



## **Wetland Mitigation Fee Policy Addendum**

### **Reduction in Credit Value for Agricultural Wetland Bank Fees**

**March 27, 2019**

#### **I. Background.**

This document is a second addendum to the Minnesota Board of Water and Soil Resources (BWSR) “2017 Wetland Mitigation Fee Policy,” effective June 1, 2017 (2017 Policy). The first addendum added policies for single-user accounts and stewardship of large mitigation sites and was approved by the Board on March 28, 2018. The purpose of this addendum is to reduce the credit value coefficient for agricultural wetland banks from 6.0 to 3.2.

The 2017 Policy changed the way credit values were determined for wetland bank fees. Account holders and credit buyers were no longer given the option to base fee payments on the actual value of the credits. Instead, fees are now based on credit values determined by BWSR in accordance with procedures in the 2017 Policy. While this has simplified and streamlined the determination of applicable credits for most transactions there has been an unintended adverse consequence for agricultural wetland banks (Ag Banks). Several account holders have commented that the fees associated with Ag Bank transactions are disproportionately high because the value of credits in most Ag Bank transactions is significantly lower than that for standard wetland banks. BWSR staff completed an analysis of Ag Bank transaction data for the past four years (2015 through 2018) and found that, on average, Ag Bank credits sold for 54% less than standard credits in bank service areas based on reported credit cost information.

#### **II. Definitions.**

An Ag Bank means a wetland bank where the credits must be generated from a wetland restoration. The credits can only be used by agricultural producers for projects that impact wetlands on cultivated land.

#### **III. Credit Value Determination for Agricultural Wetland Banks**

As outlined in the 2017 Policy (section III, part H), the calculated credit value is a product of the land value and the wetland credit value coefficient. The wetland credit value coefficient is determined based on the average ratio of credit sale price to land value, using credit sale price information voluntarily reported to BWSR via withdrawal transaction forms.

Average Ag Bank credit sale prices were calculated for each bank service area (BSA) that had Ag Bank transactions using transaction data from 2015, 2016, and 2017 (land value information for 2018 is currently not available so this year could not be included in the determination). The average credit cost was compared to a weighted land value average that took into account the average land value for each BSA and the number of transactions that occurred in that BSA each year. The wetland credit value coefficient was determined by dividing the weighted land value average by the average credit cost. A single credit value coefficient of 3.2 was obtained by averaging the value calculated for each year.