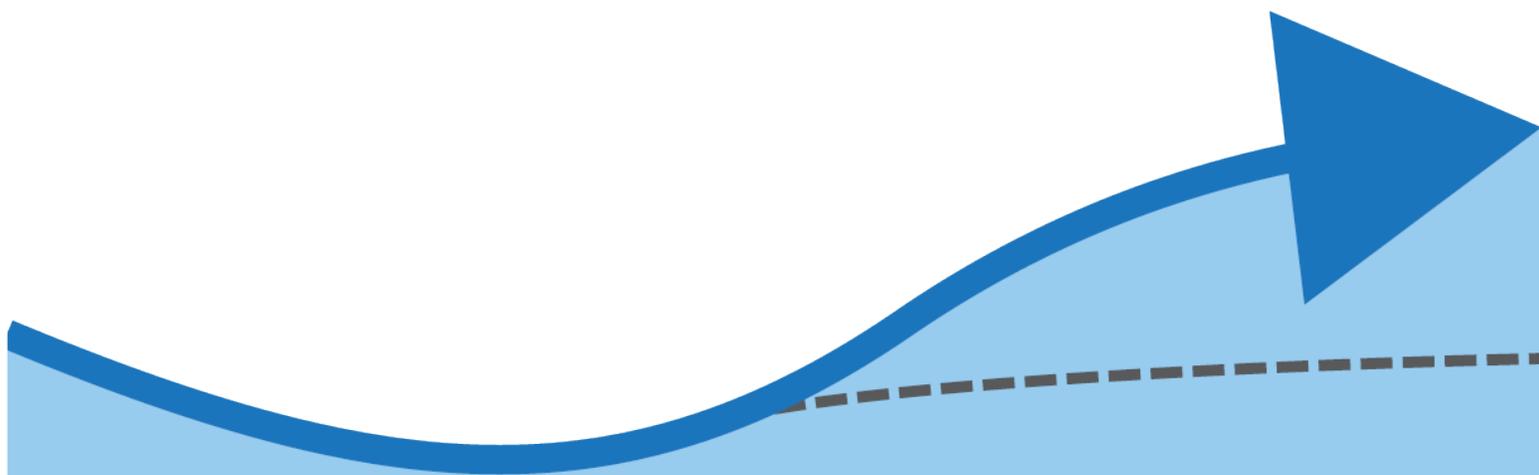


Putting Minnesota on a Clean Water Trajectory



Prepared by

FRESHWATER

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When people say things are on a “good trajectory” it means they think, over time, things will play out well. Being on a bad trajectory implies that conditions are going to worsen.

Minnesota is rightly perceived as having a water management approach that is comprehensive in nature and on par with a handful of top tier states. And because Minnesotans are passionate about the recreational and economic importance of water, we tend to point out aspects of the approach we think ought to be even better, faster, stronger.

Freshwater’s perspective is that a number of water approaches are on good, solid trajectories which, given time and resources, will produce good results. There are some issues where complex problems still lack a scalable solution and the trajectory is not so good.

Issues and challenges on a good trajectory now may not keep pace later as population, economy, and climate all change. With the Clean Water Land and Legacy Amendment, there are resources to make even more progress and transition to new systems to sustain this progress in the future. That funding will sunset in 2034.

In the first ten years of the Clean Water Fund (CWF), the state focused on an initial vision—creating the SYSTEMS to tackle Minnesota’s impaired waters. This report offers guidelines for the next ten years to the Clean Water Council (CWC) and executive branch agencies. Together, they will update Minnesota’s management approaches now that the initial impaired waters vision has largely been accomplished.

We’ve started the process to pivot in a new direction. We have a *current* system, which is better than the *old* system, and there is funding to help us make headway as we create the *next* system.



Steve Woods

INTRODUCTION FROM FRESHWATER

Fourteen years ago, a group of interest and agency representatives developed a consensus about how to tackle Minnesota’s impaired waters in a way that was effective, met the requirements of the federal Clean Water Act, and removed a significant threat to economic development. The Impaired Waters Stakeholder Process pulled together 16 organizations for 18 meetings in 2003-2004. The group produced 31 recommendations, of which an amazing 27 are either completed or in progress (see list in Appendix B).

Though the real world results will play out over the coming decades, a lot has happened already. CWF spending is now around \$120M per year and driving most of the Clean Water Act compliance the group sought. The end of a ten-year monitoring cycle that established a baseline of water quality conditions is in sight, and soon after, the completion of TMDLs for the entire state.

It’s a good time to pause and assess where we are now, where we want to go, and what we still need to do to get there.

Our first table describes where the state started and where it is after ten years of CWF spending.

Minnesota’s Impaired-Waters Approach – Then and Now

THEN...	NOW
Extremely focused on impaired waters and satisfying Total Maximum Daily Load (TMDL) requirements for the EPA...	Meeting federal requirements for TMDL completion <u>and</u> driving on-the-ground improvements including protection of non-impaired waters
Needing thousands of TMDLs for individual pollutants on individual stream reaches...	Hundreds of TMDLs are conducted on a major watershed basis for multiple pollutants, thereby lowering time and costs
Greater than four years per TMDL...	About four years for a more comprehensive TMDL that leads to more implementation
Spotty baseline monitoring that was mostly chemistry based...	Hundreds of coordinated water quality, biologic-indicator, and flow-monitoring sites that provide load and condition data
Hundreds of barely coordinated local (nonpoint) water plans of variable quality...	Evolving toward fewer plans overall, built on solid data and coordinated on a major watershed-scale
Erratic state funding with declining general fund contribution, and dependent upon federal EPA funds...	More stable state funding, but both general and federal (EPA, USDA) funding is shrinking, leading to less federal leveraging than anticipated
“Pretty good” state for water management...	Minnesota in top tier of states with integrated water management approaches

The changes summarized in the table above have resulted in a transformed system for water management in Minnesota. Significant investment in TMDL completion, major watershed assessment, addressing wastewater and industrial site discharges, LiDAR coverage for the state, and project data reporting has Minnesota on a much better trajectory than fourteen years ago.

The 2003 recommendations focused heavily on MPCA's need to comply with regulatory requirements of the Clean Water Act. Freshwater's position is that it is time to shift towards approaches that increase on-the-ground changes, especially since Clean Water Land and Legacy funding is only guaranteed through 2034. It will take time to see water quality and quantity improvements from some of these recommendations, but we have confidence that Minnesota can improve the quality of its waters if the State can recommit to a new, updated vision.

The changes have Minnesota on a much better trajectory than fourteen years ago.

Trajectory Project process

Unlike the 2003-2004 process that met 18 times, the Trajectory Project was designed for participants to be able to recommit to a new vision in only three meetings, with the option to convene more if needed. To accelerate progress, a survey was sent to participants at the start of the process to take the pulse of the group. We asked about different topics or metrics for water quality and quantity to get a general sense of whether the group felt the state was on the right path to achieve water resource goals.

What participants told us in this pre-survey was:

- Generally speaking, we're on track for monitoring and assessment of surface water issues
- Runoff from forested lands and erosion from construction sites are on a decent trajectory
- Top priorities are developing strategies to address nitrogen, phosphorus, and row crop runoff
- Given current spending and focus, there was low confidence that we'll be able to achieve even the state's modest water quality goals
- For everything else, the group as a whole was uncertain about how much of a difference the state will be able to make in cleaning up impaired waters and protecting unimpaired waters

The uncertainty surprised us because we see quite a few water issues as having sound management strategies that are on good trajectories. We quickly altered our project to explore why confidence in the current strategies was lacking, and what could be done to increase the return on the state's investments. In the first meeting, participants identified the barriers to meeting the stated goals for water quality and quantity. The second meeting began to provide shape to a new vision for CWF spending. The third meeting then refined the vision, actions to take, timelines, and the parties responsible for leadership. An additional meeting was held after review of the draft report to address a few areas where group members felt additional discussions were needed.

Through the meetings, we discovered that the uncertainty was less a question of confidence and more one of, "which direction *now*?" **With 2034 on the horizon, we're at a critical juncture to choose how and where to make tangible changes to move the state closer to its water resource goals.**

To do this, participants identified three broad strategies, explored in more detail in the remainder of this report:

1. Update the vision to produce (and document) durable successes
2. Narrow the focus for state investments
3. Adjust staffing and budgeting process

STRATEGY 1: UPDATE THE VISION TO PRODUCE (AND DOCUMENT) DURABLE SUCCESSES

The 2003 vision for how to more effectively address Minnesota’s impaired waters has largely been put in place with better systems, funding, and legal compliance. Participants discussed barriers to further progress on clean water goals and began to provide guidance for a new vision for CWF spending. One participant posited, “I wonder how our answers would change if we knew for certain that Legacy was going to go away in 2034. What will we kick ourselves for not having done when we had the chance?” That statement carried a lot of weight in the final conversations.

The group concluded that systems need to make sure funding goes to projects and programs that will demonstrate progress toward water-quality goals. We need to celebrate these successes and show the effectiveness of the CWF in order to build a strong case for renewal of the CWF. **In short, we need an updated vision from the CWC and agencies that a wide array of stakeholders once again understands and supports.**

Which direction now?

The group felt that an updated vision would reflect completion of the first ten-year cycle and shift some CWF spending from one-time monitoring, assessment, and modeling costs to investments in projects and transitioning systems for a more cost-effective future.

To get there, participants identified three specific recommendations:

1.1 Articulate an updated vision.

The old vision was generally understood to be “comply with federal TMDL requirements and do on-the-ground projects.” Now that we are completing the first 10-year monitoring cycle, the CWC should push itself to clearly articulate the new vision using the recommendations in this report as a guide.

1.2 Maximize return on the state’s investments.

To maximize return on investment it helps to understand the context better and focus on what durable outcomes are delivered. What gets measured gets done, and tracking outcomes with context can help the state improve. Using One Watershed One Plan as a baseline, agencies should quantify the results of state investments. Work that builds towards a system change, even if difficult to measure, should still be documented with an explanation of the intended benefits. This may require the creation of new metrics or a refinement of the data already being reported in the eLINK and Legislative Coordinating Commission databases. Agencies should strive to measure and demonstrate progress at multiple scales: local, watershed, and across watersheds. Being able to demonstrate progress at different scales, while tying budget recommendations to anticipated outcomes, will build trust in, and support for, CWC’s recommendations.

1.3 Move funding of ongoing agency functions that MUST remain after 2034 to General Fund or other revenue sources, so as to prepare systems to function at a high level post-2034.

A careful review of programs is needed to decide what must remain if funding changes in 2034, and establish a framework for aligning with appropriate revenue sources.

To implement these recommendations, participants identified the following short-term actions:



STRATEGY 2: NARROW THE FOCUS FOR STATE INVESTMENTS

A new vision for the CWF should acknowledge the finite nature of the activities that the fund can successfully support before 2034. This will require narrowing the fund's focus and prioritization of requests, a recognizably difficult task.

Local CWF projects

Proposals for CWF projects are largely a bottom-up process, increasingly driven by One Watershed One Plans, that reflect local priorities as informed by the TMDL and WRAPS documentation the state has helped produce statewide. Local governments need to exercise discipline as they prioritize projects through One Watershed One Plan. When that is done, the state needs to minimize local administrative workload by supporting the approaches which the state has cooperatively created, formally reviewed and officially approved.

Statewide initiatives

The group expressed a clear preference for narrowing the focus for state investments to implementation. That said, it is important to note that investments in statewide initiatives have seen successes (such as LiDAR coverage and many of the system changes accomplished over the last fourteen years). New statewide proposals should not be dismissed, but ought to be reviewed by the Clean Water Council against such clear examples and clear criteria so as to advance implementation given the limited time and funds left.

The work tackled with the CWF has changed over time, as one would expect. However, these changing priorities have led to a weakening of focus. If our first strategy can be summed up as "which direction do we go from here?", then this second strategy can be summed up as "what investments will return the greatest improvements toward state water quality goals?" The CWC needs to reevaluate the highest purpose for funding, the appropriate time and geographic scale, and the best way to deliver funding to sustain those investments. Doing this would provide needed focus for CWF spending, prioritize prevention, create stability in funding, and aid local flexibility.

To narrow the focus of state investments, participants identified five specific recommendations:

2.1 Invest in local priorities identified in One Watershed One Plans.

Approved One Watershed One Plans are full of activities vetted by communities, reviewed against state requirements, and synchronized with numerous partners. The CWC and state should honor the local work done and reinforce coordinated, "no surprises" funding for these bottom-up initiatives.

2.2 Use the same guiding principles from the One Watershed One Plan prioritization process when considering funding for new, larger-scale initiatives.

The NFPF provides a decent high-level filter for considering which ideas, from an infinite pool of possibilities, merits the use of finite Clean Water Funds. Statutory and constitutional requirements, plus the new CWF framework (see Appendix E), will also provide needed tools for the difficult task of "narrowing the focus." The NFPF principles are:

- a) Restore those waters that are closest to meeting State water quality standards
- b) Protect those high quality unimpaired waters at greatest risk of becoming impaired
- c) Restore and protect water resources for public use and public health, including drinking water.

2.3 Invest in strategies that meet overlapping goals.

Producing multiple benefits from a single project makes sense. Funding decisions should reflect a desire to support projects that meet overarching state goals for economic development, recreational value, flood protection, headwaters protection, and drinking water. Therefore, we encourage developing projects that meet goals at multiple scales as part of project selection, plan development, agency approval, and auditing.

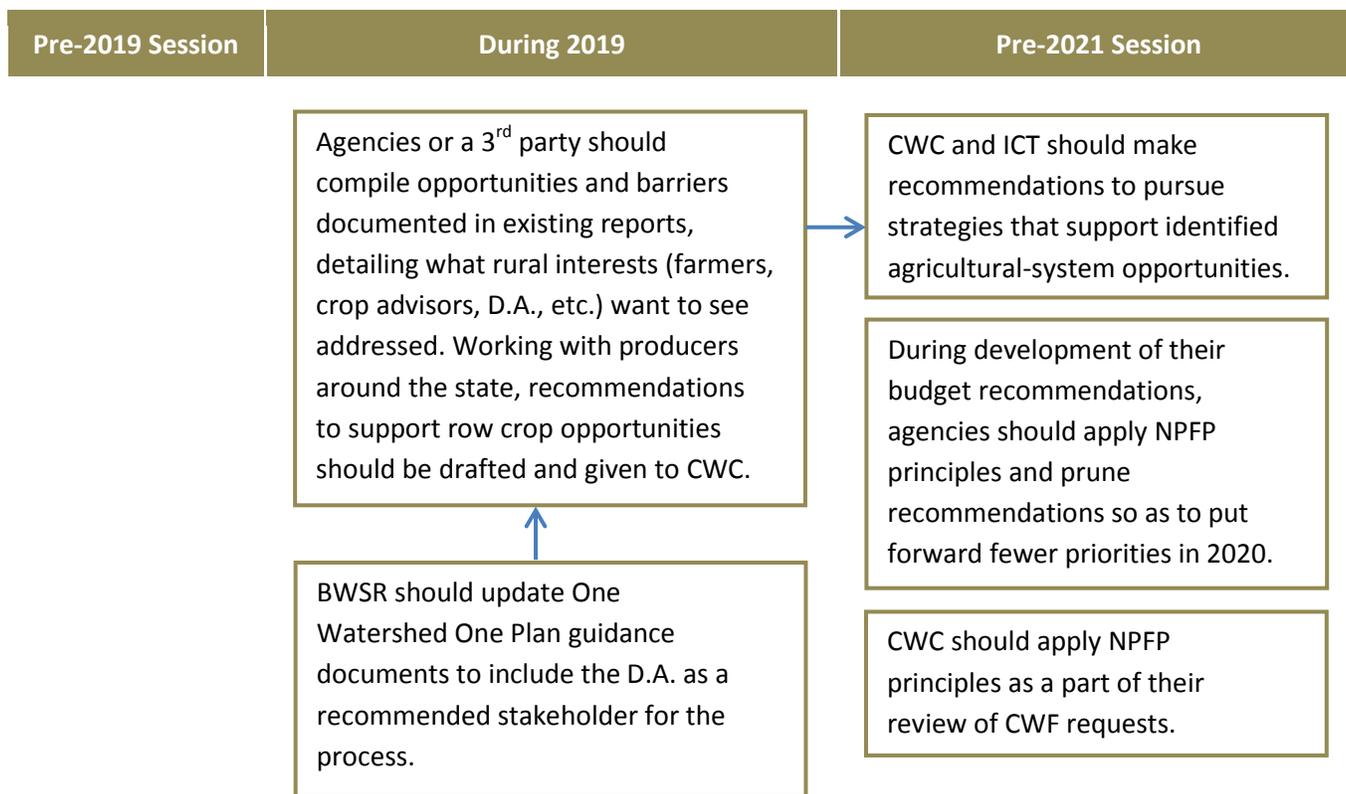
2.4 Continue the completion of voluntary One Watershed One Plan efforts.

Prior to intense monitoring and assessment of the past decade, most regions of the state did not have solid data to inform protection or restoration strategies. Now that they do, local plans prioritize activities that are most likely to make measurable progress toward clean water goals. The sooner each watershed is able to work under the guidance of a completed plan, the better. However, the pace must consider the capacity of local governments to meet demands of multiple planning efforts.

2.5 Promote and invest in opportunities to address non-point sources.

Opportunities to address water challenges lie in promoting and continuing to scale up those agricultural runoff strategies that are seeing success, such as conservation cropping and tillage, perennial cover, and stable local staffing. Several reports detailing the challenges and opportunities agricultural producers face have been completed, including Freshwater’s 2015 *Farm to Stream* and 2018 *Groundwater and Agriculture* reports. Recommendations from these and others sources should be supported through the CWC and agencies through plan development, state funding, and major leveraging of federal funding. Additionally, investing in strategies that lead to market-driven solutions can accelerate transitions, reduce risk, and promote durable shifts in practices beyond 2034.

To implement these recommendations, participants identified the following short-term actions:



STRATEGY 3: ADJUST STAFFING AND BUDGETING PROCESS

Two signature issues were identified regarding the overall budgeting process: agency budget priorities are developed in silos; and Council recommendations are departed from more frequently than they would prefer. For being together at the table at the start of the process, **the parties see more surprises than they would all like at the end.**

Correcting these issues will involve CWC describing a vision to clarify how funds will be spent (and how spending will change over time), improving agency and CWC collaboration in setting the budget, and communicating more clearly to both local officials and the legislature how recommendations will help the state meet water resource goals. This third strategy builds on the work identified for the first two. These adjustments will support the narrowed focus of the CWF outlined in the previous sections while building trust in the CWC recommendations.

Specifically, the following three recommendations should be pursued:

3.1 CWC should signal how the second “10-year cycle” should be different.

In shifting from a focus on monitoring and assessment to implementation, budget priorities will necessarily shift as well. When updating the vision under Strategy 1, the CWC should make it clear how they expect spending levels will change and why those changes are taking place. As an example, is anticipated that the following categories of funding will see changes along these lines:

- a) Monitoring stations have been established, and set-up costs for those stations are largely over. Costs may shift more towards operation, maintenance, and inflation adjustments.
- b) In select areas, groundwater monitoring may need to increase to protect drinking water.
- c) Assessment work will taper down
- d) Modeling and TMDLs are mostly completed and will taper down
- e) WRAPS funding is expected to decrease as watersheds are systematically completed
- f) One Watershed One Plan planning funding will likely hold steady
- g) Funding to implement point source projects will increase
- h) Funding to implement nonpoint projects will increase, ideally in regions fitting NPFP principles
- i) CWF-funded research will focus on work that advances the state’s priorities
- j) Funding for source-water protection will increase

3.2 Clarify the role of agencies, CWC, governor’s office and Legislature in the CWF budgeting process.

The CWC pre-dates the Legacy amendment and is organized to address federal and state statutory requirements on a programmatic level. How it operates and collaborates with the agencies, governor’s office, and legislative process during the budget-development process could be improved. A critical step is to appoint a lead staff person who is independent of executive branch agencies. Having independent staff for the CWC who are housed outside of an executive branch agency can further the ability of the Council to interact and explain recommendations, as agency staff are less able to perform these duties prior to release of a Governor’s budget.

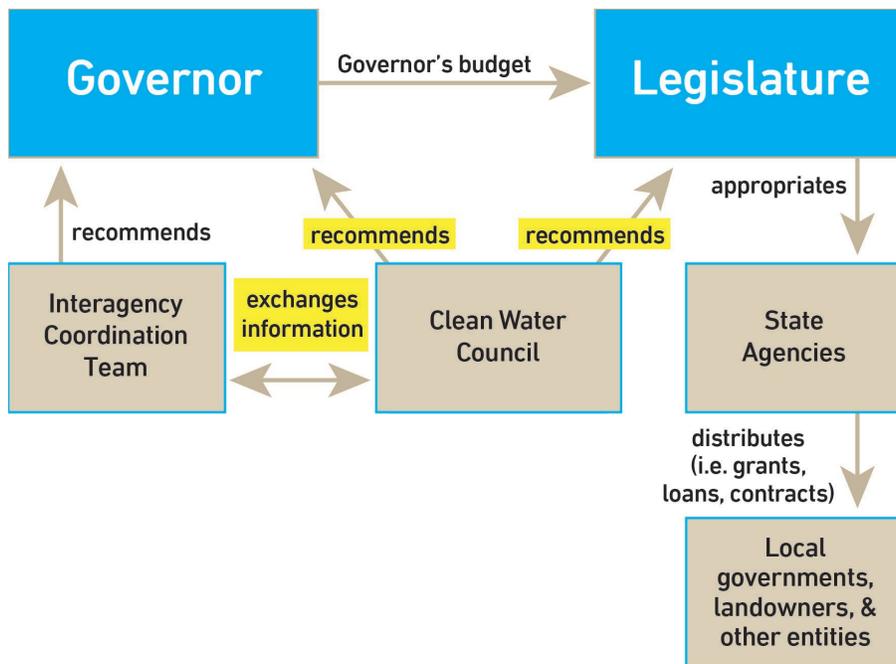
3.3 Executive Branch and CWC should communicate what they will invest in, and demonstrate the tie to NPFP and how an initiative will move the needle on state clean water goals.

In setting budget recommendations, agencies and the CWC should engage in additional discourse to produce clearly justified funding requests. Demonstrating and articulating how requests will advance water resource goals should minimize surprises in the Governor’s budget.

To implement these recommendations, participants identified the following short-term actions:

Pre-2019 Session	During 2019	Pre-2021 Session
Freshwater should make the case for having a neutral lead staff able to represent the CWC (independent of an agency).	Executive Branch and CWC should develop talking points to communicate the value of the revised vision for future CWF spending.	Agencies and CWC should review and confirm funding trajectories identified in the CWC budget recommendations as part of Strategy 1 for 2020, 2030, and 2034.
Freshwater will convene participant groups again upon completion of draft Council recommendations.	Freshwater will convene participant groups after the Governor's budget is released to review the strengths and weaknesses of budgeting process.	

The Clean Water Council makes Clean Water Fund spending recommendations to the Governor and Legislature



Note: State agencies use a portion of their appropriations to perform certain Clean Water Fund activities; they distribute the rest to local governments, landowners, and other entities. Source: Office of the Legislative Auditor. Highlights added for emphasis.

Trajectory Project participants, 2018

Our gratitude to all of the participants in this process. The following people contributed considerable time and energy to bring their diverse experience and opinions to the table for candid discussions. While full consensus was not reached on everything, you worked through a lot to arrive at the content of this report. Thank you!

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