Water & Soil Resources Board

Projects Summary

($ in Thousands)

Project Title	2010 Agency Priority Ranking	Agency Project Request for State Funds ($ by Session)				Governor's Recommendations	Governor's Planning Estimate	
		2010	2012	2014	Total	2010	2012	2014
Local Government Roads Wetland Replacement	1	$8,420	$0	$0	$8,420	$4,200	$4,200	$4,200
Reinvest in Minnesota (RIM) Program	2	50,000	0	0	50,000	4,000	4,000	4,000
Total Project Requests		$58,420	$0	$0	$58,420	$8,200	$8,200	$8,200

Agency Profile At A Glance

Key partnerships:

- State Conservation programs provide about $44 million annually (includes local, state and federal dollars) for land and water treatment practices that reduce soil erosion and improve water quality
- RIM Reserve - Wetlands Reserve Program (RIM-WRP) leverages $1.40 federal for every state dollar to restore previously drained wetlands and adjacent grasslands
- Local government units (cities, counties or SWCDs) and BWSR administer the WCA, the state's wetland protection program
- BWSR and local watershed districts administer a broad range of programs and services to protect and improve water quality, inform citizens about best management practices to reduce nonpoint source pollution, and minimize damage to property caused by flooding

Agency Purpose

The Board of Water and Soil Resources (BWSR) implements state soil and water conservation programs and wetland policies through a statewide partnership. The mission of the BWSR board and staff is to improve and protect Minnesota's water and soil resources by working in partnership with local organizations and private landowners.

Agency programs, primarily delivered through local units of government, have resulted in less sediment and nutrients entering our lakes, rivers, and streams; greater fish, wildlife and native plant habitat; and improved management of public drainage systems. These outcomes are achieved in spite of intensification of agriculture, greater demands for forest products, and urbanization in many parts of the state.

Because 78% of the state is held in private ownership, the agency's focus on private lands is critical to the state attaining its goals for clean water, clean air and abundant fish and wildlife. Managed wisely, these working lands – Minnesota's farms, forests and urban areas – can contribute to the state's environmental goals.

BWSR programs include Conservation Cost-Share, Reinvest in Minnesota (RIM) Reserve, Clean Water Legacy and the Constitutionally-dedicated Clean Water Fund, the Wetland Conservation Act (WCA), and Comprehensive Local Water Management. These programs are administered locally by the state's 91 soil and water conservation districts (SWCDs), 87 county water planners (some are SWCD staff), 338 WCA local government units (including cities, counties and SWCDs), 46 watershed districts, 20 metropolitan watershed management organizations and other local government units.

Core Functions

The main duties of the board and staff include:

- Serving as the state soil conservation agency (M.S. 103B.101).
- Implementing best management practices that reduce nonpoint source pollution, promoting native vegetation and controlling invasive plant species by providing financial, technical, and administrative assistance to local government units and private landowners (M.S. 103B, 103C, 103D).
- Providing planning assistance to ensure that local water resource planning is linked with comprehensive land use planning and approving all local water management plans (M.S. 103B).
- Resolving water policy disputes (M.S. 103A.211, 103A.305, 103A.315, 103A.311).
- Providing a public forum for citizens and a broad range of interests to make decisions on complex water and soil conservation policies (M.S. 103B.101).
- Protecting wetlands from being drained or filled by implementing the Wetland Conservation Act (M.S. 103G).
- Coordinating local, state and federal resources to achieve the most effective conservation outcomes for the state's investment.

Operations

The 20-member board consists of 12 members representing citizens and local government entities (county commissioners, City Council members, township officers, SWCD supervisors and watershed district managers), four

commissioners of state agencies, and one representative of the University of Minnesota Extension Service. Agency staff is located in eight geographically distributed offices throughout Minnesota.

Budget

Two-year state budget:

- $78.2 million for FY 2010-2011 biennium
- $68.0 million (86 percent) in grants to local government units and easements
- $10.2 million operating budget (14percnet)
- FY 2010 staff complement: 81 FTE, of which 49 FTE are funded by general fund

The primary funding source for agency operations is the general fund.

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At A Glance: Agency Long-Range Strategic Goals

The Water and Soil Resources Board's (BWSR) Strategic Plan identifies resource management strategies and related goals. Resource management strategies are focused on a combination of education, financial incentives, and regulation. The goal is to build local capacity for water resource management by providing assistance to local governments and landowners in preventing natural resource problems and mitigating existing problems.

Agency goals and objectives that are achieved through capital projects include:

- protecting or retiring marginal agricultural and environmentally sensitive lands.
- targeting conservation projects to the highest priority marginal and sensitive lands.
- creating natural retention systems to improve surface water quantity, enhance groundwater recharge, and prevent flood damage to natural landscapes and property.
- achieving the state's policy of no net loss of wetlands.
- leveraging non-state funding to restore and protect landscapes and habitat on the state's private lands.

BWSR programs, as outlined in the capital budget request, use incentives and include tools local governments can use to enhance local conservation program delivery. Incentives provide opportunities to remove marginal ag-land and environmentally sensitive land from production and provide solutions for extreme shoreland erosion and flood damage to land and wildlife habitat. They encompass both urban and rural landscapes and provide both acquisition and restoration components.

Conservation Easement Programs: As part of the state's effort to restore natural habitat, protect marginal land and improve water quality, BWSR administers conservation easement programs that restore or protect critical lands and habitats.

The state established the Reinvest in Minnesota (RIM) Reserve Program in 1986. Since then, state-funded easement programs have secured more than 205,000 environmentally sensitive acres throughout the state.

The focus for acquiring easements over the past three years has been accomplished with the USDA/NRCS via the RIM/WRP Partnership which will restore wetlands and adjacent grasslands, primarily in the areas of the state with the greatest wetland losses and highest potential for wildlife habitat restoration.

RIM Reserve leverages $1.40 federal funding for each state dollar. Wetland Reserve Partnership (WRP)

This program restores previously drained wetlands and protects them using a perpetual conservation easement. The combination of a 30-year National Resource Conservation Service (NRCS)/WRP easement and a RIM Reserve perpetual easement streamlines the easement process for both local units of government and landowners. The requested funding provides the state match for the program. The geographic focus of this program is the Prairie Pothole Region.

BWSR will continue to leverage federal funding through the Conservation Reserve Program (CRP), WRP, the Wetlands Reserve Enhancement Program (WREP), the Conservation Reserve Enhancement Program (CREP), the North American Wetland Conservation Council (NAWCC), and from private conservation organizations to maximize program outcomes.

Public Transportation Wetland Replacement Program

The Minnesota Local Government Roads Wetland Replacement Program results from a **statutory obligation** of the state to replace wetlands lost to safety improvements made to public transportation projects (M.S. 103G.222, Subd.1(1). This program supports the "no-net-loss" requirements of both state and federal regulations. It benefits a wide number of constituent groups: local road authorities by assigning responsibility for replacing the inevitable loss of wetlands to the state, environmental interests by establishing higher quality wetland replacement sites, state taxpayers by reducing the overall costs of constructing these replacement wetlands due to

economies of scale, and citizens by avoiding delays in undertaking public safety enhancements to existing roads due to wetland mitigation costs.

Streambank, Lakeshore, and Roadside Erosion Control Program

This program provides for the protection of water quality, fish and wildlife habitat, public infrastructures, and public safety through:

- protection and restoration of environmentally sensitive lake and river shoreland areas through the purchase of conservation easements, M.S. 103F.225 (Shoreland Protection Program);
- restoration of severely eroded lake and river stream banks through the installation of erosion control practices with cooperating public entities; and
- reduction of flood damage through the installation of road crossing water retention projects.

Trends, Policies and Other Issues Affecting the Demand for Services, Facilities, or Capital Programs

The following trends and issues are shaping the development of programs at BWSR:

- **Non-point source pollution strategy moves to implementation phase.** The strategy for non-point source pollution has moved to the implementation phase as a result of constitutionally-dedicated sales tax revenues which accelerates the need to install soil erosion and water quality practices on the land. BWSR's local government network provides the means to effectively disseminate conservation, financial and technical assistance to private landowners throughout the state. Through its local water management programs, BWSR can identify, assess, prioritize, implement and oversee programs and practices to address non-point concerns at the local level.
- **Federal action increases pressure.** Federal action has increased pressure on BWSR and local governments to increase their efforts in land and water conservation. The current farm bill authorizes states to apply and have land set-aside in conservation easements. This program provides the potential for the state to leverage at least $1.40 of federal funds for every $1 of state match. Further, decreased USDA staffing for the NRCS has increased workload for local and state governments to provide the technical assistance necessary to design and install conservation practices. In addition, EPA is requiring states to address impaired waters and nutrient enrichment (hypoxia) in the Gulf of Mexico. These factors have increased demands for service.
- **Increased acknowledgement of and reliance on the role and capabilities of local government.** Over the past several years, state government has grown increasingly dependent on local government to carry out state initiatives. Cooperative resource management is an effective way to maintain or increase resources without increasing funding. 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. They are now at a point, however, where they need a wider variety of training and assistance in technical, leadership, and management issues.
- **Increased natural resource awareness and willingness to take action to ensure a future with high quality natural resources.** Minnesotans are aware of environmental concerns, particularly water quality. With approximately one-third of Minnesota adults owning recreational property, the state's citizens are more willing to make reasonable investments and accommodations to protect and improve water quality. Residents also are more aware of the need to protect marginal lands, especially those close to critical water resources. The agricultural community has accepted the need to remove marginal agricultural lands from production in order to improve production efficiency and water quality.

Provide a Self-Assessment of the Condition, Suitability, and Functionality of Present Facilities, Capital Projects, or Assets

The following information outlines the condition of Minnesota's 23 million acres of cropland and related conservation needs.

(Total Minnesota Farmland: 30.5 Million Acres (including 23 Million acres in Cropland, and Total Minnesota Private Land: 39.2 Million Acres)

Soil Conservation Needs:

10 Million Acres:
- protected from erosion; annual erosion is less than the tolerable rate of soil loss
- on-going need to maintain good management practices

Eight Million Acres:
- eroding at one to two times the tolerable rate of soil loss
- need for technical assistance to landowners to implement sustainable management practices is vital

2.5 Million Acres:
- eroding at greater than twice the tolerable rate of soil loss
- productive land only if protected with conservation practices
- targeted cost-share programs for conservation practices and technical assistance to landowners are critical

2.5 Million Acres *:
- drained wetlands
- marginal cropland
- highly erodible and located in floodplains
- targeted land retirement programs are needed

* Funding for BWSR conservation easement programs will be used on portions of these lands.

Other Resource Protection Needs:

1,600 miles of eroding streambanks and lakeshore
4,300 cubic yards of soil are lost per year from roadside erosion
102,000 acres of land within 50 feet of a perennial surface water without a vegetated buffer

Agency Process Used to Arrive at These Capital Requests

In determining the amount of this request, acreage and application estimates were compiled based on historical program demands and opportunities to leverage federal conservation funding were evaluated.

Major Capital Projects Previously Authorized

Local Government Roads Wetland Banking Appropriations

2002	$2.7 million (vetoed)
2003	$2.7 million
2005	$4.4 million
2006	$4.2 million
2008	$4.2 million

Conservation Easement Program Appropriations

2002	$2.0 million (vetoed)
2003	$1.0 million
2005	$23.0 million
2008	$25.0 million
2009	$9.0 million (Outdoor Heritage Funds)
	$0.5 million (NW MN flood relief)

Shoreland Easements

2002	$750,000 (vetoed)

2010 STATE APPROPRIATION REQUEST: $8,420,000

AGENCY PROJECT PRIORITY: 1 of 2

PROJECT LOCATION: Road Replacement projects are bid statewide via, an RFP and it is not possible to give a project, location at this time.

Project At A Glance

The Minnesota Local Government Roads Wetland Replacement Program replaces wetlands lost due to local public road improvements as required by state statute.

Project Description

The Board of Water and Soil Resources (BWSR) is requesting $8.42 million to acquire 440 acres of wetlands to replace wetlands lost due to local government road construction over the next biennium and to acquire an additional 440 acres of wetlands for establishing a two year wetland credit balance to allow for in advance replacement as is required by state and federal no-net-loss-of-wetlands standards.

The Minnesota Local Government Roads Wetland Replacement program has been established in response to a state **statutory obligation** 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 assessing 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 land acquisition 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 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 higher 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 the program will create or support 133 jobs, over the biennium, based on the requested expenditure of $8.42 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 paying for this work locally, which could result in several negative consequences, including:

- reduced or delayed completion of local government road projects;
- increased local property tax levies;

- reversal of the stakeholder consensus that resulted in wetland regulatory reforms (*Laws 1996, Chap. 462 and Laws 2000, Chap. 382*); and
- reversal of an agreement with the Army Corps of Engineers (COE) that allows this program to meet federal regulatory requirements on behalf of local communities. Local road authorities would again have to seek individual federal permits.

Impact on Agency Operating Budgets (Facilities Notes)

The 2008 capital budget request was based on an average of 236 acres of required wetlands replacement every year at an annual cost of $2.36 million. An analysis of required replacement for the period 2006-2008 has determined that the annual replacement need has remained stable at 220 acres. The number of acres impacted depends most directly on the money available to local governments for road construction. The cost of establishing wetland in 2008 varied widely, from a low of $5,250 an acre in rural Minnesota to more than $43,000 an acre for metro projects.

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 the availability of funding. This is important because it takes an average of three years to transform allotted funds into approved wetland credits. This three year period is comprised of two years to find sites, acquire land and implement the wetland bank plan and another year for the site to stabilize before credits can be certified and deposited into the wetland bank. In addition, it generally takes five years before all wetland credits developed at a project site are certified and deposited into the state wetland bank. This means that in order to comply with the state and federal regulations that require the replacement to be done prior to or concurrent with the wetland losses, two years worth of credits or a positive balance of at least 440 acres should be established and maintained in the bank.

The current system of replacement has satisfied the federal agencies in the past but BWSR anticipates programmatic changes that will intensify the need to build this buffer as soon as possible so replacement precedes impacts by a minimum of one growing season. Failure to meet this in advance wetland replacement requirement would increase replacement ratios and associated costs even further.

The increase in funding requested for this program is principally due to the following:

- Increased cost for replacement wetlands in urbanizing areas of the state;
- The need to establish a two year credit balance to fulfill state and federal no-net-loss-of-wetlands criteria and to minimize expected future cost increases;
- Implementation of the new Corps of Engineers Saint Paul District Compensatory Mitigation Policy for Minnesota that has resulted in less wetland credit from a given site and a disincentive penalty for wetland credits that are not generated in advance.

In order to meet the statutory obligation to conduct wetland replacement and establish a two year balance of wetland credits, BWSR projects that it will need $8.42 million for the upcoming two years (July 2010 through June 2012); however the total dollars needed may increase due to increased road construction activity, increases in land values, and increased cost to develop replacement wetlands.

Previous Appropriations for this Project
History of appropriations for the Local Government Roads Wetland Replacement Program:

1996	$3.00 million
1998	$2.75 million
2000	$2.30 million
2001	$2.00 million
2002	$0.30 million
2003	$2.70 million
2005	$4.36 million
2006	$4.20 million
2008	$4.20 million

Other Considerations

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Governor's Recommendations

The Governor recommends general obligation bonding of $4.2 million for this project. Also included are budget planning estimates of $4.2 million in each of 2012 and 2014.

TOTAL PROJECT COSTS All Years and Funding Sources	Prior Years	FY 2010-11	FY 2012-13	FY 2014-15	TOTAL
1. Property Acquisition	0	5,978	0	0	5,978
2. Predesign Fees	0	0	0	0	0
3. Design Fees	0	0	0	0	0
4. Project Management	0	750	0	0	750
5. Construction Costs	0	1,692	0	0	1,692
6. One Percent for Art	0	0	0	0	0
7. Relocation Expenses	0	0	0	0	0
8. Occupancy	0	0	0	0	0
9. Inflation	0	0	0	0	0
TOTAL	**0**	**8,420**	**0**	**0**	**8,420**

CAPITAL FUNDING SOURCES	Prior Years	FY 2010-11	FY 2012-13	FY 2014-15	TOTAL
State Funds :					
G.O Bonds/State Bldgs	0	8,420	0	0	8,420
General	0	0	0	0	0
State Funds Subtotal	0	8,420	0	0	8,420
Agency Operating Budget Funds	0	0	0	0	0
Federal Funds	0	0	0	0	0
Local Government Funds	0	0	0	0	0
Private Funds	0	0	0	0	0
Other	0	0	0	0	0
TOTAL	**0**	**8,420**	**0**	**0**	**8,420**

CHANGES IN STATE OPERATING COSTS	Changes in State Operating Costs (Without Inflation)			
	FY 2010-11	FY 2012-13	FY 2014-15	TOTAL
Compensation -- Program and Building Operation	0	0	0	0
Other Program Related Expenses	0	0	0	0
Building Operating Expenses	0	0	0	0
Building Repair and Replacement Expenses	0	0	0	0
State-Owned Lease Expenses	0	0	0	0
Nonstate-Owned Lease Expenses	0	0	0	0
Expenditure Subtotal	0	0	0	0
Revenue Offsets	0	0	0	0
TOTAL	0	0	0	0
Change in F.T.E. Personnel	0.0	0.0	0.0	0.0

SOURCE OF FUNDS FOR DEBT SERVICE PAYMENTS (for bond-financed projects)	Amount	Percent of Total
General Fund	8,420	100.0%
User Financing	0	0.0%

STATUTORY AND OTHER REQUIREMENTS Project applicants should be aware that the following requirements will apply to their projects after adoption of the bonding bill.	
Yes	MS 16B.335 (1a): Construction/Major Remodeling Review (by Legislature)
Yes	MS 16B.335 (3): Predesign Review Required (by Administration Dept)
Yes	MS 16B.335 and MS 16B.325 (4): Energy Conservation Requirements
Yes	MS 16B.335 (5): Information Technology Review (by Office of Technology)
No	MS 16A.695: Public Ownership Required
No	MS 16A.695 (2): Use Agreement Required
No	MS 16A.695 (4): Program Funding Review Required (by granting agency)
No	Matching Funds Required (as per agency request)
No	MS 16A.642: Project Cancellation in 2015

2010 STATE APPROPRIATION REQUEST: $50,000,000

AGENCY PROJECT PRIORITY: 2 of 2

PROJECT LOCATION: Statewide eligibility but with priority to areas, of the state with the greatest loss of wetlands

Project At A Glance

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

- Protect or retire marginal and environmentally sensitive agricultural lands;
- Protect, restore and enhance water quality of rivers, streams, and lakes;
- Protect, restore and enhance wetlands and fish, game and wildlife habitat;
- Contribute toward a net gain of wetland resources;
- Reduce flood damage, protect groundwater quality and enhance groundwater recharge through the creation of natural water retention systems;
- Leverage federal conservation funds;
- Carbon sequestration;
- Keep lands in private ownership and on local tax rolls;
- Enables partnership with federal, state and local entities to leverage additional financial resources that enhance the state's investment; and
- Creates and/or retains jobs and the potential for biofuel production from native grasslands.

Project Description

Degrading water quality and diminished wildlife habitats can be found throughout Minnesota. Approximately 2.5 million of the state's 23 million acres of cropland have been targeted as having more benefit to the state as restored native prairie and wetlands. The RIM Reserve program compensates landowners for granting conservation easements and establishing native vegetation habitat on these economically marginal, flood-prone, environmentally sensitive or highly erodible lands.

The Board of Water and Soil Resources (BWSR) is requesting $50 million in 2010 to acquire conservation easements on private land. 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.

Damage to Minnesota resources occurs in the form of soil erosion, sedimentation of eroded soil, and phosphorus inputs to lakes, rivers and streams. Soil erosion reduces farm productivity, increases the costs of farming, and creates water-borne sediment for downstream communities to address. Sedimentation fills rivers and lakes, destroys habitat, carries pollutants, increases flood severities, and reduces recreational value. Phosphorus makes water unsuitable for fish or human activities, promotes excess aquatic plant growth, and promotes eutrophication of water resources.

The RIM Reserve Program (RIM) meets the goals and objectives of BWSR's strategic plan. It protects the state's water and soil resources by retiring existing marginal agricultural lands, by restoring drained wetlands and by protecting existing wetlands that are highly susceptible to development. The public benefits of wetland restoration include:

- restoration of wildlife habitat,
- enhanced native plant communities,
- water quality improvement,
- flood control,
- carbon sequestration and
- potential bio-energy production.

The wetland restoration sites average about 100 acres in size and include restoration of adjacent prairie grasslands to assure these public benefits are sustained.

The state of Minnesota achieves quantifiable water quality benefits by removing this environmentally sensitive cropland from production. From 1998 to 2002, with data reported by SWCDs, BWSR calculated the benefits at 9.6

tons/acre/year sediment reduction, 4.2 tons/acre/year soil loss reduction, and 5.3 pounds/acre/year reduction from each acre enrolled in a conservation easement.

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 significant federal dollars to increase wetland restoration conservation easement enrollment in Minnesota. Permanent protection ensures that Minnesota's tax dollars are benefiting all citizens, both current and future.

In 2008, Minnesota secured 20 percent of the nation's WRP funds for the RIM-WRP partnership, leveraging $20 million federal WRP funds partnered with $14.2 million in RIM Reserve funds or 1.4 federal dollars for every one state dollar.

In 2008, 98 easements were enrolled totaling 9,775 acres. In 2009, RIM-WRP Phase II accepted and approved for funding approximately 127 easements totaling 13,000 acres. Permanent protection ensures that Minnesota's tax dollars are benefiting all citizens, both current and future.

This opportunity will be offered statewide but has a priority focus in the ecological provinces of the state that have experienced significant losses of wetland and associated prairies. It will be delivered by local NRCS staff, local Soil and Water Conservation District (SWCD) staff and assisted by program staff from both NRCS and BWSR. Since the SWCD is responsible for the local delivery of the RIM Reserve program to private landowners on behalf of the state of Minnesota, they are ideally suited to work in concert with their local NRCS staff to efficiently and effectively deliver the RIM-WRP partnership. Once an easement is acquired NRCS is responsible for maintenance, inspection and monitoring during the life of their 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 carry out oversight, monitoring and inspection of its conservation easements.

The RIM-WRP partnership will expand past efforts and provide important benefits to the citizens of Minnesota by restoring and permanently protecting priority wetlands and associated upland native grassland wildlife habitat via perpetual conservation easements. According to USDA economic estimates, every $33 million in funding creates or sustains 527 jobs. Since WRP receives annual appropriations from the 2008 Federal Farm Bill, this leveraging opportunity is available for at least the next five years.

RIM Reserve Red River Valley Restoration Initiative (RRVRI)
The goals and objectives of the RRVRI are to achieve priority river/stream restoration and flood damage reduction outcomes consistent with the Red River Mediation Agreement (RRMA) and RIM Reserve Program. The specific goals/outcomes of the RRMA that will be achieved are:

- Reduced Flood Damages to cropland, roads and bridges by eliminating cross over flow and improving channel efficiency.
- Improved Water Quality by reducing channel and upland erosion with buffers and designed channel stabilization.
- Restored Fish Habitat and River Fishery by reestablishing the natural stream channel meandering and creating natural channel stabilization.
- Improved Wildlife Habitat by establishing native vegetative buffers along the river/stream.

RIM Reserve will be paying for easements and vegetative practices. Non-state funds will be leveraged via watershed districts paying for construction and setback levees, responsible for design and application.

Metro Wetland Restoration Initiative
This activity will be focused on the 11 county metro area of Minnesota. With a rapidly increasing population and its influence on wetland resources, it is necessary to place a special focus in this area. Due to the challenges presented by increasing land values and small ownership with multiple landowners, we must accelerate wetland restoration protection activities on the remaining wetland opportunities in the metro area.

Drained, altered or degraded wetlands with or without recent cropping history will be a priority for enrollment and restoration. These wetland restorations will provide multiple benefits; water quality will be protected and improved, and wildlife habitat protected in that portion of Minnesota where the majority of its population resides.

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
Recent Appropriations for the RIM Reserve Program:

2000	$ 21.0 million	Capital Investment Funds
2001	51.4 million	Capital Investment Funds
2003	1.0 million	Capital Investment Funds
2005	23.0 million	Capital Investment Funds
2008	25.0 million	Capital Investment Funds
2009	9.0 million	Outdoor Heritage Funds
	0.5 million	Capital Investment Funds

Other Considerations

The 2008 Federal Farm Bill reauthorized the WRP. Minnesota NRCS has indicated that it could receive $25 million per year over the next five years if Minnesota funds are available to leverage these federal WRP funds. In addition, the recently passed constitutional amendment increasing the sales tax 3/8 of one percent was passed by the Minnesota voters to protect, restore and enhance wetlands, prairies and forests and fish, game and wildlife habitat.

The RIM-WRP Partnership received $9.05 million of Outdoor Heritage Funds (OHF) from the sales tax increase in FY 2010 and helped leverage $12.6 million WRP funds in 2009. These new OHF funds, along with existing RIM Reserve appropriation balances, allowed us to leverage federal FY 2009 WRP funds available to Minnesota. However, the Minnesota Natural Resources Conservation Service (NRCS) estimates that $25 million will be allocated to Minnesota for federal fiscal year 2010 (October 1, 2009 to September 30, 2010) for the federal Wetlands Reserve Program (WRP). By the end of October 2009, a more concrete figure will be available. Another similar allocation is expected for federal fiscal year 2011 (October 1, 2010 to September 30, 2011).

The RIM Reserve program does not currently have any remaining funds to leverage these new federal WRP dollars to Minnesota. While a state match is not a federal program requirement, most of this $25 million Minnesota WRP allocation can only become viable when combined with a state match of $18 million to BWSR for the Re-Invest in Minnesota (RIM) Reserve program. Combining the state and federal programs via the RIM Reserve - WRP Partnership is critical for success because the partnership:

- offers combined -- and thus competitive -- payment rates to landowners for a seamless 30 year federal conservation easement and a perpetual state RIM easement, and
- shares perpetual easement acquisition and wetland restoration costs between the state and federal partners.

Because of the Minnesota RIM Reserve - WRP Partnership, Minnesota is positioned to leverage $1.4 of federal conservation funding for every $1 of state money available.

Because very few other states have a similar partnership to leverage federal WRP funds, Minnesota NRCS estimates that up to $25 million more could be available to the state in federal FY 2010 from funds turned back from other states that are unable to allocate their state WRP funds. This means that to

capture the potential maximum federal funding for one year, the state needs to have $36 million available as match, or $72 million for the biennium. This amount includes easement acquisition, site restoration and implementation costs.

The table below shows 2008 - 2009 funding, the number of easements and acres. It also shows the potential federal funding over the next four years if state match is provided.

Reinvest in Minnesota (RIM) Reserve – Wetlands Reserve Program (WRP) Partnership

Permanent Wetland Restorations on Private Lands (in Minnesota 2008 – 2009)

	RIM Reserve – State $	WRP – Federal $	Total $	# of Easements	# of Acres^
2008*	$14.2M	$20.0M	$34.2M	98	9,776
2009*+	$16.0M	$25.0M	$41.0M	127	13,060

Permanent Wetland Restoration Potential with Sufficient State Funds Available

	State $ Needed	WRP $ Estimated	Total Estimated $	# of Easements	# of Acres^
2010	$18 - $36M	$25 - 50M	$43M - $86M	120 - 240	12,000 – 24,000
2011	$18 - $36M	$25 - 50M	$43M - $86M	120 - 240	12,000 – 24,000
2012	$18 - $36M	$25 - 50M	$43M - $86M	120 - 240	12,000 – 24,000
2013	$18 - $36M	$25 - 50M	$43M - $86M	120 - 240	12,000 – 24,000

* Bond funds
+$9.058M Outdoor Heritage Funds (OHF)
^ Includes wetland and adjacent grassland acres restored. Avg. wetland:grassland rates = 1:2

- Minnesota Natural Resources Conservation Service (NRCS) estimates that during the life of the 2008 Federal Farm Bill they will receive at least $25M (with the potential for as much as $50M) WRP funds in Minnesota during the 2010 federal fiscal year (October 1, 2009 – September 30, 2010). They believe this level of funding will be available to Minnesota NRCS for WRP over the life of the 2008 Farm Bill through 2013.
- The RIM Reserve – WRP Partnership leverages $1.4 federal WRP funds for every $1 in state funding

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Governor's Recommendations

The Governor recommends general obligation bonding of $4.0 million for this project. Also included are budget planning estimates of $4.0 million in each of 2012 and 2014.

TOTAL PROJECT COSTS All Years and Funding Sources	Prior Years	FY 2010-11	FY 2012-13	FY 2014-15	TOTAL
1. Property Acquisition	0	35,500	0	0	35,500
2. Predesign Fees	0	0	0	0	0
3. Design Fees	0	0	0	0	0
4. Project Management	0	4,000	0	0	4,000
5. Construction Costs	0	10,500	0	0	10,500
6. One Percent for Art	0	0	0	0	0
7. Relocation Expenses	0	0	0	0	0
8. Occupancy	0	0	0	0	0
9. Inflation	0	0	0	0	0
TOTAL	**0**	**50,000**	**0**	**0**	**50,000**

CAPITAL FUNDING SOURCES	Prior Years	FY 2010-11	FY 2012-13	FY 2014-15	TOTAL
State Funds :					
G.O Bonds/State Bldgs	0	50,000	0	0	50,000
State Funds Subtotal	0	50,000	0	0	50,000
Agency Operating Budget Funds	0	0	0	0	0
Federal Funds	0	0	0	0	0
Local Government Funds	0	0	0	0	0
Private Funds	0	0	0	0	0
Other	0	0	0	0	0
TOTAL	**0**	**50,000**	**0**	**0**	**50,000**

CHANGES IN STATE OPERATING COSTS	Changes in State Operating Costs (Without Inflation)			
	FY 2010-11	FY 2012-13	FY 2014-15	TOTAL
Compensation -- Program and Building Operation	0	0	0	0
Other Program Related Expenses	0	0	0	0
Building Operating Expenses	0	0	0	0
Building Repair and Replacement Expenses	0	0	0	0
State-Owned Lease Expenses	0	0	0	0
Nonstate-Owned Lease Expenses	0	0	0	0
Expenditure Subtotal	0	0	0	0
Revenue Offsets	0	0	0	0
TOTAL	0	0	0	0
Change in F.T.E. Personnel	0.0	0.0	0.0	0.0

SOURCE OF FUNDS FOR DEBT SERVICE PAYMENTS (for bond-financed projects)	Amount	Percent of Total
General Fund	50,000	100.0%
User Financing	0	0.0%

STATUTORY AND OTHER REQUIREMENTS Project applicants should be aware that the following requirements will apply to their projects after adoption of the bonding bill.	
Yes	MS 16B.335 (1a): Construction/Major Remodeling Review (by Legislature)
Yes	MS 16B.335 (3): Predesign Review Required (by Administration Dept)
Yes	MS 16B.335 and MS 16B.325 (4): Energy Conservation Requirements
Yes	MS 16B.335 (5): Information Technology Review (by Office of Technology)
No	MS 16A.695: Public Ownership Required
No	MS 16A.695 (2): Use Agreement Required
No	MS 16A.695 (4): Program Funding Review Required (by granting agency)
No	Matching Funds Required (as per agency request)
No	MS 16A.642: Project Cancellation in 2015