

Memo From the Chair & Vice Chair

To: LSOHC members
From: David Hartwell, Chair and Ron Schara, Vice Chair
Date: September 28, 2026
Re: Chairs' proposal for recommended ML27 / FY28 funding.

We have had a chance to review the average allocation by members and have used that as a basis for our recommendation as a starting point for discussion on our recommendation for spending the \$175,000,000 that the Office of Management and Budget have estimated we have to allocate for the ML 27/FY 28 period.

Some general information on the allocations is listed below.

- 1) There was one only one project that did not have at least 6 members who recommended funding, HRE08 – Enhancing Agate Bay's Coastal Wetland Habitat. Additionally, the average recommendation was \$306,000 which is under the minimum funding amount.
- 2) There were three projects that both indicated on the application and provided testimony that they were non-scalable. These were:
 - a. WRE05 – Mud River Enhancement – Request was \$3,200,000, average allocation was \$2,800,000 leaving a gap of \$400,000
 - b. HRE02 – Beaver Creek Habitat Restoration – Request was \$1,777,000, average allocation was \$1,196,000 leaving a gap of \$581,000
 - c. HRE09 – Knife River Habitat Rehabilitation – Request was \$2,662,000, average allocation was \$1,753,000 leaving a gap of \$908,000Mud River Enhancement received recommendations for funding from 11 members while Beaver Creek Habitat Restoration and Knife River Habitat Rehabilitation both received recommendations for funding from 10 members.
- 3) By statute, the Council is required to allocate 1/10th of 1% of its funds to Restoration Evaluations. They have requested \$206,000 which is \$31,000 more than the statute requires.
- 4) There was one member who chose not to allocate \$10,000,000 which slightly disrupted the averages but, in the end, left a bit of unallocated funds.

- 5) In discussions with Executive Director Smitten, we have discovered that there was an assumption that the annual operating budget for LSOHC would be included in the final numbers but did not have to be part of the calculation from the start. Since she has not had the experience of how we have done this in the past, it is something the Chairs should have noticed and addressed. The annual budget is \$912,000.

In the past, at the beginning of the biennium, the Council allocated for the two-year period so in the event of there not being a legislative bill, the staff would not have to be laid off. But over the years, we have built a surplus so that is no longer a risk and one year budget amounts are adequate.

- 6) We have also realized that we have to support the Legacy Website by statute and that amount over the biennium is \$7,000. We have the option to do that all this year or over two years.

As a result of the above points, the Chairs recommend the following:

- 1) The Council uses the average allocation for the majority of projects with these exceptions:
 - a. HRE08 – Enhancing Agate Bay’s Coastal Wetland Habitat receive no funding
 - b. Restoration Evaluations receive the legally required \$175,000.
 - c. WRE05 – Mud River Enhancement receive a funding recommendation of the full amount requested (\$3,200,000) using some of the excess funds that are available due to a. and b. above and some unallocated funds.
 - d. HRE02 – Beaver Creek Habitat Restoration – receive a funding recommendation of the full amount requested (\$1,777,000) using some of the excess funds that are available due to a. and b. above and some unallocated funds.
 - e. HRE09 – Knife River Habitat Rehabilitation has a funding gap of \$908,000, which is unavailable with the average allocation amounts and the recommendations above. There is some doubt in the Chairs’ minds if they fully understood the scalable question. For that reason, the Chairs recommend they be given a choice – either accept funding of \$1,568,000 which is the amount left after fully funding HRE02 and WRE05 or, if the project is not scalable in discussions with the LSOHC staff, reallocate that amount of funding to CPL.
- 2) Since the Council built in a bit of a buffer in the event the December forecast was less than OMB provided guidance of, the Chair’s recommend we reduce the buffer by \$912,000 and use that amount to fund the Council’s operating costs. This would increase the overall allocation to \$175,912,000.

- 3) There were numerous comments on projects submitted with allocations. Many of those were informational in nature and not actionable. But there were a few suggestions that would direct funds or create conditions for funding to a proposed project. We believe the Council needs to discuss these and as appropriate incorporate them into the funding recommendations.
- a. PA03 – DNR Accelerated Native Prairie Bank Protection – Prohibit the use of neonics (which the project manager has communicated their willingness to do).
 - b. PA09 – Minnesota River Watershed Habitat Conservation Program – there were somewhat conflicting comments about restrictions on the funding to be used for acquisitions only and one comment suggesting more go to enhancement since the area has few requests for that activity.
 - c. PA10 – MN Prairie Recovery Program – comments suggesting funding be used for either mostly enhancement or acquisitions.
 - d. FA02 – Mississippi Headwaters Habitat Corridor Project – there was a suggestion that the appropriation use be limited to conservation easements only.
 - e. FRE05 – Metro Forests for Minnesota Wildlife and Communities – Suggest we exclude acoustic monitoring (and proposer indicated they were willing to do that).
 - f. WRE02 - DNR Shallow Lakes and Wetland Enhancements – There were numerous comments about this project and the request for staff funding. With a request of \$23,483,000 and an average allocation of \$3,208,000 and a staff budget of \$2,991,000 which was then modified a bit with a follow up communication from the DNR, there is a need for Council discussion.

The following was in the memo (attached) indicating how the DNR would desire if less than the full amount was allocated:

“At \$2.7M we would fund 8 shallow lakes positions and focus entirely on OHF projects that are already in the process and various stages of implementation from previous proposals and continue to develop new projects prospects.”

Additionally, the memo had the following information:

“Going forward our request is targeted at maintaining staff capacity to support all four categories of work in similar proportions. We will implement a precise cost coding mechanism to report accurate annual breakdowns by category. We understand the council has concerns about 100% funding for positions and we are willing to redirect enough funding to cover 10% of each position from other funding sources.”

- g. HRE03 – Daylighting Phalen Creek – There are many comments and questions about this project. Many suggest our funding be focused on finishing the outlet to Lake Phalen but with our initial funding, LCCMR funding and a 3M PFAS grant of \$1,000,000, there is not a need for additional funding in those reaches of the project. There was a comment that our funding be focused on the lower reach, which seems like a reasonable suggestion.
- h. HRE05 – DNR Fish Habitat Restoration and Enhancement – Suggestion that some of the funds be directed to complexes vs stand-alone lakes.
- i. HRE06 – DNR Irish Creek Watershed Enhancement – Suggestion that the funding be focused on the Irish Creek (Brook Trout) work only.
- j. HRE16 – Tamarac River Enhancement Project – Comment that it is hard to understand how they can submit a proposal based on RIM easements, but they do not know if RIM easements are even available for it.
- k. CPL – there was a comment that the Council should specify a split between urban and rural as there has been in the past. Of this amount, unless not enough eligible grant applications are received, at least \$3,000,000 is for grants in the seven-county metropolitan area and cities with a population of 50,000 or more.
- l. One Council member has recommended funding only acquisition (fee or easement) in most projects and not funding restoration/enhancement line items which deserves discussion by the Council. It should be noted that acquisition dollars often do cover restoration/enhancement of the protected parcel, but the comment pertains to prioritizing the “protect in fee or easement” vs. restoration/enhancement in the budget lines.

As there is an allocation to core functions at an estimated \$124,000, which is a holding place for what will be taken out of project budgets of programs we make recommendations on, we would recommend once staff has reviewed accomplishment plans, they remove the items that are covered by the core functions of the DNR from project budgets and put those funds in the core functions budgets. If there are then excess funds in that line item, the excess should be reallocated to the CPL program.

Lastly, we have been asked in the past to provide guidance to the legislature if there are additional funds available in the December and February forecasts. The Chair and Vice Chair would recommend to the Council that in the event of significant additional funds being available, they first applied to increase the Restoration Evaluation budget to the statutorily required .1%, then to remaining programs (excluding contract administration, core functions, roving crews, LSOHC budget) proportionally without additional personnel related costs (only increase project costs). Should there be a shortfall in the December and February forecasts, the reverse should be applied.

So, in summary, the Chairs' recommendation for funding is:

- 1) The majority of projects receive the average allocation by members with these exceptions:
 - a. HRE08 – Enhancing Agate Bay's Coastal Wetland Habitat receive no funding
 - b. Restoration Evaluations receive the legally required \$175,000.
 - c. WRE05 – Mud River Enhancement receive full funding (\$3,200,000).
 - d. HRE02 – Beaver Creek Habitat Restoration receive full funding (\$1,777,000)
 - e. HRE09 – Knife River Habitat Rehabilitation receive funding in the amount of \$1,568,000 which they can either accept in communication with staff by October 9th or if they determine the project is not scalable, that amount be reallocated to CPL.
- 2) Add the LSOHC operating budget of \$912,000 to the allocation bringing the total recommended to \$175,912,000.
- 3) Add support for the Legacy Website managed by the Legislative Coordinating Commission this year with \$4,000. (Understanding that next year there will be an additional \$3,000)
- 4) The core functions budget be adjusted based on the amount contained in each proposal being reallocated to core functions
- 5) Should there be additional funds in the December or February forecasts, they first applied to increase the Restoration Evaluation budget to the statutorily required .1%, then to remaining programs (not contract administration, core functions, roving crews, LSOHC budget or fully funded projects) proportionally without additional personnel related costs (only increase project costs). Should there be a shortfall in the December and February forecasts, the reverse should be applied.
- 6) That there be additional conditions on some projects based on Council discussion and recommendations.

Attachments:

- DNR Memo: RE: DNR's proposed restoration and enhancement work for shallow lakes and wetlands.