



WETLAND BANKER

January 2012



Board of Water & Soil Resources www.bwsr.state.mn.us
natasha.devoe@state.mn.us 651-205-4664

Agricultural Wetland Co-op

Encouraged by high crop prices, farmers wanting to maximize production can drain farmed wetlands and replace the impact through wetland bank credits. Hoping to lessen the cost of replacement, farmers in western Minnesota are exploring the possibility of joining together in a wetland credit cooperative.

The idea had been attractive but lacked organization until a nonprofit interested in rural development and natural resource protection got the ball rolling. Led by the Minnesota Association of Resource Conservation & Development Councils (RC&D), an October meeting brought a wetland credit cooperative from Iowa together with Minnesotans interested in setting up a similar program.

A diverse gathering of about 70 people attended the September 29th meeting at the Alexandria Holiday Inn. Most were from local, state, or federal regulatory agencies and agriculture-related interests; many representatives came from small business, consultant, and environmental concerns. There were several private individuals, including farmers.

Credits from a cooperative, single-use bank would replace wetlands drained for agriculture. The National Resources Conservation Service (NRCS), implementing federal policy, could include this as an option to replace loss of wetland in agricultural areas with crop history.

NRCS-related credit purchases have already begun from existing wetland bank accounts. Data from the Minnesota bank indicate that just over ten acres of credit have been purchased as a result of NRCS-regulated impact so far this year.

NRCS this summer signed an agreement with BWSR for State employees to assist with wetland delineation training and identification of suitable replacement sites.

Please see *Agriculture-specific Wetland Bank* on page 3

INSIDE THIS ISSUE

Agricultural bank concept proposed	1
Bank owner spotlight	1
RIBITS update	2
Credit purchase trends	4
Road funding	4
What's working for wetland restoration	5
Corps 404 certification	6
Bank business by email	6
Bank monitoring—annual reports	6
Calculated values update January 1	7
How to... figure the withdrawal transaction fee	7
Straight talk on standard credit (SWC)	8

Bank Owner Spotlight

PHIL MILLER, STEARNS COUNTY

One of the most continuously active bankers in the state system, Phil Miller deposited his first 96 acres in 1996; an additional seven-acre deposit is expected to come through this month.



Phil Miller by a food plot in one Stearns County bank site.

Occasionally frustrated by the slow-moving and ever-changing banking system, Mr. Miller has persisted. And persisted. One site, located on a former gravel pit, took over six years from start to finish. "That was a bad one, probably the worst," Mr. Miller says. The Corps told him initially that the site was a jurisdictional wetland, ineligible for banking. He spent years convincing

Please see *Bank Owner Spotlight* on page 2

Corps Wetland Credit Tracking is on Track with RIBITS

Regulatory in lieu fee & Bank Information Tracking System (RIBITS)

In April, Wetland Bank Account Holders were invited to official Corps' events to introduce RIBITS. In Baxter and in Minneapolis, local authorities and private credit holders learned the history of the effort and the vast amount of data entered into the database, which is also used to track banking in other areas of the country. There are over 110 active bank accounts in Minnesota.

The database is maintained by the Corps, with updates from BWSR personnel. Visit the BWSR website under 'Banking' for links to RIBITS, the presentation, and handbooks on getting started.

All active wetland bank accounts are in the RIBITS system. Almost all of the historic transaction information has been entered, as well. There is a delay of about 2-3 weeks for new entries.



Bank Site 1368 Chisago ENRV project

RIBITS shows credit balances and gives account holder contact information. In addition, RIBITS shows the location of each bank site on a state map, with watershed and Bank Service Area boundaries.

Bank Owner Spotlight *from page 1*

authorities otherwise. In the end, he says, "it turned out great."

Some of his land has been in the Miller family going back 100 years, planted in corn, beans, and other row crops with the fringes in alfalfa and hay.

The transformation from farm to wetland is partly a result of the land's position low in the watershed. "Everybody was draining," Mr. Miller recalls, and spring flooding made for unpredictable farming. He tried to control the incoming water with a deeper ditch (expensive) with minimal results. Continued upstream drainage brought even more water onto his land. Eventually, he says, "I decided to do it the opposite."

Just about that time, he says, Rob Merila of Aquatic Ecosolutions called him looking for work. The consultant came out to meet him and 16 years later Mr. Miller still employs him to do delineations and vegetation analysis. That first project involved "a lot of dirt work" building

dikes and water control structures. Mr. Miller was ready to seed but was told to let it come in naturally. Skeptical, he did. "They were right," he says now, "it did come in! All these years of seeds accumulating did start to grow." The success brought praise from experts—a state employee even brought a Japanese visitor out to see it.

"I felt we were on the right track," he says about his efforts to go "above and beyond" the minimum. His children are not farming and tell him to "keep it going just as it is," he says, which Mr. Miller intends to do. "Everything is protected," he says, either through bank easements or in CRP.

One of the extra efforts Mr. Miller makes is to help clients figure out how to buy credits. "Seven of ten don't know anything about it and ask where to

Continued on page 3

Agriculture-specific wetland bank from page 1

A model shared by the Iowa Farm Bureau restored two parcels of former cropland totaling 140 acres, working with the Iowa Department of Natural Resources and NRCS. According to Rick Robinson, Environmental Policy Advisor for the Iowa Farm Bureau Federation, the Iowa DNR owns the land and did the restoration work, in part as a regional effort to restore waterfowl habitat. Started in 2000, it has been popular; all but one of the credits are sold.

If the ag-specific bank idea goes forward in Minnesota, initial site selection efforts will focus on expiring Conservation Reserve Program (CRP) sites that would require little input and few structures. RC&D Executive Director John E. Beckwith reports some interest from landowners and groups to sponsor the bank sites.

A modified application process for agricultural replacement sites would continue the current three-step Scoping—Concept Planning—Final Plan procedure before any deposit of credits.

Other changes to the current banking process will involve expanding the TEP to include NRCS staff and limiting the eligible credit to upland buffer, restoration of completely and partially drained wetlands areas, and protection of wetlands previously restored via conservation easements. Preservation sites would not be allowed.

Another informational session on the agricultural credit bank idea will be held in North Mankato on January 19 from 10:00 am to 3:00 pm at the Best Western Plus.

QUESTIONS AND ANSWERS ABOUT THE PROPOSED AG BANK:

Will this be for new agricultural drainage only?

It will be for new drainage and improvement.

How will the process look at higher quality wetlands?

Landowners can't use the program to replace impacts to medium to high quality wetlands. It is strictly to replace impacts to low quality wetlands that already have a significant degree of impairment.

What about temporal loss?

The credit approval process should be faster by using expired CRP parcels with restored and naturally-established wetlands. Land under permanent conservation easement is not eligible for bank enrollment.

Who should I contact for more information?

Les Lemm, BWSR 651-296-6057

Paul Flynn, NRCS 651-602-7870

John Beckwith, RC&D Councils Executive Director

More on the IFBF project at iowafarmbureau.com 'Ag in Your Life' page.

Bank Owner Spotlight from page 2

start," he said. With rule changes, he says, "It's a tough thing to stay on top of."

Despite a few large sales, including early ones to the State, most sales are for less than an acre. "For every five calls I get, two or three materialize," he reports. Still, sales are steady for his credits, which include the more unusual Types 6 and 7, shrub carr and hardwood swamp, almost all of it Corps-approved. Like most bankers, he has seen sales dip in recent years. However, he finds that 2011 has been "a better year than some."

As for wildlife, Mr. Miller says, "it's unbelievable what all comes back... things I didn't even know existed anymore." He has seen 1,000 wood ducks during spring migration, resting and feeding on his wetlands.

Water quality, too, is improved. With all the upstream drainage, the water coming in is muddied run-off from the cropped fields all around him. Coming out the other end, though, "you can see three feet into crystal clear water, with invertebrates swimming at the bottom." While he is realistic and recognizes that there is always going to be some damage to the water as it makes its way downstream, Mr. Miller remains philosophical about this, reflecting, "I tried to do my part to make everything just a little bit better."



Bank Purchases Up Slightly

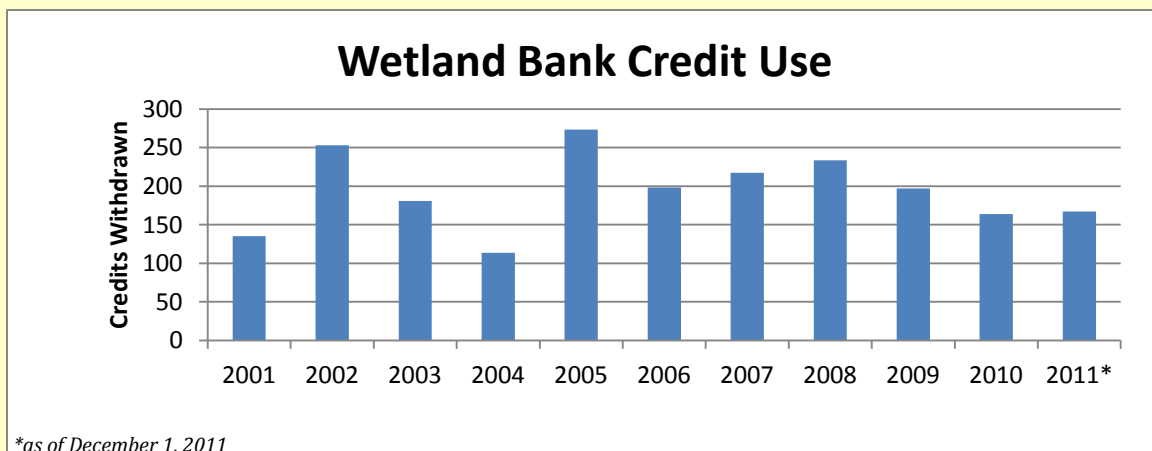
Declining sales of wetland credit through the private bank have leveled out. After a 2008 high of about 230 credits purchased, there was a steady drop to a six-year low at 160 credits last year. With another month left to go in the calendar year, 2011 sales are expected to top 170 credits.

Contrary to appearances by credit use, the total number of applications peaked in 2006 at over 216. For the past three years, BWSR has received about 160 applications per year. Although not many more applications were received this year, on average each one used slightly more credit.

The average credit purchase involves about one credit. Two large sales of over 40 credits each pushed up the average in 2007 and 2008. Most sales involve about one-third of a credit, or 14,000 ft².

The 2011 numbers may have benefited from a boost in sales related to agricultural drainage enforcement (see story, page one).

In 'big' sales years, there are usually a few larger-than-usual sales that push up the credits sold. Clients tend to be municipal or interstate infrastructure projects (airports, pipelines, landfills, wastewater treatment). In low sales years, the biggest sales are for residential development. The graph does not include sales to or by BWSR or MnDOT.



Road Funding

In 2011, BWSR submitted a bonding request for new Road Program funding. If the Legislature confirms a funding appropriation by May, a project solicitation request for proposals (RFP) for new easements will go out early next summer.

Planning for the RFP will begin this winter in anticipation of confirmed funding. The proposed RFP for new sites will target particular watersheds that are yet to be identified. Landowners with new restoration sites interested in submitting proposals should monitor the BWSR website for an announcement.

Any BWSR bonding appropriation must be used to develop new bank sites and cannot be used to buy existing credits.



White Cedar swamp in northern St. Louis County (Nelson parcel adjacent to Nett Lake).

What's working for Wetland Restoration by Dan Shaw, BWSR Vegetation Specialist

Site preparation, planting and maintenance techniques that have been successful for our projects.

Winter is a good time to look back at the previous season and consider, "What worked?" For the last few years, BWSR has been collecting information about what practices have worked for restoration efforts. Read about them on our website at:

<http://www.bwsr.state.mn.us/grants/WhatsWorking.html>. Submit your project successes for site preparation, planting and maintenance that have been successful by sending them to Dan Shaw at dan.shaw@state.mn.us.

Certain themes have emerged on the "What's Working" web page. Here are some recurring winners:

Promoting Good Weed Control – Preparing sites for seeding through crop production. Most weeds are controlled, though follow-up spot treatment of species such as Canada thistle may be needed.

Developing Good Conditions for Wetland Seed – Research has shown that tiny wetland seeds will not emerge if buried under as little as 0.5cm of sediment. Establishing uplands first or planting cover crops prior to final seeding can help hold soil in place. Also important—ensure that tiny wetland seeds are planted near the surface.



Fall 2012 controlled burn to remove dense Reed Canary Grass thatch. This will be followed next spring with an application of herbicide.

Establishing the Water's Edge –The edge of open water is often a challenge for seedlings. Planting containers of aggressive species such as bur-reed, river bulrush and lake sedge that will spread into open water can help ensure good establishment.



BWSR intern Whitney Carleton planting containerized plants at the Neubauer Road Bank in Renville County.

Aggressive Weed Management – Many weed problems can be prevented or minimized if caught early. This is particularly true with species such as Reed Canary grass and Canada thistle that can start from small patches and become large patches quickly. An early investment can have significant benefits.

Combining Management Practices – Using various combinations of mowing, burning, pulling, bio-control and herbicide treatment is often the most effective way to manage invasive species. For example, an effective method for removing reed canary grass involves summer mowing, fall herbicide treatment with glyphosate, spring burning of thatch, followed by follow-up herbicide treatment.

Corps of Engineers' approval of Minnesota mitigation bank credits

Written with assistance from Tom Mings, Corps of Engineers District Bank Coordinator

Does Corps approval matter to a banker? In many cases, having Corps approval of credits **will** matter. The Corps intends to accept only Corps-approved credits as compensatory mitigation for use with Corps permits. Clearly, the market for Corps-approved bank credits is larger than the market for credits approved only for use with state permits. Some bankers already charge a premium price for Corps-approved credits.

How can you tell the difference between approved and non-approved credits? The state bank ledger gives credit subgroups a YES/NO designation in the 'COE' column to show whether specific credits were approved for use with federal permits from the Corps. Corps-approved credits are listed as 'federal' in the RIBITS database [see RIBITS story, page 2]. Credits that are state-approved but not Corps-approved are listed as 'NO' in the 'COE' column of BWSR bank ledgers and as 'non-federal' in RIBITS.

How do credits get approved by the Corps? The process for approving bank credits has evolved over the years. The federal approach to review and approve bank proposals that had been organized by guidance set out in 1995, is now driven by the federal Compensatory Mitigation Rule that came into full effect in 2008.

How has this process changed over the years? In the past, the local Corps project manager typically worked with state and local regulators to develop a shared opinion about the bank proposal. The end result was a letter that approved or denied the bank proposal. A number of banks proposed before the 2008 rule have been brought up to date and grandfathered under old guidance— a few have yet to be approved. For new bank applications after January 2012, the Corps and BWSR have informally agreed to a new joint review process that is expected to share technical comments and utilize a number of shared forms, checklists, and resources.

What can I do to change my credit status? If you are waiting on a response from the Corps, consider asking the Corps project manager to update you on the status of their review. The actual process for approving older

banks will vary according to the specific bank proposal and circumstances on each site.

2008 Corps' Process (Approximate) Timeline

1. Pre-application—30 days [optional]
2. Prospectus/concept plan—60 days
3. Bank Plan—90 days, and
4. Final administrative review—45-day process.

The final result is a letter signed by the St. Paul Branch Chief.

Doing Bank Business by Email

The BWSR Information Technology staff have made it possible to list email addresses on our web Available Credit Listing. For those of you ready to do business electronically, email processing can make transactions faster and cheaper.

For best results, you need a printer/scanner as well as internet access. You may accept scanned signatures on the withdrawal form. Print out the form, sign it, and mail it to BWSR with the fee check.

Although BWSR is modifying the form to allow digital signatures by clients and regulatory authorities, your original signature on the final version will help to reduce error and fraud.

Bank Monitoring—Annual Reports

Each site must have a current monitoring report on file when additional deposits are made. If you are used to sending a report only to the WCA LGU, please add the Bank Administrator in St. Paul to your address list. State auditors require the BWSR central office in St. Paul to have our own copy of the reports.

In December, BWSR installed new software on our wetland credit database to allow us to track monitoring activity.

Calculated Values Update January 1, 2012

On December 14, the BWSR Board approved an update of the calculated wetland values for each Minnesota County, based on information from the Department of Revenue.



Turtle Head in flower at a Beltrami County road bank.

This annual exercise allows BWSR to keep our fees in line with changing land values. Most county land values remained fairly stable; the average change from 2010 was four percent. Only Ramsey County used the 75% increase limit.

New calculated values go into effect for

transactions signed after the New Year. If you signed a Purchase Agreement before the end of 2011, enclose that with your application to ensure smooth processing using the old fee structure.

Note that the Fee Schedule format has changed from previous years (a copy is enclosed). It shows the fee as a cost per credit, rather than showing the calculated value for an acre of credit. The 6½ percent fee has been applied already. To figure the amount owed, multiply the number of credits purchased by the Fee Cost.

See below for a more detailed description of how to help buyers pay their fee correctly for an uncomplicated transaction.

How to... Figure the Withdrawal Transaction Fee

BWSR complies with strict State laws on accounting. When checks arrive in the mail, Financial Services staff remove them from the envelopes and prepare them for deposit even before Wetland Bank staff receive the application forms.

This expedited handling means there is no room for error in the check amount. Although BWSR can issue refunds, it is much easier to be correct the first time than to try to correct a mistake after it happens.

Account Holders and customers have been confused about the various methods of calculating the fee. Some use the calculated value, others the actual sales value. A recent decision by the BWSR Board simplifies these matters. A Fee Schedule has been calculated for each county, based on the 6½% fee and the calculated value (determined using Department of Revenue land values). It shows the fee as a cost per acre, which should be easier to explain to customers than the former method.

Calculating the fee is a little different than before (see box, right).

Here is an example:



Calculating the Fee (new method)

Mr. Buyer purchases a total of 0.35 credits from Ms. Banker, whose bank is in Nobles County. The fee cost per credit there is \$1,812.

The State fee is $0.35 \times \$1,812 = \634.20 .

The fee check, paid by either the Buyer or the Account Holder, should accompany the withdrawal application.

You still have the option to use your actual sale value, as long as the purchase agreement is included, but you will need to figure the fee the old way: multiply the number of credits by 0.065 percent by the price paid per credit.

Board of Water & Soil Resources
520 Lafayette Rd N
St. Paul MN 55155

Phone:
(651) 296-3767

E-Mail:
natasha.devoe@state.mn.us

Minnesota Wetland Bank

Unless otherwise noted, original photos by monitoring staff.

We're on the Web!

Visit us at:

www.bwsr.state.mn.us

Straight Talk on Standard Credit

Since converting upland PVC to the standard wetland credit, bankers and regulators alike have had some confusing moments when faced with approved projects dating from before the conversion date.

In June 2010, existing banks were converted to the single "standard" wetland credit according to the revised Wetland Conservation Act Rule. The new rule required a single type of credit, with upland PVC converted to SWC at a grandfathered 90% rate and all wetland credits at 100%, whether PVC or NWC.

Because there are some transactions still "in the pipeline", the BWSR bank staff has developed working rules to handle applications that come in under the old wetland credit system. Deposit applications that come into the St. Paul office listing NWC and PVC are converted by St. Paul office staff, with any upland compressed 90% to SWC. If an application comes in already showing SWC listed, we deposit that as-is, with no further conversion.

Board of Water & Soil Resources
520 Lafayette Rd N
St. Paul MN 55155



A vendor sprays reed canary at a Beltrami County bank site.