

BOARD OF WATER AND SOIL RESOURCES

BWSR 2023 Legislative Summary

May 23, 2023

This document provides a comprehensive summary of 2023 legislation impacting BWSR's work – including the work of our external partners statewide, particularly Soil and Water Conservation Districts and Watershed Districts.

In 2023, BWSR and partners are impacted by new laws contained largely in the following bills:

- 1. Environment, Natural Resources, Climate, and Energy Omnibus (Laws 2023, Chapter 60)
- 2. Legacy Finance and Policy (which includes Clean Water Fund and Outdoor Heritage Fund appropriations) (Laws 2023, Chapter 40)

Language contained in the state's Omnibus Tax bill (<u>Laws 2023, Chapter 64</u>) also includes an ongoing state aid to Soil and Water Conservation Districts.

Minnesotans value their natural resources and care about clean water, climate impacts, and productive use of their land and infrastructure. We appreciate legislation this year that provides support for environment and natural resources issues and that helps to improve the important work of locally-led conservation. This year provided a historic investment in climate initiatives and natural resource preservation across the state.

This year also provided a unique opportunity through the Federal Inflation Reduction Act (IRA), as there is a significant opportunity to leverage federal funds for efforts such as water storage, soil health practices, and enhancing and expanding conservation easements. Setting up our local governments and landowners to implement these voluntary programs can help our environment and maximize dollars that come to Minnesota.

By providing resources and technical assistance for local partners - and by clarifying opportunities to work with Tribal Nations and others – we can increase Minnesota's capacity to improve and protect all our water and soil resources.

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Executive Summary

May 23, 2023

Before adjourning on May 22, 2023, the legislature passed bills containing a number of BWSR-related budget and policy provisions. Overall, the session concluded with significant investments in conservation that help support the

Governor's Climate Action Framework for natural and working landscapes and our continued efforts to improve and protect Minnesota's water and soil resources. BWSR received appropriations from the General Fund, Legacy Funds, and Environment and Natural Resource Trust Fund. These provisions are outlined below.

General Fund

BWSR's general fund budget for fiscal years 2024 and 2025 (FY24-25) includes several ongoing grant programs (as shown at right) along with agency operations, easement stewardship, and wetland conservation act implementation. Many of these were funded at the same levels from the previous biennium.

Changes include a one-time increase for the county Natural Resources Block Grants; a one-time increase for Southwest Minnesota Area II floodplain management; and on-going funding for a BWSR Tribal Liaison.

In addition, significant one-time general fund appropriations this biennium include: \$21M for soil health efforts, \$17M for water quality and storage, \$4M for Lawns to Legumes, \$1M for Habitat Friendly Utilities, \$4M for the Habitat Enhancement Landscape Program, \$21M for grassland easements, \$9M for Peatland Easements, \$4M to enhance existing easements, \$2M for Reinvest in Minnesota Easements, and \$3M for Conservation Reserve Program (CRP) State incentives. These programs are described at length later in this document.

FY24-25 General Fund Grants/Programs	Appropriation \$
County Natural Resources Block Grants	9,346,000
SWCD Conservation Delivery Grants	6,232,000
SWCD Program and practices	2,920,000
WCA Implementation/Oversight	1,522,000
Cooperative Weed Mgt. Grants	200,000
Drainage Tech Assistance	332,000
Conservation Easement Stewardship	250,000
Lower MN WD dredge spoil sites (pass-through)	480,000
SW MN - Area II Floodplain (pass-through)	380,000
Red River Basin Commission (pass-through)	200,000
BWSR Tribal Liaison	265,000
RIM Easements – MN CREP	2,000,000
CRP State Incentives	3,000,000
Soil Health Practices (103C.501)	406,000
Climate - Soil Health Activities (103F.06)*	21,114,000
Climate - Water Quality and Storage Practices*	17,000,000
Climate - Lawns to Legumes*	4,000,000
Climate - Habitat Friendly Utilities*	1,000,000
Climate - Habitat Enhancement Landscape Program*	4,000,000
Climate – Grassland Easements*	21,000,000
Climate – Peatland Easements*	9,000,000
Climate – Existing Easement Enhancements*	4,000,000

*Indicates new, one-time funding

Clean Water Fund (Legacy fund)

The success of Clean Water Fund (CWF) efforts relies on a highly integrated and collaborative system for water resource management and comprehensive planning that supports local implementation

This year's Legacy bill appropriates over \$318 million from the Clean Water Fund (CWF) in the 2024-25 biennium. Reflecting the recommendations of the Clean Water Council, BWSR will receive over \$155 million with nearly 90% going out to local governments for conservation implementation.

New this year: Instead of being funded through the Clean Water Fund as it has been in recent years, Soil and Water Conservation District (SWCD) Aid has been established as a direct payment from the Minnesota Department of Revenue to SWCDs through the 2023 Tax Omnibus Bill.

Clean Water Fund Programs	Previous FY22-23	New FY24-25		
Comprehensive Local Watershed Management				
Water Management Transition (1W1Ps)	5,808,000	3,500,000		
Nonpoint Source Impl	Nonpoint Source Implementation			
Watershed-based Implementation Funding	43,564,000	79,000,000		
Accelerated Implementation	9,682,000	11,000,000		
Surface and Drinking Water Protection/ Restoration Grants (Projects and Practices)	22,266,000	17,000,000		
Conservation Drainage Management	1,700,000	2,000,000		
Critical Shoreland Protection	2,468,000	3,000,000		
Wetland Restoration Easements	5,660,000	10,000,000		
Measures, Results, and Accountability	2,500,000	2,500,000		
Riparian Protection & Soil Loss Assistance	3,872,000	4,000,000		
Working Lands Floodplain Easements	3,872,000	5,000,000		
Enhancing Adoption of Soil Health for Drinking Water Protection/Restoration Grants	4,000,000	12,077,000		
Watershed Partners Legacy Grants Program	1,000,000	1,000,000		
Groundwater/Drinking Wate	er Implementatior	ı		
Targeted Wellhead Easements	5,000,000	5,000,000		
Research, Evaluation	and Tools			
Tillage and Erosion Survey	724,000	850,000		
Technical Evaluation	84,000	200,000		
Other items to	Other items to note			
MN CREP	5,600,000	0		
Riparian Buffer Easements	9,500,000	0		
SWCD Capacity Funding	24,000,000	Tax Bill*		
Total		\$156,127,000		

Outdoor Heritage Fund (Legacy fund)

Through the approved Legacy Bill, BWSR was awarded funding for 6 projects as recommended by the Lessard-Sams Outdoor Heritage Council:

\$4,122,000 for RIM Reserve - Wetlands	to acquire permanent conservation easements and to restore and protect wetlands and native grassland habitat.
\$2,747,000 for RIM Reserve - Grasslands	to acquire permanent conservation easements and to restore and enhance grassland habitat.
\$3,269,000 for RIM Reserve – One Watershed One Plan	to acquire permanent conservation easements and restore and enhance wildlife habitat identified in One Watershed, One Plan for stacked benefit to wildlife and clean water.
\$2,709,000 for RIM Reserve – Working Lands for Habitat	to acquire permanent conservation easements that allow long-term grazing while also protecting wildlife habitat and water quality.
\$2,133,000 for Camp Ripley ACUB Protection (partner project)	to acquire permanent conservation easements and restore and enhance forest wildlife habitat within the Camp Ripley Sentinel Landscape Army Compatible Use Buffer.
\$1,498,000 for Buffalo-Red River Watershed District Stream Habitat (partner project)	to acquire permanent conservation easements and restore and enhance aquatic and upland habitat associated with the Red River and Buffalo River watershed.

Environment and Natural Resources Trust Fund (Lottery proceeds)

The Environment Omnibus bill passed this year included funds from the Environment and Natural Resources Trust Fund (ENRTF). These funds have been appropriated to projects recommended by the Legislative-Citizens Commission on Minnesota Resources (LCCMR). BWSR is listed as a collaborator with three projects including Statewide Forest Carbon Inventory and Change Mapping, Conservation Cooperative for Working Lands, and Increasing Diversity for Environment Careers. Updated language to a 2022 BWSR appropriation to reflect efforts for Watershed and Forest Restoration: What a Match was also included.

Capital Investment (Bonding)

The Legislature approved \$2.6 billion of capital investment in two bills – one containing general obligation bonds and another for general fund spending. These bills included three BWSR appropriations and additional DNR flood hazard mitigation projects. For the DNR provisions listed below – to the extent practicable and consistent with the project – recipients shall create wetlands that are eligible for wetland replacement credit in BWSR's Local Government Road Wetland Replacement Program (103G.222).

BWSR Appropriations	HF669 General Obligation Bonds	HF670 General Fund
Local Government Roads Wetland Replacement Program	\$12,000,000	
Reinvest in Minnesota (RIM) Reserve Program	\$10,700,000	
Minnesota River Basin Area II Flood Damage Grants		\$1,500,000
DNR Appropriations - Flood Hazard Mitigation		
Red River Watershed Management Board Watershed Districts (not Moorhead)	\$5,000,000	
City of Moorhead	\$8,144,000	\$11,000,000
City of Carver	\$6,000,000	\$6,000,000
Traverse County – Toelle Coulee Phase II		\$3,300,000

Summary of New Programs and Law Changes

Since 2023 represented a major investment under various Climate initiatives, and a unique opportunity to leverage federal funds through the federal Inflation Reduction Act, many new programs were created by legislation. Existing programs were clarified or enhanced under new legislation as well. The rest of this document is dedicated to summarizing these new programs and other law changes impacting the work of BWSR and our partners across the state.

New Program Funding

Soil Health Practices

<u>Laws 2023, Chapter 60</u>, Article 1, section 4, paragraph (k) and Article 5, section 15 Appropriated Amount: over \$21 million Creates new M.S. §103F.06

Funding will be used by BWSR in fiscal years 2024 and 2025 to fully implement the cover crop and soil health program developed after legislation in 2021. Funding will be made available to more Minnesota landowners to derive soil productivity, water management, and carbon sequestration benefits.

Additionally, ongoing funding of \$203,000 in fiscal year 2024 and thereafter were also appropriated for soil health practice adoption purposes consistent with the cost-sharing provisions of Minnesota Statutes, section 103C.501, and for soil health program responsibilities in consultation with the University of Minnesota Office for Soil Health.

"Soil health" refers to the soil's ability to sustain agricultural crop productivity while providing essential functions such as controlling water, filtering and buffering pollutants, and cycling nutrients without resulting in soil degradation or otherwise harming the environment. A long-term strategy to build soil health will foster more productive crops, improve water quality, and create better resilience during extreme weather events.

The existing statutory definition under M.S. 103C.101 provides that soil health "means the continued capacity of soil to function as a vital living system that sustains plants, animals, and humans. Indicators of soil health include water infiltration capacity; organic matter content; water holding capacity; biological capacity to break down plant residue and other substances and to maintain soil aggregation; nutrient sequestration and cycling capacity; carbon sequestration; and soil resistance."

Increasing adoption of these five principles will build soil by protecting it from erosion and providing a constant food source to the microorganisms that play an essential role in soil health.

- Keep the soil covered.
- Minimize disturbance.
- Keep living roots in the ground.
- Diversify rotations.
- Integrate livestock.

Improving soil health on agricultural land is a process that takes time. Financial assistance, technical support, agronomic support, and farmer-to-farmer information exchange are just some of the key aspects needed for a robust soil health program. Providing these supports will build farmers' confidence in adapting their operating systems around soil health principles, resulting in large-scale changes over time. Providing these support components to build farmers' confidence as they adapt their operational systems to incorporate soil health principles is a key to seeing systematic, large-scale change over time.

Landowners with questions about this program or their eligibility should contact their local Soil and Water Conservation District (SWCD) office for current and future opportunities.

Accelerated Water Storage and Treatment <u>Laws 2023, Chapter 60</u>, Article 1, section 4, paragraph (p) Funds application of M.S. §<u>103F.05</u> Appropriated Amount: \$17 million

BWSR will make state funding available to more Minnesota landowners to improve water management across the state, building off a pilot program that legislature required be developed as part of 2021 law addressing Minnesota's expanding needs in this area. Minnesota is experiencing larger and more frequent and intense rainfall events, resulting in negative impacts to agriculture and infrastructure, significant erosion along riverbanks, and declining water quality.

This program provides financial assistance to local government units (LGUs) to control water rates and/or volumes to protect infrastructure, improve water quality and related public benefits, and mitigate climate change impacts. Water storage projects are designed and located to slow down or temporarily hold back water from reentering a stream or river. Water storage includes retention structures and basins, soil and substrate infiltration, wetland restoration, creation, or enhancement, channel restoration or enhancement, and floodplain restoration or enhancement.

Funds will be allocated for high priority projects through a competitive process to request applications from local governments (counties, soil and water conservation districts, watershed districts, cities) that will control water rates and/or volumes to protect infrastructure, improve water quality and related public benefits, and adapt to the impacts of climate change.

Successful applicants will be required to have a state approved and locally adopted water management plan, a feasibility study showing the project will result in changes to the rate and volume of water movement, provide a match, be able to demonstrate meeting environmental and public benefits, and operate and maintain the project for its estimated lifespan.

The funds appropriated for these easements are available until June 30, 2029. The board must also prioritize its ability to leverage non-state funding, such as federal funding.

Lawns to Legumes <u>Laws 2023, Chapter 60</u>, Article 1, section 4, paragraph (i) and Article 5, section 6 Creates new M.S. §103B.104 Appropriated Amount: \$4 million

The award-winning Lawns to Legumes program offers a combination of workshops, coaching, planting guides, and cost-share funding (individual support grants) for installing pollinator-friendly native plantings in residential lawns. Since the program launched as a pilot in 2019, it has supported more than 2,200 residential pollinator projects in 87 Minnesota counties. Funding for the pilot phase was provided by the Minnesota Environment and Natural Resources Trust fund.

Minnesota is home to more than 450 native bee species. Pollinators also include butterflies, moths, beetles, and native flies. All play a key role in pollinating many food crops and native plants, but populations have significantly declined worldwide in recent years. Population decline can be attributed to habitat loss and lack of related nutrition for pollinators, as well as climate change, pesticide use, and pathogens. Lawns to Legumes provides options for Minnesotans to put conservation on the ground in a way that works for them. Even relatively small plantings of native flowers can help create conditions that are highly valuable to pollinators and can help build important habitat corridors.

In addition to offering grant opportunities, Lawns to Legumes seeks to bring public and private partners together to build a movement to support Minnesota pollinators. BWSR partners with Blue Thumb — Planting for Clean Water and Metro Blooms to administer the program, and receives support from the University of Minnesota, Monarch Joint Venture, the U.S. Fish and Wildlife Service, Xerces Society, and others.

Lawns to Legumes offers two types of grants:

- Individual Support Grants: Minnesota residents can apply during active signup periods to be reimbursed for up to \$350 in costs associated with establishing pollinator habitat in their yards. Individual Support grant recipients must provide at least a 25% match for their total reimbursement request. Grant recipients are required to map their projects to provide valuable data about the location and type of pollinator habitat found throughout the state.
- 2. Demonstration Neighborhood Grants: Demonstration neighborhoods are community projects intended to enhance pollinator habitat in key corridors, raise awareness about residential pollinator protection and showcase best practices.

Funding for this program is available to BWSR until fiscal year 2027. Information about Lawns to Legumes, property owner resources, and applications for this program can all be found on the BWSR Lawns to Legumes website.

Habitat Friendly Utilities

Laws 2023, Chapter 60, Article 1, section 4, paragraph (v) and Article 5, section 7

Creates new M.S. §103B.105

Appropriated Amount: \$1 million

BWSR will provide financial and technical assistance to promote the successful establishment of native vegetation as part of utility projects including solar, wind, pipelines, and electrical transmission corridors to ensure the integrity and resiliency of Minnesota landscapes and protection of habitat and water resources. This program involves collaboration between federal, state and local agencies, tribes, utility companies, non-profit organizations, and contractors.

This program builds off the Habitat Friendly Solar Program that was launched in 2016 to establish a set of standards used to certify individual projects as complying with state requirements to provide habitat benefits alongside solar installations. BWSR will expand the Habitat Friendly Solar Program to additional types of utility projects such as wind turbines, pipelines, and electrical transmission corridors.

Successfully revegetating these project sites helps ensure landscape resiliency, protects water and soil resources, and provides essential wildlife habitat. The program also offers project managers and landowners technical assistance – such as recommending seed mixes and restoration guidance. With a cover of native vegetation planted underneath, the soil under these utility corridors also improves soil health, providing long term benefits.

Stakeholder meetings will be held in the summer of 2023 to receive input about this new program and use of the funding to maximize landscape benefits.

Habitat Enhancement Landscape Program

<u>Laws 2023, Chapter 60</u>, Article 1, section 4, paragraph (j) and Article 5, section 8 Creates new M.S. §103B.106 Appropriated Amount: \$4 million

The new Habitat Enhancement Landscape Program (HELP) to be administered by BWSR will provide financial and technical assistance to establish or enhance areas of diverse native vegetation to support declining populations of bees, butterflies, dragonflies, birds, and other wildlife species essential for ecosystems and food production across conservation lands, open spaces, and natural areas and provide additional benefits for carbon sequestration, water quality improvement and landscape resiliency. The program expands on a pilot effort funded by the Environment and Natural Resources Trust Fund.

The program offers cost-share grants for projects on lands that are a priority for the protection of endangered or threatened pollinators and other wildlife species. Eligible lands include existing natural areas, conservation plantings, and open spaces. Current eligible applicants include soil and water conservation districts, watershed districts, watershed management organizations and counties; grant opportunities may be expanded to additional organization types in the future.

Funding is available to BWSR for this program until fiscal year 2027. Organizations will be able to apply for this program through a request for proposals later in 2023.

Easements

Reinvest In Minnesota (RIM) Clarification Laws 2023, Chapter 60, Article 5, sections 5 and 16 Amends M.S. §103F.505 and §103B.103

New language clarifies that RIM easements may be used for "restoration and protection of marginal, highly erodible land, particularly land adjacent to public waters, drainage systems, wetlands, and locally designated priority waters... and protection of environmentally sensitive areas, including wellhead protection areas, grasslands, peatlands, shorelands, karst geology, and forest lands in priority areas."

Additional language clarifies BWSR's ability to repair and replace structures on existing easements to continue to address our state's changing climate and emergent needs.

RIM Grassland and Working Land Easements

<u>Laws 2023, Chapter 60</u>, Article 1, paragraph (m), and Article 5, sections 16 and 17 Amends M.S. §103F.511 by adding subdivision 5a and 8d; funds application of M.S. §103F.501 to 103F.531; creates new M.S. §103F.519 Appropriated Amount: \$21 million

BWSR will fund conservation easements to restore privately-owned grasslands and working lands in fiscal years 2024 and 2025. Of this amount, up to \$423,000 is for deposit in the water and soil conservation easement stewardship account established under M.S. 103B.103. These initiatives align with the Minnesota Climate Action Framework's natural and working lands initiative to sequester and store carbon in grasslands, wetlands, and other landscapes with high conservation value.

Grasslands comprised of native species provide habitat for a wide range of grassland-dependent wildlife including endangered plants, birds, and butterflies. Traditionally, easement programs have focused on retired cropland. In 2019, BWSR extended its Reinvest in Minnesota (RIM) Reserve Program to include grasslands; this shift allows the state to protect high-value remnant prairies.

For purposes of these easements, grasslands and restored prairie are given the following definitions in statute:

- **Grasslands**: "landscapes that are or were formerly dominated by grasses, that have a low percentage of trees and shrubs, and that provide economic and ecosystem services such as managed grazing, wildlife habitat, carbon sequestration, and water filtration and retention."
- **Restored prairie**: "a restoration that uses at least 25 representative and biologically diverse native prairie plant species and that occurs on land that was previously cropped or used as pasture."

This change also establishes a new Minnesota Statute, section 103F.519, for a RIM Working Lands Program. "Working lands" in this case includes grasslands that are used for managed haying, managed livestock grazing, perennial or winter cover crop production, forest management, or related activities. Historically, RIM easements for agricultural land uses were targeted toward retired croplands. The ability to provide RIM easements on working lands allows the agency and landowners to maximize opportunities for soil and water conservation on more farmlands across the state. Funding for RIM grassland easements under this section is available until 2029. The board must also prioritize its ability to leverage non-state funding, such as federal funding.

Property owners will be able to apply for grassland easements after the program becomes available by contacting their SWCD.

RIM Peatland Easements

<u>Laws 2023, Chapter 60</u>, Article 1, section 4, paragraph (n) and Article 5, section 16 Funds application of M.S. § <u>103F.501 to 103F.531</u> and adds peatland to M.S. § <u>103F.505</u> Appropriated Amount: \$4 million

BWSR received one-time funding to create a program that will help restore valuable peatlands in Minnesota. Of this amount, up to \$299,000 is for deposit in the water and soil conservation easement stewardship account established under M.S. 103B.103. The program will pursue a high-priority goal identified in the Minnesota Climate Action Framework. Peatlands (bogs and fens) hold some of Minnesota's largest carbon reserves but emit large quantities of carbon when ditched and drained. Protecting existing peatlands and other wetlands, and restoring drained, farmed, or pastured peatlands and wetlands will increase carbon storage.

Peatlands are a type of wetland. These carbon-rich ecosystems store and sequester more carbon than any other type of terrestrial ecosystem. According to the Minnesota Department of Natural Resources, Minnesota contains approximately 6 million acres of peatlands – more than any other U.S. state except Alaska. Peatlands in their natural state play a key role in storing carbon, preserving biodiversity, and improving water quality. However, when peatlands are drained for agricultural purposes or otherwise disturbed, they release harmful levels of greenhouse gases. According to the Minnesota Pollution Control Agency, disturbed peatlands are the state's fourth-highest source of emissions.

The proposed Private Lands Peatland Restoration Program would take peatlands out of agricultural production and place them into permanent conservation easements via BWSR's Reinvest in Minnesota (RIM) Reserve Program. Protecting and restoring these areas will help reduce emissions released by disturbed peatlands. This proposal will also create an interactive map application that helps identify peatlands with potential for restoration and protection. The map application utilizes peatland mapping layers developed by The Nature Conservancy. The application would be refined by state agencies (such as BWSR and DNR) and supportive non-governmental organizations (such as The Nature Conservancy) before being shared more broadly with University of Minnesota researchers, The U.S. Fish & Wildlife Service, the Minnesota Pollution Control Agency, the Minnesota Department of Agriculture, and other partners.

The appropriation for this program is available until June 30, 2029. The board must also prioritize its ability to leverage non-state funding, such as federal funding.

Property owners will be able to apply for this program by contacting their SWCD.

RIM Existing Easement Enhancements <u>Laws 2023, Chapter 60</u>, Article 1, section 4, paragraph (o) Funds application of M.S. §103F.501 to 103F.531 Appropriated Amount: \$4 million

BWSR will fund enhancements to new and existing conservation easements under the Reinvest in Minnesota (RIM) Reserve Program. These initiatives align with the Minnesota Climate Action Framework's natural and working lands initiative to sequester and store carbon in grasslands, wetlands, and other landscapes with high conservation value.

BWSR intends to leverage the requested funding to inspect aging easement infrastructure and make repairs and improvements to practices on existing conservation easements so they will be more resilient to climate change. These projects will support local businesses and contractors needed to complete the work. Funding will also expand opportunities for landowners to enroll grasslands and working lands in RIM easement programs

The RIM Reserve Conservation Easement Program is BWSR's premier easement program, having successfully restored and protected more than 300,000 acres of private lands over the past 30 years.

The funds appropriated for these easements are available until June 30, 2029. The board must also prioritize its ability to leverage non-state funding, such as federal funding.

Conservation Easement Stewardship <u>Laws 2023, Chapter 60</u>, Article 1, section 4, paragraph (m) and Article 5, section 5 Appropriated Amount: \$250,000

The legislature appropriated \$125,000 in fiscal years 2024 and 2025 (\$250,000 total) to BWSR for conservation easement stewardship, for maintenance of existing easements.

Other Conservation Easement Funding <u>Laws 2023, Chapter 60</u>, Article 1, section 4, paragraph (t) Appropriated Amount: \$5 million

BWSR will use \$2 million dollars of this appropriation in fiscal year 2024 to acquire conservation easements from landowners to preserve, restore, create, and enhance wetlands and associated uplands of prairie and grasslands and to restore and enhance rivers and streams, riparian lands, and associated uplands of prairie and grasslands.

The board must prioritize its ability to leverage non-state funding, such as federal funding by enrolling targeted new lands or enrolling environmentally sensitive lands that have expiring federal conservation agreements.

The remaining \$3 million will be used in fiscal year 2024 for onetime state incentive payments to enrollees in the federal CRP program. This funding is available until June 30, 2027.

Clean Water Fund

Legacy Finance Omnibus Bill: Laws 2023, Chapter 40.

With more than 10,000 lakes and 100,000 river and stream miles, water is a major part of Minnesota's culture, economy, and ecosystems. Protecting and restoring riparian areas are one of the most effective and proven methods to address surface water quality degradation by establishing perennial cover on these environmentally sensitive and/or highly erodible soils along rivers and streams.

The Clean Water Council <u>recommendations</u> support various BWSR and partner efforts over the 2024-2025 biennium, including implementing One Watershed One Plans; soil health practices; Legacy Partners grants; and various easement programs.

Water Management Transition to One Watershed - One Plan (1W1P) *Appropriated Amount: \$3.5 million*

BWSR will continue to work with local units of government on the transition to watershed-based plans, leading to a reduction form 200+ geo-political boundary plan to 60+ comprehensive watershed management plans, adding future efficiencies that are both scientifically and economically sound, and targeting private, local, and state investments towards water quality and quantity problems that can demonstrate success.

Comprehensive watershed based implementation plans, developed under the One Watershed, One Plan program provide the best mechanism possible to build off current state investments being made in Watershed Restoration and Protection Strategies (WRAPS) and Groundwater Restoration and Protection Strategies (GRAPS) as well as other state studies and plans to inform the building of a focused watershed implementation plan that is science-based, spatially and numerically explicit, with an implementation plan that is prioritized, targeted and capable of achieving measurable improvement in water quality, flood control, and groundwater protection.

Watershed-based Implementation Funding (WBIF) Appropriated Amount: \$79 million

This funding will support non-competitive grants to implement priority projects identified in our One Watershed, One Plan program. Providing systematic Clean Water funding for the growing number of local water management authorities with developed comprehensive watershed reports identifying prioritized projects will increase achievement of Minnesota's water quality goals in addition to other water management outcomes. The efficiencies created by this change will benefit both organizations and landowners by streamlining processes, which will allow more projects to be implemented in a timely manner and ensure limited resources are spent where they are needed most. This funding may also provide greater opportunities for local governments to leverage federal and private funding.

Accelerated Implementation of Clean Water Strategies *Appropriated amount: \$11 million*

BWSR will use these funds to enhance the capacity of local governments to accelerate implementation of water quality projects and projects and activities that supplement or exceed current state standards for protection, enhancement, and restoration of water quality in lakes, rivers, streams, and groundwater. This funding will support the completion of comprehensive watershed management plans for all 80 major watersheds, including those under One Watershed One Plan, by 2025.

Surface and Drinking Water Protection (Projects and Practices) Appropriated amount: \$17 million

BWSR will fund Surface and Drinking Water Protection and Restoration Grants to local governments to support the implementation of high priority projects derived from state approved, locally adopted water management plans. Local governments use these funds to plan, design, and install conservation practices targeted to protect and restore water quality. Practices installed are designed to address water quality problems specific to the targeted water body, but generally retain rainfall and runoff on the land, and reduce the transport of sediment and nutrients to surface and ground waters.

Local governments have been aggressive in identifying projects to address water quality needs. For FY2022 local governments proposed more than \$25.8 million in projects under this program, while \$9.5 million of State Clean Water Funds were available, resulting in funding only 36% of project requests.

Conservation Drainage Management and Assistance *Appropriated Amount: \$2 million*

BWSR will provide funding for Minnesota drainage authorities under M.S. 103E to plan and construct drainage water quality management practices into drainage system projects.

This program is a continuation from FY2022-2023 and provides for financial and technical assistance to Minnesota's Public Drainage Authorities and Soil and Water Conservation Districts to facilitate planning, design, and installation of conservation practices on drainage systems that will result in water quality improvements.

These practices promote retention of rainfall and runoff on the land, soil erosion reduction, and water quality improvement in drainage systems and receiving waters while maintaining agricultural production. The program is implemented through partnering with the state's public drainage system authorities, principally counties and watershed districts. The state's investment leverages local investment as the grants require a 25% local match.

Critical Shoreland Protection *Appropriated Amount: \$3 million*

These funds will be used for voluntary shoreland protection easements on water bodies, with an emphasis on shoreland in watersheds that are critical in protecting the Mississippi River as a drinking water source.

Wetland Easements Appropriated Amount: \$10 million

BWSR will purchase permanent conservation easements to protect and restore wetlands and associated uplands. This funding works in tandem with the statutory authority of the Reinvest in Minnesota (RIM) Program.

For wetlands, the RIM program enrolls drained and farmed wetlands and associated uplands that offer no water quality benefits, and little or no habitat and ecological benefits in their current state. Through a combination of eligibility screening and a scoring and ranking process, the program evaluates applications and selects the applications that provide the greatest environmental and habitat benefits after enrollment in a BWSR RIM Reserve easement. These restored wetlands and grassland complexes will provide water quality improvements, and habitat for wetland-dependent wildlife.

BWSR Oversight and Accountability (Measures, Results, and Accountability) *Appropriated Amount: \$2.5 million*

BWSR will implement a comprehensive program of conservation quality control and assurance through oversight, assessment, assistance, and reporting and communication of local government performance and results.

With more than 10,000 lakes, 100,000 river and stream miles, and extensive groundwater systems, water is a major part of Minnesota's culture, economy, and natural ecosystems. Today, about half of Minnesota's surface waters have been assessed for water quality, and of those, about 40% do not meet basic water quality standards.

Local governments are foundational to delivering the results of the state's conservation programs that implement water quality solutions. BWSR provides accountability to the state while supporting and providing assistance to local governments implementing Clean Water projects by:

- 1. Building strong technical skills within the local government delivery system
- 2. Providing assistance to local governments for improved program implementation, streamlining reporting requirements, and providing transparency regarding local government performance in meeting clean water program goals
- 3. Evaluating the success and value of on-the-ground restoration and protection activities to better target implementation funds
- 4. Communicating information about its grants to local governments and the environmental outcomes achieved through multiple media venues

Riparian Protection and Soil Loss Assistance Appropriated Amount: \$4 million

BWSR will use this funding to support local government implementation of riparian buffer and alternative best management practice requirements for state required buffers and soil erosion prevention enacted into law in 2015. This funding helps protect the state's water resources from erosion and runoff pollution by establishing roughly 110,000 acres of buffer along waterways and supports soil and water conservation districts' technical assistance to landowners, on-going monitoring and tracking of compliance, and assistance in local enforcement of the buffer law. The CWF Shoreland Buffer Compliance funding is used for grantmaking to SWCDs and to support SWCD implementation. BWSR works to develop and maintain various aspects of program implementation guidance and support

documents. BWSR also plays a role in assisting facilitation between local governments at the request of those looking for agency or state perspective.

Through this continued effort, as of January 2022, approximately 99% of all parcels adjacent to Minnesota waters were compliant with the Buffer Law.

Working Lands Floodplain Easements *Appropriated Amount: \$5 million*

The Floodplain Easement program is an expansion of the previous Buffer Easement program funded by the Clean Water Fund. This expanded program will continue to allow for enrollment of traditional lands that meet the riparian buffer criteria but will also allow for larger whole field enrollment. The whole field enrollment option allows landowners to continue income-producing conservation practices (e.g. silviculture, grazing, and/or haying) under a reduced easement payment rate or a traditional conservation easement. It also allows for a landowner to select a limited term easement option.

The purpose of this program is to remove riparian and frequently flooded lands from row crop production. These areas will either be placed into perpetual or long-term RIM Reserve conservation easements that will allow farmers to utilize these landscapes to provide a reasonable source of income while at the same time preventing additional water quality impacts which can occur in frequently flooded row crops.

This program is part of a comprehensive clean water strategy to prevent sediment and nutrients from entering Minnesota's lakes, rivers, and streams; reduce aquatic impairments; and protect wetlands. Studies show that perennial vegetation in riparian areas reduces sediment and nutrients entering waterways, stabilizes streambanks, and provides food and habitat for many species of wildlife.

Enhancing Adoption of Soil Health

Appropriated Amount: over \$12 million

Funds will be used to enhance landowner adoption of soil health management practices as prioritized in comprehensive watershed management plans.

This program contributes to part of a comprehensive clean water strategy to reduce nutrients and sediment from entering drinking water supplies. Incorporating soil health management practices such as cover crops into row crop rotations can improve water quality by decreasing nitrogen losses, reducing runoff, and improving soil health.

Vulnerabilities of drinking water systems have come into the spotlight over the last several years. While Minnesota has not experienced a large-scale drinking water crisis, the risk of drinking water contamination is of particular concern in some areas of Minnesota. Several Minnesota communities have seen increased water treatment rates due to contamination of ground water from excess nitrate coming from agricultural areas. These incidents are indicative of the widespread vulnerability of many rural communities because much of Minnesota's rural landscape is heavily dominated by intensive rowcrop agriculture.

One way to address water quality in agricultural areas is recommended use of cover crops to remove excess nitrogen from the soil. Cover crops are known to be an effective means to reduce nitrogen loss.

This program provides both applied research by the Minnesota Office for Soil Health (MOSH) and implementation of soil health practices to improve groundwater and surface water quality. The MOSH is a collaboration between BWSR and the University of Minnesota Water Resources Center that works toward healthy farms and ecosystems by delivering soil education, promoting grower networks, and researching best practices.

This program is a continuation of a targeted effort to increase cover crop adoption and related soil health practices on highly erodible lands or in drinking water management areas. This funding, along with the newly established Soil Health Practices program, provide an opportunity for a large acre and participant increase in cover crop and soil health practice adoption. Cover crop adoption improves groundwater and surface water quality and benefits drinking water supply areas. Clean Water Funds will be made to eligible landowners and retailers to plant cover crops, provide payments to reduce risk, and purchase specialized inter-seeding equipment in one or two targeted areas within the state.

This initiative can leverage existing federal NRCS financial assistance programs and will be implemented by soil and water conservation districts (SWCDs).

Watershed Partners Legacy (Community Partners Program) Appropriated Amount: \$1 million

Funding will support an existing Clean Water Fund grant program for small projects (Community Partners Program). This program ensures tribal governments and community groups such as non-governmental organizations wishing to implement projects, programs, community service, and education can be direct recipients of Clean Water Funds.

The Water Legacy Grants Program increases citizen participation in implementing water quality projects and programs to increase long term sustainability of water resources. The efforts and resources of active and engaged community groups, such as lake associations, non-profits, conservation groups and tribal government, will be supported through this program.

This program provides competitive grants or contracts to non-governmental and tribal governments for implementation projects that protect, enhance, and restore water quality or protect groundwater and drinking water sources from degradation. The state's investment leverages local and federal funds as the grants requires a match. The program will be administered through a competitive application process.

Targeted Wellhead Drinking Water Protection Easements *Appropriated Amount: \$5 million*

BWSR will support permanent conservation easements or grants to local government to protect land in vulnerable wellhead or source water protection areas to protect drinking water supplies.

This proposal is a continuation of a successful Clean Water Fund easement and grant program. The purpose of this targeted program is to ensure that the land use within a drinking water supply management area is conducive to protecting or improving the drinking water that is impacted by the land use in areas that are vulnerable to surface contamination and protect the land via RIM easement or grants to local governments. Priority is placed on land located where one or more of the following apply:

- the vulnerability of the drinking water supply is designated as high or very high by the Commissioner of Health
- the drinking water supply is identified as Mitigation Level 1 or 2 by the Minnesota Groundwater Rule
- monitoring has shown elevated nitrate levels
- drinking water protection plans have identified specific activities that will achieve long-term protection
- on lands with expiring Conservation Reserve Program contracts.

BWSR will continue to work with Minnesota Department of Health, Minnesota Department of Agriculture, and the Minnesota Rural Water Association to determine projects within targeted areas. BWSR also work s with soil and water conservation districts (SWCDs), LGUs, and other community partners in those areas to secure long -term protection on lands and reduce nitrates entering drinking water supplies. This work may include conservation easements, as well as grants for land acquisition via purchase, easement, or contract completed locally.

Tillage and Erosion Survey

Appropriated Amount: \$850,000

BWSR will continue to systematically collect data and produce statistically valid estimates of the rate of soil erosion state-wide and tracking the adoption of high residue cropping systems in the 67 counties with greater than 30% of land in agricultural row crop production.

The Tillage and Soil Erosion Survey is a comprehensive long-term program to systematically collect data and produce county, watershed, and statewide estimates of soil erosion caused by water and wind along with tracking adoption of high residue cropping systems and implementation of cover crops. Tillage and cover crop trend data and soil erosion data are critical to measuring progress towards goals and recommendations set forth in Minnesota's Statewide Nutrient Reduction Strategy (2013, 2020), Sediment Reduction Strategy for the Minnesota River and 360South Metro Mississippi River (2014), Watershed Restoration and Protection Strategies (WRAPS), and Total Maximum Daily Loads (TMDL's). The data allow tracking of local trends in adoption of conservation practices, effectiveness of local targeting efforts, and to help set local and state priorities.

Technical Evaluation Appropriated Amount: \$200,000

BWSR will evaluate a sample of habitat restoration projects completed with Clean Water Funding.

State law requires restoration evaluations be conducted on habitat restoration projects completed with funds from the Clean Water Fund (M.S. 114D.50), Outdoor Heritage Fund (M.S. 97A.056), and Parks and Trails Fund (M.S. 85.53). As provided by law, BWSR is the responsible agency for Clean Water Fund restoration evaluations; DNR is the responsible agency for Parks and Trails Fund restoration evaluations; and DNR and BWSR are jointly responsible for Outdoor Heritage Fund restoration evaluations (M.L. 2010, Ch. 361, Art.1). These evaluations assess project performance to ensure and improve conservation outcomes across the State.

Other Clean Water Fund Legislation

In addition to BWSR specific appropriations, the 2023 Legacy Omnibus bill also contained provisions affecting all recipients of the Clean Water Fund (CWF).

Disability Access

Where appropriate, recipients should make progress toward providing people with disabilities greater access to programs, print publications, and digital media for projects funded through the CWF.

Increasing Diversity in Environmental Careers

Agencies should work to provide opportunities that encourage a diversity of students to pursue careers in environment and natural resources when implementing projects funded through the CWF.

Agency Initiatives, Oversight, and Miscellaneous Changes Wetland Conservation Act (WCA) Enforcement <u>Laws 2023, Chapter 60</u>, Article 1, paragraph (b) Appropriated Amount: \$761,000

BWSR will implement, enforce, and oversee for the Wetland Conservation Act. This includes administration of the wetland banking program and in-lieu fee mechanism.

Clarifying ability to enter grants with tribal governments Laws 2023, Chapter 60, Article 5, sections 2, 3, 4 Amends M.S. §103B.101

New language specifies that the board may enter into agreements (including grant agreements) with Tribal Nations. This clarification will extend opportunities for collaboration with partners outside of BWSR's traditional clientele of local governments. Additional collaboration and partnerships between tribal governments and state governments will allow for the completion of more projects that protect and improve soil and water resources across Minnesota.

BWSR Tribal Liaison Laws 2023, Chapter 60, Article 1, section 4, paragraph (r)

BWSR received funding to staff an Agency Tribal Liaison, which aligns with Minnesota Statute 10.65 and other recently enacted laws that codify government-to-government relations and consultation between Minnesota state agencies and Tribal Nations.

BWSR's Tribal Liaison will initiate, develop, and maintain the agency's statutorily required tribal consultation and serve as an internal and external resource on state-tribal relations as they related to soil and water conservation efforts. Consultation duties will also include coordination with the governing

bodies of Minnesota Tribal governments, such as the Minnesota Indian Affairs Council or the Minnesota Chippewa Tribe; interaction on legislative and fiscal matters that affect one or all Minnesota Tribal governments, and proactive engagement of legislative and fiscal proposals. The agency must consider input gathered from Tribal consultation into our decisions-making process, with the goal of achieving mutually beneficial solutions.

Board Member Per Diem Laws 2023, Chapter 60, Article 5, section 1

Amends M.S. §103B.101

The legislature changed the board member per diem from \$55 to \$125 per day. The \$55 per day rate of compensation has not been adjusted since enacted in 1990.

Conservation Practices <u>Laws 2023, Chapter 60</u>, Article 5, section 3 Amends M.S. §<u>103B.101</u>, subdivision 16

A change to administrative guidance for BWSR describes the agency's overall work in conservation practices (rather than simply water quality practices). Under amended language, the board is required to work with partners including state and federal agencies, Tribal Nations, academic institutions, local governments, practitioners, and other stakeholders to develop recommendations for conservation practices and projects, and systems for:

- 1. erosion or sedimentation control
- 2. improvements to water quality or water quantity
- 3. habitat restoration and enhancement
- 4. energy conservation
- 5. climate adaptation, resiliency, or mitigation

Guidelines for Establishing and Enhancing Native Vegetation <u>Laws 2023, Chapter 60</u>, Article 5, section 4 Amends M.S. §<u>103B.101</u> by adding new subdivision 18

Language was added that addresses BWSRs authority to develop guidelines for establishing and enhancing native vegetation.

The new language requires the board to work with partners including state and federal agencies, Tribal Nations, academic institutions, local governments, practitioners, and other stakeholders to develop a shared understanding and to provide recommendations for native vegetation that are specifically to provide the benefits of:

- 1. water quality
- 2. soil conservation
- 3. habitat enhancement

- 4. energy conservation
- 5. climate adaptation, resiliency, or mitigation

This language also allows the board to convene work groups or teams to develop information, education, and recommendations to achieve these goals.

Natural Resource Block Grants <u>Laws 2023, Chapter 60</u>, Article 1, section 4, paragraph (q) Appropriated Amount: \$2.5 million (for a total of \$9.346 million for the 2024-2025 biennium)

BWSR was allocated an additional one-time increase of \$1.25 million in each of fiscal years 2024 and 2025 to help counties implement statutorily mandated environmental programs including the Wetland Conservation Act and shoreland management program under M.S. Chapter 103F and local water management responsibilities under M.S. Chapter 103B.

The base funding for fiscal year 2026 and thereafter returns to \$3.423 million per year.

BWSR Ability to Allocate Funds Laws 2023, Chapter 60, Article 5, sections 9, 10, 11, and 12 Amends M.S. §103C.501

This language clarifies BWSR's ability to provide funding to Soil and Water Conservation Districts to achieve shared missions – outside of simply cost-sharing programs. This language specifies that BWSR can provide both technical and financial assistance for practices, programs, and projects under its jurisdiction.

The language further clarifies the types of programs BWSR funds at state and local levels to achieve:

- 1. erosion or sedimentation control
- 2. improvements to water quality or water quantity
- 3. habitat enhancement
- 4. plant biodiversity
- 5. energy conservation
- 6. climate adaptation, resiliency, or mitigation

Drainage Work Group Report - Registry Portal Evaluation *Laws 2023, Chapter 60, Article 5, section 21*

The Board of Water and Soil Resources and the Drainage Work Group must evaluate and develop recommendations on the following, and submit a report to the legislature by February 1, 2024

- the definition and application of outlet adequacy as provided in Minnesota Statutes, section 103E.261
- 2. public notice requirements for proposed public drainage activities, including a drainage registry portal

Soil and Water Conservation District Aid Omnibus Tax Bill – <u>Laws 2023, Chapter 64</u>, Article 4, section 20 Creates new M.S. §477A.23

The omnibus tax bill included new aid for Soil and Water Conservation Districts.

The aid program is \$15 million in calendar years 2023 and 2024 and \$12 million annually after that.

Aid amounts for soil and water conservation districts are calculated based on three factors:

- 1. 80% of the appropriation would be split evenly between all soil and water conservation districts
- 2. 10% apportioned based on a soil and water conservation district's share of nonpublic lands
- 3. the remaining 10% would be based on a soil and water conservation district's share of adjusted state population.

BWSR is to calculate and certify aid payment amounts to the Commissioner of Revenue annually by June 1 so that payments can be made to Soil and Water Conservation Districts by July 20 of the same year.

SWCDs receiving this aid must use the proceeds to implement SWCD duties and services as prescribed by statute (Chapter <u>103C</u>).

The board of each soil and water conservation district must establish, by resolution, annual guidelines for using these payments and post current and prior-year guidelines on the district's website. SWCDs may use this aid directly, or the SWCD may appropriate a portion of the payment to a governmental unit with which the district has a cooperative agreement.

There are 88 soil and water conservation districts in Minnesota, with at least one district in each of the 87 counties except for Hennepin and Ramsey Counties. Three of the larger counties have two districts: Otter Tail, Polk, and St. Louis. Hennepin and Ramsey Counites have special legislative authority to carry out soil and water conservation district authorities and would therefore be included in aid payments.

Watershed Levy Authority Increase Omnibus Tax Bill – <u>Laws 2023, Chapter 64</u>, Article 3, section 1 Modifies M.S. §<u>103D.905</u>

The omnibus tax bill also increases the watershed district levy authority from 0.048 percent to 0.096 percent, or \$500,000, whichever is less. This additional funding can help provide needed local matching funds for implementing water quality improvement projects.

Highways for Habitat Omnibus Transportation Bill – <u>Laws 2023, Chapter 68</u>, Article 1, section 2 and Article 4, section 14 Creates new M.S. 160.2325 Appropriated amount (to MnDOT): \$1 million

The omnibus transportation bill included a new Highways for Habitat program to be administered by the Department of Transportation. This program is created to enhance the ability for state roadways to provide pollinator and wildlife habitat and vegetative buffers.

This program is created to establish maintenance approaches to highway right-of-way lands that are ecologically based. Practices may include limiting use of herbicides, limiting mowing, undertaking prescribed burning practices, erosion prevention, and other practices.

The commissioner of transportation is directed to consult with native habitat biologists and ecologists to develop standards and best practices and must also base seed and vegetation selection on Board of Water and Soil Resources guidelines.