

## Memo

**Date:** 07/09/2021

**To:** Mark Johnson, Executive Director

**From:** John Jaschke, Executive Director

### **RE: LSOHC Buffers Phases V – VII and Wetlands Phases VII – IX Amendments**

The MN CREP Agreement between the U.S. Department of Agriculture (USDA) Commodity Credit Corporation and The State of Minnesota was approved by both parties in January 2017. Securing a portion of the State commitment prior to execution of the agreement was influential in its approval. Six appropriations that made up a portion of the secured State commitment are ML 2015 – ML 2017 RIM Buffers for Wildlife and Water (internally referred to as L15B, L16B, L17B) and ML 2016 – ML 2018 RIM Wetlands (internally referred to as L16R, L17R, L18R).

This memo provides a summary of previous budget assumptions and context for upcoming amendment requests for five of those six appropriations that are being used as match for federal funds for MN CREP. It also provides information related to RIM Wetlands Phase VII (2016) that had an amendment approved in December 2020 because the amendment was for similar reasons as the amendments being proposed now for the five appropriations. For most of these appropriations, the amendment request reduces the numbers of easements and acres, modifies the budgets, and adds money to the easement acquisition line. Although fewer easements and acres have been realized than originally anticipated, MN CREP continues to be a success for permanent habitat protection. Protection of higher quality acres for habitat, wildlife, and water quality provides a positive impact for Minnesota while leveraging federal funds to extend the impact of state dollars.

#### **RIM Buffers**

The accomplishment plans for RIM Buffers for Wildlife and Water Phase V and Phase VI (ML 2015 and ML 2016) were drafted and approved prior to the beginning of MN CREP enrollment that began in May 2017. Phase VII was approved two months after MN CREP enrollment began. The approved accomplishment plans for Phase V and Phase VI also had an amendment approved prior to May 2017 after federal match estimates were included using the best available numbers at the time.

The number of anticipated easements, acres, and federal leverage through the USDA Farm Service Agency (FSA) Conservation Reserve Program (CRP) included in the original and amended accomplishment plans were based on early projections that nearly half of the acres enrolled in the MN CREP were going to fall within the filter strip conservation practice (buffers). This projected enrollment of acres into the filter strip practice has not been realized. Instead, we have experienced a considerably higher interest by landowners in the wetland restoration practices in every batching period. A reduction in filter strip enrollment may be due in large part to the

implementation of the Buffer Law and landowners enrolling those areas into other programs or installing the buffer vegetation on their own. As the interest in wetland restoration practices was higher than anticipated, BWSR reviewed the appropriation language and determined an appropriate use of funds would be to use RIM Buffers for Wildlife and Water Phase V – Phase VII for wetland restoration practices that directly benefit a public water or public water wetland. Details of the amendments for these three buffer appropriations is detailed by year below.

*RIM Buffers for Wildlife and Water Phase V (2015) (\$4.544M)*

An amendment was approved in December 2016 in preparation for MN CREP implementation. Expected USDA FSA CRP amounts were calculated with best assumptions available at the time and the budget amendment used similar formulas and assumptions as the accomplishment plan for ML 2017 RIM Buffers Phase VII. The outcomes from these Outdoor Heritage Fund (OHF), Clean Water Fund (CWF), and FSA contributions using these assumptions increased easement acres from 1,200 to 3,586 acres. Narrative fields were adjusted to reflect the new projected outcomes.

A new amendment for Phase V is being requested at this time. This proposed amendment is shown below in Tables 1 and 2.

| <b>Accomplishment Plan (AP) Version</b> | <b>Outputs</b> |
|---|----------------|
| Original AP OHF Acres                   | 600            |
| 2016 Amended OHF Acres                  | 1,793          |
| 2021 Proposed Amendment OHF Acres       | 1,036          |
| Original AP OHF Easements               | 11             |
| 2016 Amended OHF Easements              | 112            |
| 2021 Proposed Amendment OHF Easements   | 39             |

Table 1 – Buffers Phase V Easement Number and Acres Adjustments since Original Accomplishment Plan

| Item                       | Funding Request                              | Antic. Leverage  | Leverage Source              | Total  |
|----------------------------|--|--|------------------------------|--|
| Personnel                  | \$406,200                                    | \$406,200  | CFW                          | \$812,400  |
| Contracts                  | <del>\$347,300</del><br><u>\$205,800</u>     | <del>\$347,300</del> <u>\$205,800</u>                  | CFW                          | <del>\$694,600</del><br><u>\$411,600</u>               |
| Fee Acquisition w/ PILT    | -  | -  | -                            | -  |
| Fee Acquisition w/o PILT   | -  | -  | -                            | -  |
| Easement Acquisition       | <del>\$2,989,900</del><br><u>\$3,605,900</u> | <del>\$21,165,900</del><br><u>\$12,692,800</u>         | CFW,<br>USDA-<br>FSA-<br>CRP | <del>\$24,155,800</del><br><u>\$16,298,700</u>         |
| Easement Stewardship       | <del>\$728,000</del><br><u>\$253,500</u>     | <del>\$728,000</del> <u>\$253,500</u>                  | CFW                          | <del>\$1,456,000</del><br><u>\$507,000</u>             |
| Travel                     | \$7,900                                      | \$7,900  | CFW                          | \$15,800   |
| Professional Services      | -  | -  | -                            | -  |
| Direct Support Services    | \$50,000                                     | \$50,000   | CFW                          | \$100,000  |
| DNR Land Acquisition Costs | -  | -  | -                            | -  |
| Capital Equipment          | -  | -  | -                            | -  |
| Other Equipment/Tools      | \$11,300                                     | \$11,300   | CFW                          | \$22,600   |
| Supplies/Materials         | \$3,400                                      | \$3,400  | CFW                          | \$6,800  |
| DNR IDP                    | -  | -  | -                            | -  |
| <b>Grand Total</b>         | <b>\$4,544,000</b>                           | <b><del>\$22,720,000</del><br/><u>\$13,630,900</u></b> | -                            | <b><del>\$27,264,000</del><br/><u>\$18,174,900</u></b> |

Table 2 – Buffers Phase V Proposed 2021 Budget Amendment

In Phase V, MN CREP program-wide changes and revised assumptions on payment rates (federal match) have resulted in fewer easements and acres than originally anticipated. The original per acre state payment estimate was \$1,405 –derived from an average of the entire 54-county MN CREP area before rate changes in 2018 (described below). The current per acre state payment within this appropriation is an average of \$3,359. After the first year of MN CREP sign-ups, several listening sessions were held with local staff throughout the MN CREP area to determine successes and challenges from the first sign-ups held in 2017. As a result of strong feedback, two significant changes were made to MN CREP in August 2018:

1. RIM payment rates were adjusted to better account for agricultural land values in Minnesota in 2018 - resulting in a 29% increase in the state’s contribution to the overall landowner payment; and
2. The percentage of existing CRP acres that could be enrolled with a MN CREP eligible offer was increased. This change increased the state payment without a corresponding federal match for their MN CREP enrollment.

Two additional trends outside of BWSR control have significantly impacted easement acquisition costs:

1. MN CREP is significantly more popular in counties with higher land values, resulting in higher than average payment rates for both the CRP contracts and the RIM easements; and

2. CRP rates, on average, have declined over the last four years in MN CREP counties, decreasing the federal portion of the established payment and requiring more state funds to be contributed to landowner payments.

Current spending and projections indicate that an amendment revising the number of easements to 78 and total acres to 2,076 (all funding sources; 57.8% of the original projected) is a more reasonable target given the trends and program changes numerated above. The proposed changes in the amendment would significantly decrease the anticipated federal leverage.

The reduction in easements is also attributed to the utilization of Phase V in funding the increased interest in wetland restoration practices while maintaining a relatively similar acreage. The amendment would add funding to the acquisition line by decreasing contracts and easement stewardship (decreased due to the fewer number of easements). There is no modification to the personnel line. Due to a 2018 agreement on personnel spending for this appropriation between LSOHC and BWSR staff, BWSR does not intend to spend the entire personnel line and has internally capped personnel spending well below the amount shown above.

The 2016 amendment narrative stated a 4:1 federal to OHF match for buffer applications through MN CREP, while the budget showed more than a 4:1 match. Evaluating current federal match, Phase V is currently being matched by federal funds at just over 2.4:1.

*RIM Buffers for Wildlife and Water Phase VI (2016) (\$6.708M)*

A December 2016 amendment to Phase VI was approved in preparation for MN CREP implementation. Expected FSA CRP amounts were calculated with best assumptions available, and the budget amendment used similar formulas and assumptions as RIM Buffers Phase VII. The outcomes from these OHF, CWF, and FSA contributions increased easement acres from 1,584 to 5,310 acres. Narrative fields were adjusted to reflect the amended outcomes. A new amendment for Phase VI is requested at this time. The proposed amendment is shown in Tables 3, 4, and 5.

| <b>Accomplishment Plan (AP) Version</b> | <b>Outputs</b> |
|---|----------------|
| Original AP OHF Acres                   | 792            |
| 2016 Amended OHF Acres                  | 2,655          |
| 2021 Proposed Amendment OHF Acres       | 1,390          |
| Original AP OHF Easements               | 20             |
| 2016 Amended OHF Easements              | 166            |
| 2021 Proposed Amendment OHF Easements   | 42             |

Table 3 – Buffers Phase VI Easement Number and Acres Adjustments since Original Accomplishment Plan

| Item                       | Funding Request                              | Antic. Leverage  | Leverage Source              | Total  |
|----------------------------|--|--|------------------------------|--|
| Personnel                  | <del>\$568,800</del><br><u>\$267,000</u>     | <del>\$568,800</del> <u>\$267,000</u>                        | CFW                          | <del>\$1,137,600</del><br><u>\$534,000</u>                   |
| Contracts                  | <del>\$514,500</del><br><u>\$257,400</u>     | <del>\$514,500</del> <u>\$257,400</u>                        | CFW                          | <del>\$1,029,000</del><br><u>\$514,800</u>                   |
| Fee Acquisition w/ PILT    | -  | -  | -                            | -  |
| Fee Acquisition w/o PILT   | -  | -  | -                            | -  |
| Easement Acquisition       | <del>\$4,438,400</del><br><u>\$5,803,300</u> | <del>\$31,270,400</del><br><u>\$17,758,100</u>               | CFW,<br>USDA-<br>FSA-<br>CRP | <del>\$35,708,800</del><br><u>\$23,561,400</u>               |
| Easement Stewardship       | <del>\$1,079,000</del><br><u>\$273,000</u>   | <del>\$1,079,000</del> <u>\$273,000</u>                      | CFW                          | <del>\$2,158,000</del><br><u>\$546,000</u>                   |
| Travel                     | \$11,800                                     | \$11,800   | CFW                          | \$23,600   |
| Professional Services      | -  | -  | -                            | -  |
| Direct Support Services    | \$73,800                                     | \$73,800   | CFW                          | \$147,600  |
| DNR Land Acquisition Costs | -  | -  | -                            | -  |
| Capital Equipment          | -  | -  | -                            | -  |
| Other Equipment/Tools      | \$16,700                                     | \$16,700   | CFW                          | \$33,400   |
| Supplies/Materials         | \$5,000                                      | \$5,000  | CFW                          | \$10,000   |
| DNR IDP                    | -  | \$13,400   | CFW                          | \$13,400   |
| <b>Grand Total</b>         | <b>\$6,708,000</b>                           | <b><del>\$33,533,400</del></b><br><b><u>\$18,676,200</u></b> | -                            | <b><del>\$40,261,400</del></b><br><b><u>\$25,384,198</u></b> |

Table 4 – Buffers Phase VI Proposed 2021 Budget Amendment

| Position                 | Funding Request  | Antic. Leverage  | Leverage Source | Total  |
|--------------------------|--|--|-----------------|--|
| Engineering/Eco Services | <del>\$53,100</del><br><u>\$15,600</u>                 | <del>\$53,100</del><br><u>\$15,600</u>                 | CFW             | <del>\$106,200</del><br><u>\$31,200</u>                  |
| Easements                | <del>\$328,400</del><br><u>\$251,400</u>               | <del>\$328,400</del><br><u>\$251,400</u>               | CFW             | <del>\$656,600</del><br><u>\$502,800</u>                 |
| <b>Total</b>             | <b><del>\$568,800</del></b><br><b><u>\$267,000</u></b> | <b><del>\$568,800</del></b><br><b><u>\$267,000</u></b> | -               | <b><del>\$1,137,600</del></b><br><b><u>\$534,000</u></b> |

Table 5 – Buffers Phase VI Proposed 2021 Personnel Amendment

For Phase VI, MN CREP program-wide changes and revised assumptions on payment rates (federal match) resulted in fewer easements and acres; the same changes that are highlighted in Phase V above. Review of the current budget shows that the per acre state payment rate used was \$1,410 (similar to Phase V). The current per acre state payment within this appropriation is an average of \$3,560 (slightly higher than Phase V). The reasons identified in Phase V above related to payment assumptions also contribute to the differences in payment rates for Phase VI.

Current spending and projections indicate that an amendment revising the number of easements to 84 and total acres to 2,780 (all funding sources; 52.4% of the original projected) is a more reasonable target; as well as significantly decreasing the anticipated federal leverage. The reduction in easements is also attributed to the utilization of Phase VI in funding the increased interest in wetland restoration practices while maintaining a much higher percentage of the acres currently shown in the AP (fewer, larger easements). The amendment adds funding to the acquisition line by decreasing contracts and easement stewardship (decreased due to the fewer number of easements). Due to the expected reduction in easements, a reduction to the personnel line is also proposed.

The 2016 amendment narrative stated a 4:1 federal to OHF match for buffer applications through MN CREP, while the budget showed more than a 4:1 match. Evaluating current federal match, Phase VI is currently being matched by federal funds at slightly more than 2.2:1 for this appropriation.

*RIM Buffers for Wildlife and Water Phase VII (2017) (\$5M)*

An amendment for Phase VII is requested. The requested changes include revising the number of easements to 38 and total acres to 2,460 (all funding sources; 59.9% of the original projected) as well as significantly decreasing the anticipated federal leverage. The reduction in easements is attributed to the utilization of Phase VII in funding the increased interest in wetland restoration practices while maintaining a much higher percentage of the original acres. The amendment adds funding to the acquisition line by decreasing contracts and easement stewardship (due to the fewer number of easements). Due to the expected reduction in easements, an overall reduction to the personnel line is proposed. The utilization of Phase VII in funding the increase of wetland restoration practices requiring restoration resulted in increasing the engineering line of the personnel budget to assist with those restorations. The proposed amendment is shown below in Tables 6, 7, and 8.

| <b>Accomplishment Plan (AP) Version</b> | <b>Outputs</b> |
|---|----------------|
| Original AP OHF Acres                   | 2,053          |
| 2021 Proposed Amendment OHF Acres       | 1,230          |
| Original AP OHF Easements               | 122            |
| 2021 Proposed Amendment OHF Easements   | 19             |

Table 6 – Buffers Phase VII Easement Number and Acres Adjustments since Original Accomplishment Plan

| Item                          | Funding Request        | Antic. Leverage  | Leverage Source       | Total  |
|-------------------------------|------------------------|--|-----------------------|--|
| Personnel                     | <del>\$436,300</del>   | <del>\$436,300</del>   | CWF                   | <del>\$872,600</del>   |
|                               | <u>\$271,500</u>       | <u>\$271,500</u>   |                       | <u>\$543,000</u>   |
| Contracts                     | <del>\$549,400</del>   | <del>\$459,400</del>   | CWF                   | <del>\$1,008,800</del>                                       |
|                               | <u>\$144,900</u>       | <u>\$144,900</u>   |                       | <u>\$289,800</u>   |
| Fee Acquisition w/<br>PILT    | -                      | -  | -                     | -  |
| Fee Acquisition w/o PILT      | -                      | -  | -                     | -  |
| Easement Acquisition          | <del>\$3,468,900</del> | <del>\$25,892,800</del>                                      | CWF, USDA-<br>FSA-CRP | <del>\$29,361,700</del>                                      |
|                               | <u>\$4,707,700</u>     | <u>\$10,827,000</u>  |                       | <u>\$14,123,100</u>  |
| Easement<br>Stewardship       | <del>\$793,000</del>   | <del>\$793,000</del>   | CWF                   | <del>\$1,586,000</del>                                       |
|                               | <u>\$123,500</u>       | <u>\$123,500</u>   |                       | <u>\$247,000</u>   |
| Travel                        | \$9,400                | \$9,400  | CWF                   | \$18,800   |
| Professional Services         | -                      | -  | -                     | -  |
| Direct Support<br>Services    | \$58,700               | \$58,700   | CWF                   | \$117,400  |
| DNR Land Acquisition<br>Costs | -                      | -  | -                     | -  |
| Capital Equipment             | -                      | -  | -                     | -  |
| Other<br>Equipment/Tools      | \$13,300               | \$13,300   | CWF                   | \$26,600   |
| Supplies/Materials            | \$4,000                | \$4,000  | CWF                   | \$8,000  |
| DNR IDP                       | -                      | -  | -                     | -  |
| <b>Grand Total</b>            | <b>\$5,333,000</b>     | <b><del>\$27,666,900</del></b><br><b><u>\$10,040,700</u></b> | -                     | <b><del>\$32,999,900</del></b><br><b><u>\$15,373,700</u></b> |

Table 7 – Buffers Phase VII Proposed 2021 Budget Amendment

| Position                    | Funding Request  | Antic. Leverage  | Leverage Source | Total  |
|-----------------------------|--|--|-----------------|--|
| Engineering/Eco<br>Services | <del>\$39,100</del>                                    | <del>\$39,100</del>                                    | CWF             | <del>\$78,200</del>                                    |
|                             | <u>\$92,500</u>  | <u>\$92,500</u>  |                 | <u>\$185,000</u>                                       |
| Easements                   | <del>\$397,200</del>                                   | <del>\$397,200</del>                                   | CWF             | <del>\$794,400</del>                                   |
|                             | <u>\$179,000</u>                                       | <u>\$179,000</u>                                       |                 | <u>\$358,000</u>                                       |
| <b>Total</b>                | <b><del>\$436,300</del></b><br><b><u>\$271,500</u></b> | <b><del>\$436,300</del></b><br><b><u>\$271,500</u></b> | -               | <b><del>\$872,600</del></b><br><b><u>\$543,000</u></b> |

Table 8 – Buffers Phase VII Proposed 2021 Personnel Amendment

For Phase VII, MN CREP program-wide changes and revised assumptions on CRP payment rates resulted in fewer easements and acres; the same changes highlighted in Phase V and Phase VI above. In reviewing the original budget, the per acre state payment used was \$1,490 (slightly higher than Phase V and VI). The current per acre state payment within this appropriation is an average of \$3,258 (similar to Phase V and VI). The reasons identified in Phase V and Phase VI above related to original payment assumptions also contribute to the differences in Phase VII.

The original narrative stated a 5:1 federal to OHF match for buffer applications through MN CREP (higher than the Phase V and VI buffers), while the budget showed more than a 5:1 match. Evaluating current federal match, Phase VII is currently being matched by federal funds at 2.3:1.

## **RIM Wetlands**

Proposed amendments and one recently approved amendment for three years of RIM Wetlands that are being used in support of MN CREP are discussed in detail below. RIM Wetlands Phase VII (2016) was amended in December of 2020 and is included here for context as the changes that occurred within that AP are similar to the changes in the proposed amendments for RIM Wetlands Phase VIII (2017) and RIM Wetlands Phase IX (2018).

The number of anticipated easements, acres, and federal leverage through CRP included in the original accomplishment plans were based on early program projections. Early projections resulted in an over-estimation of anticipated federal leverage through CRP which has been further reduced by decreases in CRP soil rental rates multiple times since MN CREP enrollment began.

### *RIM Wetlands Phase VII (2016) (\$13.808M)*

The Wetlands Phase VII amendment was approved on 12/24/2020. The original AP was also amended in 2017. The changes approved in the 2020 amendment increased the number of easements from 63 to 76 with a decrease in acres from the estimate in the 2017 amendment (5,480 acres to 5,055 acres - 92% of the 2017 projected acres but still more than twice the original AP). The increase in easement numbers created a corresponding need to increase the personnel budget line and funding for SWCD payments (contracts). Acquisition and stewardship dollars were not modified as part of the 2020 amendment (the stewardship amount had previously been legislatively modified for this appropriation). BWSR staff accepts that there will not be enough stewardship funding available for all easements as a result of the approved amendment. The approved changes are summarized below in Tables 9, 10, and 11.



| Accomplishment Plan (AP) Version | Outputs |
|----------------------------------|---------|
| Original AP Acres                | 2,250   |
| 2017 Amended Acres               | 5,480   |
| 2020 Amended Acres               | 5,055   |
| Original AP Easements            | 30      |
| 2017 Amended Easements           | 63      |
| 2020 Amended Easements           | 76      |

Table 9 – Wetlands Phase VII Approved Easement Number and Acres Compared to 2017 Amended Accomplishment Plan, 12/24/2020

| Item                       | Funding Request                          | Antic. Leverage                             | Leverage Source | Total  |
|----------------------------|--|---|-----------------|--|
| Personnel                  | <del>\$782,000</del><br>\$973,000        | -   | -               | <del>\$782,000</del><br>\$973,000              |
| Contracts                  | <del>\$425,200</del><br>\$445,800        | -   | -               | <del>\$425,200</del><br>\$445,800              |
| Fee Acquisition w/<br>PILT | -  | -   | -               | -  |
| Fee Acquisition w/o PILT   | -  | -   | -               | -  |
| Easement Acquisition       | \$11,832,200                             | <del>\$27,616,000</del> <u>\$26,000,000</u> | FSA-CRP         | <del>\$39,448,200</del><br><u>\$37,832,200</u> |
| Easement Stewardship       | <del>\$409,500</del><br><u>\$410,000</u> | -   | -               | <del>\$409,500</del><br><u>\$410,000</u>       |
| Travel                     | <del>\$72,500</del><br><u>\$37,000</u>   | -   | -               | <del>\$72,500</del><br><u>\$37,000</u>         |
| Professional Services      | -  | -   | -               | -  |
| Direct Support Services    | <del>\$151,900</del><br><u>\$30,000</u>  | -   | -               | <del>\$151,900</del><br><u>\$30,000</u>        |
| DNR Land Acquisition Costs | -  | -   | -               | -  |
| Capital Equipment          | -  | -   | -               | -  |
| Other Equipment/Tools      | <del>\$103,600</del><br><u>\$40,000</u>  | -   | -               | <del>\$103,600</del><br><u>\$40,000</u>        |
| Supplies/Materials         | <del>\$31,100</del><br><u>\$40,000</u>   | -   | -               | <del>\$31,100</del><br><u>\$40,000</u>         |

|                    |                     |                     |   |                     |
|--------------------|---------------------|---------------------|---|---------------------|
| DNR IDP            | -                   | -                   | - | -                   |
| <b>Grand Total</b> | <b>\$13,808,000</b> | <b>\$27,616,000</b> | - | <b>\$41,424,000</b> |
|                    |                     | <u>\$26,000,000</u> |   | <u>\$39,808,000</u> |

Table 10 – Wetlands Phase VII Approved Budget Amendment, 12/24/2020

| Position                 | Funding Request                          | Antic. Leverage | Leverage Source | Total                                    |
|--------------------------|--|-----------------|-----------------|--|
| Engineering/Eco Services | <del>\$474,900</del><br><u>\$656,000</u> | -               | -               | <del>\$474,900</del><br><u>\$656,000</u> |
| Program Management       | <del>\$137,500</del><br><u>\$58,000</u>  | -               | -               | <del>\$137,500</del><br><u>\$58,000</u>  |
| Easement Processing      | <del>\$169,600</del><br><u>\$259,000</u> | -               | -               | <del>\$169,600</del><br><u>\$259,000</u> |

Table 11 – Wetlands Phase VII Approved Personnel Amendment, 12/24/2020

The narrative in the 2017 amended Accomplishment Plan stated a 2:1 federal to OHF match for wetland applications through MN CREP for this appropriation. The budget showed more than a 2:1 match. Recorded and in-process easements using this appropriation show that the federal match will still exceed 2:1.

*RIM Wetlands Phase VIII (2017) (\$10.398M)*

An amendment for Wetlands Phase VIII is requested at this time as several easements under this appropriation have moved from in-process to recorded in the last nine months and a clearer picture of easements, acres and federal match can be more accurately presented at this time.

The original accomplishment plan projected 46 easements and 4,137 acres. Similar to Phase VII above, the narrative in the original accomplishment plan states a 2:1 federal to OHF match. The budget shows an almost 2.5:1 match. In evaluating the current federal match, Phase VIII is currently being matched by federal funds at approximately 1.6:1.

Currently, most funds originally budgeted for landowner payments have been encumbered for this appropriation. We funded 36 easement applications (80% of the original AP easements) with this project for a total of 2,614 acres (63% of the acres projected in the original AP). There is enough funding remaining at this time for one additional easement. The amendment that is being proposed is shown in detail below in Tables 12 and 13.

| Accomplishment Plan (AP) Version | Outputs |
|----------------------------------|---------|
| AP Acres                         | 4,137   |
| Proposed Amendment Acres         | 2,700   |
| AP Easements                     | 46      |
| Proposed Amendment Easements     | 37      |

Table 12 – Wetlands Phase VIII Easement Number and Acres Adjustments since Original Accomplishment Plan

| Item                       | Funding Request     | Antic. Leverage  | Leverage Source | Total  |
|----------------------------|---------------------|--|-----------------|--|
| Personnel                  | \$748,000           |  | -               | \$748,000  |
| Contracts                  | \$480,200           |  | -               | \$480,200  |
| Fee Acquisition w/ PILT    | -                   |  | -               |  |
| Fee Acquisition w/o PILT   | -                   |  | -               |  |
| Easement Acquisition       | \$8,704,400         | <del>\$20,796,000</del><br><u>\$13,925,000</u>               | FSA-CRP         | <del>\$29,500,400</del><br><u>\$22,629,400</u>               |
| Easement Stewardship       | \$299,000           |  | -               | \$299,000  |
| Travel                     | \$18,200            |  | -               | \$18,200   |
| Professional Services      | -                   |  | -               |  |
| Direct Support Services    | \$114,000           |  | -               | \$114,000  |
| DNR Land Acquisition Costs | -                   |  | -               |  |
| Capital Equipment          | -                   |  | -               |  |
| Other Equipment/Tools      | \$26,000            |  | -               | \$26,000   |
| Supplies/Materials         | \$7,800             |  | -               | \$7,800  |
| DNR IDP                    | -                   |  | -               |  |
| <b>Grand Total</b>         | <b>\$10,398,000</b> | <b><del>\$20,796,000</del></b><br><b><u>\$13,925,000</u></b> | -               | <b><del>\$31,194,000</del></b><br><b><u>\$24,323,000</u></b> |

Table 13 – Wetlands Phase VIII Proposed 2021 Budget Amendment

Program-wide MN CREP changes and revised assumptions on CRP payment rates resulted in lower acreage than originally anticipated. The state portion of the per acre payment used in the original AP was \$1,500 (slightly higher than the buffer appropriations discussed above) and derived from an average of the entire 54-county MN CREP area and based on the original payment structure developed in conjunction with FSA for the MN CREP

agreement. The current per acre state payment for this appropriation is \$2,657. The same four factors that have impacted buffer appropriations and described above have also influenced the wetland appropriations. As a reminder, these are:

1. RIM payment rates were adjusted to better account for agricultural land values in Minnesota in 2018 and the value of two 15-year CRP contracts - resulting in a 29% increase in the state’s contribution to the overall landowner payment.
2. The percentage of existing CRP acres that could be enrolled with a MN CREP eligible offer was increased. The result of this change was an increase to the state payment without a corresponding federal match for their CREP enrollment.
3. MN CREP is significantly more popular in counties with higher land values, resulting in higher than average payment rates for both the CRP contracts and the RIM easements.
4. CRP rates, on average, have declined over the last four years in MN CREP counties, decreasing the federal portion of the established payment and requiring more state funds to be contributed to landowner payments.

*RIM Wetlands Phase IX (2018) (\$10M)*

An amendment for Wetlands Phase IX is also requested. The amendment request adds funding to the acquisition line by decreasing contracts and easement stewardship (due to fewer number of easements).

The original accomplishment plan projected 45 easements and 3,920 acres. Like Phase VII and Phase VIII above, the narrative in the original accomplishment plan states a 2:1 federal to OHF match. The budget shows over a 2.8:1 match. Evaluating the current federal match, Phase IX is currently being matched by federal funds at just over 1:1.

Current spending and projections indicate that an amendment revising the number of easements to 27 and total acres to 2,410 (61.5% of the original projected) will result in a more reasonable target. The amendment request also significantly decreases the anticipated federal leverage. The details of the proposed amendment are shown below in Tables 14, 15, and 16.

| <b>Accomplishment Plan (AP) Version</b> | <b>Outputs</b> |
|---|----------------|
| Original AP Acres                       | 3,920          |
| Proposed Amendment Acres                | 2,410          |
| Original AP Easements                   | 45             |
| Proposed Amendment Easements            | 27             |

Table 14 – Wetlands Phase IX Easement Number and Acres Adjustments since Original Accomplishment Plan

| Item                          | Funding Request                              | Antic. Leverage                                       | Leverage Source  | Total  |
|-------------------------------|--|---|------------------|--|
| Personnel                     | <del>\$734,800</del><br><u>\$550,000</u>     | -   | -                | <del>\$734,800</del><br><u>\$550,000</u>               |
| Contracts                     | <del>\$468,000</del><br><u>\$106,700</u>     | -   | -                | <del>\$468,000</del><br><u>\$106,700</u>               |
| Fee Acquisition w/<br>PILT    | -  | -   | -                | -  |
| Fee Acquisition w/o PILT      | -  | -   | -                | -  |
| Easement Acquisition          | <del>\$8,344,600</del><br><u>\$9,007,700</u> | <del>\$23,622,300</del><br><u>\$9,969,900</u>         | USDA-FSA-<br>CRP | <del>\$31,966,900</del><br><u>\$18,977,600</u>         |
| Easement<br>Stewardship       | <del>\$292,500</del><br><u>\$175,500</u>     | -   | -                | <del>\$292,500</del><br><u>\$175,500</u>               |
| Travel                        | \$17,500                                     | -   | -                | \$17,500   |
| Professional Services         | -  | -   | -                | -  |
| Direct Support<br>Services    | \$110,100                                    | -   | -                | \$110,100  |
| DNR Land Acquisition<br>Costs | -  | -   | -                | -  |
| Capital Equipment             | -  | -   | -                | -  |
| Other<br>Equipment/Tools      | \$25,000                                     | -   | -                | \$25,000   |
| Supplies/Materials            | \$7,500                                      | -   | -                | \$7,500  |
| DNR IDP                       | -  | -   | -                | -  |
| <b>Grand Total</b>            | <b>\$10,000,000</b>                          | <b><del>\$23,622,300</del><br/><u>\$9,969,900</u></b> | -                | <b><del>\$33,622,300</del><br/><u>\$19,969,900</u></b> |

Table 15 – Wetlands Phase IX Proposed 2021 Budget Amendment

| Position                    | Funding Request                          | Antic. Leverage | Leverage Source | Total                                    |
|-----------------------------|--|-----------------|-----------------|--|
| Engineering/Eco<br>Services | <del>\$476,000</del><br><u>\$340,400</u> | -               | -               | <del>\$476,000</del><br><u>\$340,400</u> |
| Program<br>Management       | <del>\$137,600</del><br><u>\$84,400</u>  | -               | -               | <del>\$137,600</del><br><u>\$84,400</u>  |
| Easement<br>Processing      | <del>\$121,200</del><br><u>\$125,200</u> | -               | -               | <del>\$121,200</del><br><u>\$125,200</u> |

Table 16 – Wetlands Phase IX Proposed 2021 Personnel Amendment

The same program-wide changes, original assumptions and trends discussed in Phase VIII above have resulted in the changes in easements, acres, and federal match for Phase IX. In reviewing the original budget, the per acre payment used was \$1,500 (similar to the other appropriations). The current per acre payment for this appropriation is an average of \$3,408, higher than any of the previously discussed appropriations.

As the federal match is lower for Phase IX than Phase VIII and per acre cost is higher, the 24 easements that have been funded from Phase IX were reviewed individually for federal match. Two issues that are unique to Phase IX were identified:

1. Two small RIM-only easements that were necessary for a large MN CREP eligible wetland restoration were funded from this appropriation. This increased the state share and therefore reduced the federal match.
2. A single easement, #32-11-19-01, DRKK Farms (219.5 acres), accounts for 15% of the landowner payments from this appropriation and was funded at a ratio of almost 1.5:1 state to federal funds due to the CRP annual payment rate cap.

### **RIM Buffers for Wildlife and Water Phase VI (2016) Personnel**

The amendments proposed above require a personnel correction for 2016 Buffers. The most recent status update (February 2021) shows a total personnel expenditure of \$521,100 of the original \$568,800. The revised personnel via the amendment is proposed to be \$267,000. Therefore, personnel spending was \$254,100 over the revised personnel at that time and personnel continued to be paid until May of this year.

Corrections to personnel spending have been made in SWIFT for FY20 and FY21 returning \$275,000 to 2016 Buffers and bringing personnel spending under the proposed \$267,000. Personnel spending will not exceed \$267,000.

### **Summary**

As discussed in this memorandum, BWSR proposes amendments to the Buffers Phase V – VII and Wetlands Phases VIII and IX, in addition to the amendment already approved for Wetlands Phase VII. The necessity for these amendments is due to the timing of the finalization of the MN CREP agreement, which occurred after some of these Accomplishment Plans were approved. Further, experience gained in the first year of implementing MN CREP identified the need for changes to ensure that the combination of a CRP contract and permanent RIM easement was attractive to landowners. Additionally, the buffer law did not increase interest in buffer easements as anticipated, rather landowners were more interested in larger easements with restorable wetlands. Finally, changes to CRP payment rates directly resulted in the need for an increased state payment with an accompanied reduced federal payment. Ultimately, these program decisions made MN CREP successful in attracting landowners to enroll, restoring and protecting high quality lands for improved habitat and water quality benefits.