

Tax Aids, Credits and Refunds

FY 2024-25 Biennial Budget Change Item

Change Item Title: Soil and Water Conservation District (SWCD) Capacity Funding

Fiscal Impact (\$000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	12,000	12,000	12,000	12,000
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	12,000	12,000	12,000	12,000
FTEs	0.25	0.25	0.25	0.25

Recommendation:

The Governor recommends that the Department of Revenue, in consultation with the Board of Water and Soil Resources (BWSR), establish a soil water conservation aid program for the state portion of capacity funding for Soil and Water Conservation Districts (SWCDs) to meet their statutory Chapter 103C responsibilities.

Rationale/Background:

SWCDs are the front lines of the state’s conservation delivery system. They use their considerable knowledge, expertise and trust to help landowners target clean water and conservation practices where they can provide the greatest benefit. The State made a critical commitment to SWCDs in the 2015 legislative session to provide the necessary capacity to carry out Minnesota’s soil and water conservation programs. That appropriation of \$22 million of Clean Water Funds (CWF) (see Laws of Minnesota 2015, 1st Special Session, Chapter 2, Article 2, Section 7(o)). The 2015 legislation included a commitment to putting SWCD Capacity Funding into the General Fund in the next biennium so that SWCDs would have a stable, on-going funding source from the state.

2017 final legislation reverted funding for SWCD capacity from BWSR’s General Fund base to the Clean Water Fund. Shifting the SWCD capacity dollars to the Clean Water Fund has the consequence of significantly reducing the amount of funding for on-the-ground conservation projects and leaves SWCD funding vulnerable and unstable. In 2019 and 2021 the cycle was repeated and \$24 million for SWCD Capacity was appropriated from the Clean Water Fund.

Based on a BWSR benchmarking analysis, there is a gap in funding required to provide the necessary essential services of a modern soil and water conservation district. BWSR defines “local capacity” as the readiness of soil and water conservation districts to plan, identify, and successfully accomplish locally led water quality solutions to identified local resource concerns related to the protection and/or restoration of surface water and groundwater.

Soil and water conservation districts are the only local unit of government with the express statutory charge to work with private landowners to plan and implement soil and water conservation practices, yet they do not have the ability to independently raise revenue to support implementation of land and water treatment practices and programs at a level necessary to achieve the broad goals of clean water, clean air, and abundant fish and wildlife habitat.

Stable and predictable funding is necessary considering many of our current State goals for clean water and climate adaption and resiliency are not presently being met. These goals are articulated in many places including

the Federal Farm Bill, the Clean Water Act and Minnesota’s Clean Water Legacy Act. Numeric goals have been established in the State such as reducing phosphorous & nitrogen levels by 45% in the Mississippi River Basin (MN Nutrient Reduction Strategy) and reducing sediment loading by 90% in the Minnesota River Basin (MN Sediment Reduction Strategy). Equally important is protecting those waters in the state that are currently meeting water quality standards from becoming polluted.

Investment in SWCD Capacity aids in:

- Funding adequate technical capacity in every SWCD.
- Funding the cost of implementing land and water treatment practices and programs.
- Organizing, planning and implementing soil and water conservation practices with landowners on a watershed scale.
- Leveraging federal conservation programs, including the climate and conservation elements of the recent [Inflation Reduction Act](#).
- Local prioritization and targeting of CWF dollars leveraged with landowner & SWCD investments.
- Delivering land & water treatment projects and programs that are prioritized, targeted, and measurable.
- Measuring and reporting progress and outcomes.
- Organizational effectiveness.

Proposal:

The department, in consultation with the Board of Water and Soil Resources (BWSR), propose a Soil and Water Conservation Aid Program to provide the state portion of capacity funding for Soil and Water Conservation Districts to meet their statutory responsibilities.

Impact on Children and Families:

NA

Equity and Inclusion:

This proposal would not disproportionately impact any ethnic, racial or other minority group in either a negative or positive way, nor would it eliminate or reduce any disparities.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

Yes

No

Results:

When funded, SWCD Capacity Funding supports continued efforts to address climate issues and improve water quality and habitat protection and restoration projects and practices.

Statutory Change(s):

Minnesota Statutes Chapter 477A