

## Memo From the Chair & Vice Chair

To: LSOHC Members  
From: David Hartwell, Chair and Ron Schara, Vice Chair  
Date: September 22, 2025  
Re: Chair's proposal for recommended ML25 / FY26 funding.

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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 \$165,000,000 that the Office of Management and Budget have estimated we have to allocate for the FY26/27 period.

In general, we have used the average allocation in our recommendation with the following exceptions:

- 1) There were 4 projects that did not receive a majority of members allocating funds to them are not included in allocation by the chairs. These were:
  - a. WRE 02 – Howard Lake Habitat Restoration
  - b. FRE 02 – Enhancing Critical Wildlife Forest Habitats and Watersheds on Superior National Forest
  - c. HRE 03 - City of Delano - Crow River Restoration and Enhancement
  - d. HA14 - Protection and Restoration of Money Creek and its Natural Riparian Communities

These projects had a total allocated to them of \$2,316,000, which we are recommending for funding for other projects.

- 2) There were three water management proposals that received allocations but there were comments from members that due to the long lead time (2-3 years) to do the engineering and receive the permits, it was suggested we provide funding to get them to being shovel ready when they can come back with requests for construction dollars. Our recommendation is to provide the engineering/permitting funds only at this time and reallocate the excess funds to other projects. These three projects are:
  - a. HRE 05 - Little Cannon River Stream Habitat Restoration. This project received an average allocation of \$2,085,000 but the engineering and permit costs were estimated at closer to \$500,000, which is our recommendation.

- b. WRE 05 - Talcot Lake. This project received an average allocation of \$2,174,000 but the engineering and permit costs were estimated at closer to \$1,000,000, which is our recommendation.
- c. HA 10 - Minnesota Statewide Trout Habitat Enhancement & Protection. This project received an average allocation of \$1,435,000 but the engineering and permit costs were estimated at closer to \$750,000, which is our recommendation.

These construction costs had a total allocated to them of \$3,444,000 which we are recommending for funding for other projects.

- 3) There were numerous additional suggestions that would direct funds to just a portion of a proposed project. We are incorporating these into our allocation recommendations.
  - a. FA 01 – Northern Forest Legacy Project – funds allocated to this project would be for acquisition activity only.
  - b. PA 06 - MN Prairie Recovery Program – Staffing should be reduced proportionally to the reduction from the request.
  - c. FA 08 - RIM Buffers for Wildlife and Water - All budget categories to be prorated from requested amount, including personnel costs.
  - d. FA 02 - Sand Lake/7 Beavers Acquisition & Enhancement – Funds allocated to this project would be for acquisition activity only.
  - e. HA 02 - Cannon River Watershed Habitat Protection and Restoration Program – Funds allocated to this project would be for acquisition activity only.
  - f. HA 17 - Southeast Minnesota Protection and Restoration – Wacouta Bay acquisition funded before anything else.
  - g. PA 01 - 2026 RIM Grasslands Reserve, Phase 7 - All budget categories to be prorated from requested amount, especially personnel costs.
  - h. FRE 01 - DNR Forest Restoration and Enhancement - The Contract Coordinator position (full time) seems out of line to oversee contract – reduce to no more than .33 FTE for this proposal.
  - i. WRE 07 - Shallow Lakes and Wetland Enhancements (Habitat Projects/Critical Staff Combination) - Staff funding just for OHF funded project work. Personnel and DSS limited to 11.5% of allocated dollars.
  - j. HA 13 - Protecting Minnesota's Lakes of Outstanding Biological Significance – No funds for purchasing buildings.
  - k. HRE 06 – Mission Creek Watershed Connectivity – Full funding for culvert replacement with balance to other parts of proposal.

- 4) In addition, there were suggestions for direction of funds by Council members that were conflicting and need to be discussed. These include:
- a. HA 03 - DNR AMA Fee-Title and Trout Stream Easement Acquisition – This proposal had both stream access easements and fee title acquisitions. There were two comments suggesting the funds allocated should be for easements only and one indicating the allocation should be for fee title (with PILT) only.
  - b. HA 16 – Shell Rock River Watershed Habitat Restoration Program – This proposal asked for funds to do acquisition and restoration. There were suggestions only to provide funds for one or the other activity.
  - c. HA 19 - Upper Mississippi Flyway Habitat Conservation Program – this proposal included funds for restoration and conservation easement acquisition. The restoration program request was for \$420,800 (not including leverage of \$47,400) of which \$240,000 was for contracts to do wetland restoration and the balance of \$180,000 for personnel. The easement portion of the request was for \$4,660,000. There was one suggestion for funding restoration only and two to exclude restoration as the staff oversight cost was such a large portion of the restoration budget.
  - d. HA 06 – Greenbelt – There is a suggestion that funds be used only for land acquisition but the available funds as per the Council's average allocation if \$1,258,000 is not large enough to fund the one acquisition on the parcel list which has a price of \$2,000,000.
- 5) There were several proposals that indicated they were not scalable, but in follow up conversations between staff and program managers they indicated that they could and would proceed with reduced funding. These proposals are therefore included in the chair's proposal.

The Council is required to fund restoration evaluations at 1/10 of 1% (0.1%) of the allocation recommendations. The amount is \$165,200. The request was for \$204,000

Taking all the adjustments suggested by the chairs into consideration (\$2,316,000 related to projects not receiving allocation from a majority of Council members, \$3,444,000 related to construction on waterway restoration projects which the chairs recommend only funding engineering and permit related costs at this time and a reduction to the statutorily required level for restoration evaluations of \$38,800), which the chairs are recommending, there is an additional amount of funding available of \$5,798,800. The chairs recommend using this to fund the Southeast MN Protection and Restoration program with an additional \$941,000 which would bring the program to \$7,000,000, fully fund the Wacouta Bay project and keep the

partnership together (which was after discussion with the program manager and staff) and fund the Northern Forests Legacy Project with an additional \$4,857,800 bringing the total to \$22,624,000 which is \$2,481,600 short of full funding for the project.

As there is an allocation to core functions at an estimated \$129,000, 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 November 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 are applied to increase the Restoration Evaluation budget to the statutorily required .1%, then to remaining programs (not contract administration or core functions) proportionally without additional personnel related costs (only increase project costs). Should there be a significant shortfall in the November and February forecasts, the reverse should be applied.