then receiving future bond appropriations to maintain this balance. Achieving this goal will assure the U.S. Army Corps of Engineers that the State is complying with Section 404 of the Clean Water Act. In addition, local road authorities that budget and plan their projects several years in advance will have the assurance that adequate wetland replacement will be available at the time of project completion.

The current system of replacement has satisfied the federal agencies in the past, but new federal rule requirements are intensifying the need to build a positive wetland credit balance to ensure that replacement precedes impacts by a minimum of one growing season. Failing to achieve this in-advance wetland replacement requirement will increase replacement ratios and associated costs and result in project delays due to the lack of federal permits.

The increase in requested funding compared to previous requests for this program is due to:

- Appropriations in 2008 and 2010 that were less than 50% of the Agency request;
- The need to establish a positive balance in the wetland bank equal to five years of local road authority wetland impacts;
- Land costs are increasing due to increasing demand for land for agricultural production and other competing uses;
- Construction and project development costs are increasing due to increased federal regulatory program requirements; and
- Implementation of the U.S. Army Corps of Engineers Saint Paul District Compensatory Mitigation Policy for Minnesota results in a reduced credit amounts being generated from a given site.

In order to meet the statutory obligation to provide wetland replacement for local road authority projects BWSR requests \$13.1 million in funding for 2012.

Local Government Roads Wetland Replacement**Previous Appropriations for this Project**

History of appropriations for the Local Government Roads Wetland Replacement Program:

1996-97	\$3.00 million
1998-99	\$2.75 million
2000-01	\$4.30 million
2002-03	\$3.00 million
2004-05	\$4.36 million
2006-07	\$4.20 million
2008-09	\$3.48 million
2010-11	\$2.50 million

Other Considerations**Project Contact Person**

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

Grass Lake Wetland Restoration

2012 STATE APPROPRIATION REQUEST: \$1,600,000

AGENCY PROJECT PRIORITY: 3 of 3

PROJECT LOCATION:

Project At A Glance

Completes the 1,200-acre Grass Lake restoration project located adjacent to the city of Willmar, Minnesota, which began in 1989. This project would complete easement acquisition and substantial drainage system modifications to enable completion of the restoration of Grass Lake.

Benefits include wildlife habitat improvement within and adjacent to Grass Lake, water quality improvement in Lake Wakanda, Little Kandiyohi Lake and the South Fork of the Crow River, which are impaired waters downstream from Grass Lake, and improved stormwater runoff management for the city of Willmar and downstream.

Project Description

Grass Lake is a 1,200 acre, shallow prairie pothole lake that was drained for agricultural production and urban development during the early 20th century. The area in and around Grass Lake is relatively flat. Kandiyohi County Ditch 23A, an associated Branch 3 ditch, and extensive public and private subsurface tile were used to drain Grass Lake. Lake Wakanda, which is located a few miles downstream of Grass Lake, is controlled by a low-head dam that backs water up into CD 23A during major runoff events.

CD 23A drains approximately 3,300 acres within the City of Willmar and is the outlet for the 7,000 acre Peach Creek agricultural watershed north and east of Grass Lake.

Hydrologic, hydraulic and water quality analyses for various alternatives to restore Grass Lake were conducted by Barr Engineering, Inc. in 2008 and 2009 under contract with Kandiyohi County and in coordination with BWSR and the City of Willmar. These alternative analyses led to the identification of

key components of an overall restoration plan, including: 1) directing Peach Creek into Grass Lake; 2) diversion of high flows of CD 23A around the western and southern sides of Grass Lake; 3) construction of a stormwater lift station to pump “first flush” stormwater runoff from Willmar into a pretreatment pond within Grass Lake; 4) construction of an outlet control structure on CD 23A at the outlet of Grass Lake and; 5) diversion of low flows from Branch 3 to the stormwater lift station.

Acquisition of remaining land rights necessary to fully restore Grass Lake, as well as final design and implementation of project components, would enable this large basin to better serve as a contiguous wildlife habitat area and a runoff detention and bioretention area. Grass Lake is located in the Prairie Pothole Region of Minnesota, which is a high priority waterfowl habitat restoration area. Restoration of Grass Lake has also been identified as a goal for water quality improvement and flood damage reduction in the Lake Wakanda and Little Kandiyohi Lake areas downstream.

Impact on Agency Operating Budgets (Facilities Notes)

The BWSR operating budget is not directly connected to this project. BWSR and local government easement acquisition, project management and engineering work is included in the project.

Previous Appropriations for this Project

\$2.2 million F.Y. 2006, (Laws 2006, Ch. 258), of which \$1.614 million was reauthorized in the 2011 Special Legislative Session.

\$800,000 F.Y. 2008, (Laws 2008, Ch. 179)

Other Considerations

This is a complex project involving many landowners, a very challenging site and multiple government units. The restoration of Grass Lake has progressed incrementally as funding was available and landowner participation progressed. Due to impaired waters designations in Lake Wakanda, Little Kandiyohi Lake and the South Fork of the Crow River, Kandiyohi County is very interested in restoration of Grass Lake to improve

Grass Lake Wetland Restoration

water quality downstream, in addition to potential flood damage reduction and wildlife habitat benefits.

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