

Project Title	2014 Agency Priority Ranking	Agency Project Request for State Funds (\$ by Session)				Governor's Recommendations 2014	Governor's Planning Estimate	
		2014	2016	2018	Total		2016	2018
Reinvest in Minnesota (RIM) Reserve Program	1	\$50,000	\$50,000	\$50,000	\$150,000	\$0	\$0	\$0
Local Government Roads Wetlands Replacement Program	2	5,400	5,000	5,000	15,400	0	0	0
Flood Response	3	9,500	0	0	9,500	0	0	0
Total Project Requests		\$64,900	\$55,000	\$55,000	\$174,900	\$0	\$0	\$0

Reinvest in Minnesota (RIM) Reserve Program

2014 STATE APPROPRIATION REQUEST: \$50,000,000

AGENCY PROJECT PRIORITY: 1 of 3

Project At A Glance

RIM Reserve is Minnesota's largest private land conservation easement program that 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;
- Restoring fish, game and wildlife habitat;
- Protecting groundwater quality and enhancing groundwater recharge retention systems;
- Implementing key components of the state's wetland restoration, waterfowl habitat and prairie protection plans; and
- Leveraging federal, state and local financial resources that enhance the State's investment.

Project Description

The Board of Water and Soil Resources (BWSR) is requesting \$50 million to address state goals for flood prevention, water quality, productive soil, and abundant fish and wildlife habitat by securing permanent conservation easements and completing comprehensive wetland and upland restoration projects. The Reinvest In Minnesota (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. It is a critical component of the state's efforts to address chronic flooding problems, improve water quality, and enhance 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). RIM-WRP is a state/federal/local partnership that combines a 30-year federal WRP easement with a perpetual state RIM Reserve easement and provides Minnesota with an opportunity to leverage \$1.6 of Federal WRP funding for every state dollar.

RIM-WRP has a priority focus in the areas of the state that have had significant losses of wetland and associated prairies. BWSR partners with local SWCDs to carry-out oversight, monitoring and inspection of its conservation easements.

National Water Quality and Habitat Initiatives

BWSR also will 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), through which we can leverage additional federal dollars to acquire conservation easements to improve and protect Minnesota resources in targeted watersheds and projects.

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.

Implementing the MN Prairie Conservation Plan

Minnesota's conservation partners, including BWSR, collaborated to develop a twenty-five year strategy for accelerating prairie conservation. This strategy developed due to the continuing loss and degradation of prairies, grasslands, wetlands and associated habitats along with the fish and wildlife dependent upon them. As outlined in the plan, BWSR hopes to enroll 10,000-20,000 acres/year in conservation easements using RIM, RIM-WRP, and other appropriations.

Expiring Conservation Reserve Program Acreage

Nearly 823,000 acres (60 percent) of Minnesota conservation lands enrolled in the federal Conservation Reserve Program (CRP) will expire by September 2016. Unless action is taken to continue protection of these lands using a combination of conservation programs, they will likely be converted

Reinvest in Minnesota (RIM) Reserve Program

back into cropland, eliminating the associated water quality benefits that address critical priorities such as reducing sediment and nutrients, as well as providing a multitude of wildlife benefits. RIM easement opportunities will be identified using the Ecological Ranking Tool (ERT). This tool identifies areas on the landscape that are (1) at risk for soil erosion, (2) at risk for contributing sediment to surface waters, and (3) are of high habitat quality. Local SWCD, NRCS and partner staff will provide outreach to landowners with expiring CRP acres on these targeted lands.

Existing RIM Easement Enhancement Needs

A portion of the existing 6,000 RIM easements are in need of vegetation and hydrology enhancements in order to attain the highest environmental benefits for the site. Often these enhancements involve converting introduced plant species to native grasses and forbs. In addition, enhancing the wetland portion of RIM easements by more fully restoring the hydrology of the site also is needed.

Total Project Cost: The total cost of this project is \$50 million. Of that amount, \$42 million is for easements, restoration and conservation practices, and \$8 million is for implementation (surveying, engineering designs, realty transactions) in cooperation with local Soil and Water Conservation Districts (SWCDs) who work with the landowner to select local contractors. Additional federal leverage is anticipated but the amount is unknown.

Impact on Agency Operating Budgets (Facilities Notes)

\$8 million of the request is required to implement the RIM Reserve program. This amount is required to support the necessary realty, engineering and administrative functions associated with easement acquisition and establishment of conservation practices on those easement lands. SWCDs will receive a portion of this total as a Conservation Easement Services Grant to offset their cost to secure easements, develop conservation plans and monitor easement compliance.

Previous Appropriations for this Project

Capital Investment Appropriations

1996	\$11.5million
1998	\$15.0million
2000	\$21.0million
2001	\$51.4million

2003	\$ 1.0 million
2005	\$23.0million
2007	\$ 1.0million
2008	\$25.0million
2009	\$0.5million (NW Flood Recovery)
2010	\$10.0million (SE Flood Special Session)
2011	\$20.0million
2011	\$ 1.614 million (Grass Lake Kandiyohi County)
2012	\$ 6.0 million
2012	\$ 1.5 million (2012 flooding)

Other Considerations

Project Contact Person

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 John Jaschke, Executive Director, MN BWSR

Local Government Roads Wetlands Replacement Program

2014 STATE APPROPRIATION REQUEST: \$5,400,000

AGENCY PROJECT PRIORITY: 2 of 3

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 MN Statute 103G.222. This program supports the “no-net-loss” requirements of both state and federal regulations and consolidates the necessary technical, financial and record-keeping to provide high quality, more cost effective wetland replacement.

Project Description

The Board of Water and Soil Resources (BWSR) is requesting \$5.4 million to acquire and restore wetlands on approximately 175 acres to:

- (1) replace wetlands drained or filled by local government road construction projects over the FY2014-15 biennium; and
- (2) 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 with 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 85 jobs, over the biennium, based on the requested expenditure of \$5.400 million.

There is stakeholder consensus on the benefits of the program and the need to permanently fund it. Local governments have recommended that funding for this program should be part of BWSR’s capital budget request each biennium. Without a continued state commitment to this funding, local governments face 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.

Local Government Roads Wetlands Replacement Program

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. Currently it takes an average of five to seven years to transform the requested funds into approved wetland credits. 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 of 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. 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 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 total cost of this project is \$5.4 million, which is the amount of this request.

Impact on Agency Operating Budgets (Facilities Notes)

The 2014 capital budget request is based on ensuring a 5 year credit balance in each of the bank areas. Current areas of concern are the Red River South Bank Service Area, the Minnesota River Bank Service Area and the seven county metropolitan area, which have a current cumulative balance of 107 wetland credits. The estimated five-year need for these areas is 282 credits, resulting in a deficit of 175 credits. The average total cost of generating a wetland credit is \$30,888. The cost of developing credits is based on the 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.

This request allows BWSR to meet the statutory obligation to provide wetland replacement for local road authority projects.

Previous Appropriations for this Project

Capital Investment Appropriations

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
2012-13	\$6.00 million

Other Considerations

Other factors considered in developing this request included:

- Appropriations in 2008, 2010 and 2012 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.

Project Contact Person

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Flood Response

2014 STATE APPROPRIATION REQUEST: \$9,500,000

AGENCY PROJECT PRIORITY: 3 of 3

Project At A Glance

This flood response project is intended to augment funds provided during the special legislative session in August 2012. Funds will assist local governments and landowners in areas affected by the June 2012 severe floods in Northeast and Southeast Minnesota.

Project Description

The Board of Water and Soil Resources (BWSR) is requesting \$9.5 million to repair flood damage on public and private land. The funds will be used for erosion, sediment and water quality control projects such as stream channel restorations and stabilization of landslide areas that threaten public or private property.

During the time period of June 14-21, 2012, severe storms and flooding caused damage to infrastructure, private/public property and natural environments in several Minnesota counties. A Presidential Major Disaster was declared (FEMA, DR-4069) on July 6, 2012. Counties and tribal lands included in the declaration were: Aitkin, Carlton, Cass, Cook, Crow Wing, Dakota, Goodhue, Itasca, Kandiyohi, Lake, Meeker, Pine, Rice, Sibley, St. Louis, and the Fond du Lac Band of Lake Superior Chippewa, Grand Portage Band of Lake Superior Chippewa, and the Mille Lacs Band of Ojibwe.

On Friday, Aug. 24, 2012, Governor Mark Dayton signed a \$167 million disaster relief bill passed earlier in the day by a Special Session of the Minnesota State Legislature. To assist in flood recovery efforts, the Board of Water and Soil Resources (BWSR) received \$11 million to implement erosion, sediment control and water quality protection projects and \$1.5 million to purchase Reinvest in Minnesota (RIM) conservation easements on affected lands.

Within two weeks of the appropriation, BWSR executed grant agreements and allocated more than \$1 million to eleven soil and water conservation districts (SWCDs) to address emergency flood situations for erosion,

sediment and water quality control projects based on preliminary damage assessments and requests from SWCDs.

Following BWSR's emergency allocations, local government units applied through the Minnesota Recovers Task Force (MRTF) process for remaining needs. The Minnesota Recovers Task Force ensures applicants meet the eligibility criteria to receive state assistance funds and coordinates eligible federal and state funding sources. By March 2013, BWSR had allocated or pre-encumbered approximately \$9.5 million of the total \$12.5 million appropriation to the highest priority projects eligible for this funding, including providing non-federal match for many erosion control and water quality protection projects funded by federal conservation programs. It is anticipated that the remaining \$3 million of BWSR appropriations will be allocated by early in fiscal year 2014. The remaining unfunded eligible requests will total \$9.5 million.

Flooding in Northeast Minnesota

The most damaging flood in Duluth's history began when heavy rains fell over already saturated ground, making the situation worse. The main event occurred from June 19-20, 2012, when the Duluth National Weather Service reported total rainfall of 7.24 inches. Just northeast of Duluth, the National Weather Service reported 10.10 total inches; Two Harbors received 9.93 inches of rain.

Substantial flooding was reported in many areas around Duluth, including the Lake Superior Zoo. I-35 was closed for a time in Duluth. Highway 61 was closed through June 21 between Duluth and Two Harbors. Road closures were also commonplace in Itasca, Aitkin, Carlton, Southern Lake, and Southern St. Louis counties.

Remaining program-eligible funding requests in Northeast Minnesota are primarily in the Duluth area.

Flooding in Southeast Minnesota

Torrential rains fell on June 14-15, 2012, causing rainfall totals from 7.13 to 8.83 inches in Goodhue, Rice and Dakota Counties, as reported by the National Weather Service. The heavy downpours caused rapidly rising rivers that precluded emergency flood damage prevention measures and resulted in field and streambank erosion, damage to existing conservation practices,

Flood Response

and flooding in basements. The Little Cannon River near Cannon Falls rose twelve feet in about ten hours and set a new record crest. The Cannon River at Welch was near a record crest by 10 a.m. on June 15. Numerous roads were closed in Goodhue County, including Highway 52.

Remaining program-eligible funding requests in Southeast Minnesota are located in Goodhue, Dakota and Rice Counties.

Impact on Agency Operating Budgets (Facilities Notes)

5% of the request is the estimated amount needed to implement the projects at the agency level. The technical and administrative cost allocated for the local government is 20-25% of grants made to them.

Previous Appropriations for this ProjectGeneral Fund Appropriations

2012	\$11 million
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Other Considerations**Project Contact Person**

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