

Fiscal Estimate - 2003 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 03-2614/1	Introduction Number SB-215
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Subject
 Motorboat gas tax formula and CREP program implementation

Fiscal Effect

State:

<input type="checkbox"/> No State Fiscal Effect	<input type="checkbox"/> Increase Existing Revenues	<input type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget
<input type="checkbox"/> Indeterminate	<input type="checkbox"/> Decrease Existing Revenues	<input type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/> Increase Existing Appropriations		<input type="checkbox"/> Decrease Costs
<input type="checkbox"/> Decrease Existing Appropriations		
<input checked="" type="checkbox"/> Create New Appropriations		

Local:

<input type="checkbox"/> No Local Government Costs	5. Types of Local Government Units Affected	
<input type="checkbox"/> Indeterminate	<input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities <input checked="" type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts	
1. <input checked="" type="checkbox"/> Increase Costs	3. <input checked="" type="checkbox"/> Increase Revenue	
<input checked="" type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input checked="" type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	
2. <input type="checkbox"/> Decrease Costs	4. <input type="checkbox"/> Decrease Revenue	
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	

Fund Sources Affected	Affected Ch. 20 Appropriations
<input type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input checked="" type="checkbox"/> SEG <input type="checkbox"/> SEGS 20.115 (7)(st) and (7)(sv)	

Agency/Prepared By DATCP/ Keith Foye (608) 224-4603	Authorized Signature Don Akamatsu (608) 224-4747	Date 8/7/2003
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Fiscal Estimate Narratives

DATCP 8/7/2003

LRB Number	03-2614/1	Introduction Number	SB-215	Estimate Type	Original
Subject					
Motorboat gas tax formula and CREP program implementation					

Assumptions Used in Arriving at Fiscal Estimate

The proposed bill revises the formula used for calculating the estimated motorboat gas tax payment. The proposed bill allocates \$1.375 million for payments from DATCP to counties for implementing the conservation reserve enhancement program (CREP) under s. 93.70, Stats. and implementing county land and water resource management plans under s. 92.10, Stats. It also allocates \$125,000 to DATCP to hire two project FTE positions to work with CREP.

Background

Implementing CREP

The State of Wisconsin has signed an agreement with the U.S. Department of Agriculture (USDA) to implement the Conservation Reserve Enhancement Program (CREP). The agreement gives the authority to enroll 100,000 acres of land into the program. The total estimated cost of the project includes about \$200 million in federal funds and about \$40 million in state bond revenue funds. The state has agreed to provide at least 20% of the total project funds in order to leverage the federal funding. The CREP has been extended through the 2002 Federal Farm Bill through December 31, 2007.

The 100,000 acres would be installed in various conservation practices including riparian buffers, filter strips, grassed waterways, upland grassland areas, and wetland restorations. The entire project area includes about 7.6 million acres of cropland and pastureland in all or portions of 48 counties. The goals are to significantly reduce sediment and nutrients in runoff from agricultural areas, install buffers to improve stream and lake health, and to establish increased habitat for endangered grassland birds in two grassland project areas.

To participate in the program, landowners will be required to sign a federal 14-15 year conservation reserve program (CRP) contract to be eligible for the federal funds and a concurrent state CREP agreement or a state perpetual conservation easement.

Much of the state's portion of CREP is being implemented by county land conservation committees. DATCP has signed CREP contracts with 47 of the 48 eligible counties to administer the program at the local level. DATCP is responsible for administering the program at the state level.

Implementing County Land and Water Resource Management Plans

S. 92.10 requires counties to develop county land and water resource management plans that provide the framework at the county level for soil and water resource management activities. The plans specifically must deal with the control of soil erosion and nonpoint source pollution. The plans must show the planned activities to implement the performance standards and prohibitions under NR 151 and ATCP 50, Wis. Adm. Code. Both of these administrative rules went into effect in October 2002. All 72 counties have prepared and received approval from the department for the first round of county plans. In the next two years, all of the county plan approvals expire. All of these plans will need to be rewritten in the next five years. The second round of plans will need to include the county's plans to implement the nonpoint source performance standards and prohibitions promulgated through administrative rules by DNR and DATCP.

State Costs

CREP

DATCP was appropriated \$40 million of bond revenue funds in the 1999-2001 biennial budget for the program payments and payments for installing the practices made to landowners. These funds may not be used for any staff costs to implement the program. CREP has been extended through the 2002 Federal Farm Bill to run through December 31, 2007. The department assumes, based experience since October

2002 with CREP, that on average, each landowner will enroll about 11 acres in a state CREP agreement or perpetual conservation easement. That results in about 9,100 total CREP agreements assuming that the entire 100,000 acres is enrolled in the program. DATCP needs 2.0 FTE project positions for four years to administer the state CREP agreements and perpetual conservation easements. The needed positions include 1.0 FTE project contract specialist position to review CREP agreements and easements, provide project information to government agencies and the public, coordinate state activities with the federal government and counties, and make CREP payments through counties to landowners. DATCP needs a 1.0 FTE project information specialist-data services position to maintain the project database, develop a mapping program to track and evaluate the program, review legal descriptions for recorded easements, and work with the federal government and counties to report environmental benefits from the program and monitor compliance with the agreements and easements. The department also needs funds to prepare and distribute informational publications to encourage landowners to participate and to communicate the maintenance requirements for the 9,100 landowners with CREP agreements and easements.

DATCP estimates that the two positions will cost approximately \$125,000. This includes about \$59,000 (\$44,000 in salary and fringe and \$15,000 for supplies and services) for the information specialist-data services position and about \$57,000 (\$42,000 for salary and fringe benefits and \$15,000 for supplies and services) for the contract specialist position. The department also needs \$9,000 to cover the costs of informational publications related to CREP.

County Costs

CREP

There are 48 counties that are eligible for the CREP project. DATCP estimates that of the 9,100 CREP agreements and perpetual easements, that 75% (2,275) will be CREP agreements and 25% (6,825) will be CREP conservation easements. The department assumes, based on the federal experience with CRP, that each agreement and easement will take county staff about 8 hours to process (72,800 hours). In addition, the added work related to the conservation easements has been estimated to take an additional 24 hours each, or a total of an additional 54,600 hours. The total county staff hours needed for CREP would be 72,800 hours for agreements and 54,600 hours for easements, or a total of 127,400 hours. The total county staff needs to process the state paperwork for CREP is estimated at 71 FTE (assuming 127,400 hours @ 1,800 hours per FTE). Assuming that each county FTE would cost \$56,000 for salary, fringe benefits, and support, the total cost to implement the state's portion of CREP would be about \$4.0 million. This estimate assumes that USDA staff will complete all of the technical assistance and conservation planning required for the program.

Counties have reported that they have spent almost \$900,000 to enroll 23,000 acres into CREP. That translates to about \$39 per acre. That would result in a total cost of \$3.9 million to enroll the entire 100,000 acres. Although all the counties have not reported, the actual experience in administering CREP is very close to the original estimates.

In many instances, county staff will assist federal staff that are providing technical services for CREP. However, based on the assumption that most of the technical assistance will be provided by federal staff, this fiscal estimate represents a minimum cost projection. The 2002 Federal Farm Bill has placed additional work on the USDA Farm Service Agency and Natural Resources Conservation Service. This additional federal workload may impact the ability for USDA to process CREP applications and require counties to provide more of the work in order to move the program forward.

USDA estimates that they will provide about 19 hours per agreement that does not include structural practices (an estimated 80% or 7,280 agreements) and a total of 33 hours per agreement that does include structural practices (an estimated 20% or 1,820 agreements) to provide technical services, or an additional total of 198,380 hours (7,280 agreements X 19 hours per agreement plus 1,820 agreements X 33 hours per agreement). This again is based on the assumption that there are a total of 9,100 agreements that will result from CREP. The total hours for technical services, primarily provided by USDA (however many counties will assist) is an additional 110 FTEs based on 1,800 hours per FTE.

The proposed bill would authorize the department to pay the county up to \$250 per landowner agreement for the estimated 9,100 agreements and conservation easements. The total funding available from the proposed bill based on the \$250 per landowner agreement or easement would be estimated at \$2.275 million (\$250 per agreement or easement X 9,100 estimated agreements and easements) for CREP. If DATCP decides to reimburse county's for agreements and easements already completed and assumes that there will be equal numbers spread out over 3 years, DATCP would fund about \$750,000 per year (9,100 CREP agreements and easements divided by 3 years or 3,033 agreements/easements times \$250 each) for reimbursing counties for work on CREP of the \$1.375 million available under the proposed bill. The

remainder could be used to implement county land and water resource management plans.

Implementing County Land and Water Resource Management Plans

Counties are required to prepare and implement county land and water resource management plans approved by the department. These plans provide the overall framework for activities to improve land and water resources and set local priorities for conservation.

DATCP currently provides in excess of \$8 million per year for staff and support grants to counties. This annually supports about 246 county staff implementing state programs such as the priority watershed program, farmland preservation conservation compliance, nutrient management, soil erosion control, and other county, state and federal soil and water conservation programs.

Counties will also be required to implement the new performance standards and prohibitions adopted in NR 151 and ATCP 50, Wis. Adm. Code under s. 281.16, Stats. These code revisions were part of the required redesign of the state's nonpoint source pollution abatement programs. The fiscal note for ATCP 50, Wis. Adm. Code estimates that the total costs to implement the performance standards and prohibitions is \$40 million to \$60 million per year over a ten year period, primarily for the required 70% cost sharing to landowners. County land and water resource management plans must provide work plans for implementing the performances standards and prohibitions.

The fiscal note for ATCP 50, Wis. Adm. Code, also estimates that there is already an unmet need for between \$2 million and \$4 million per year for county staff to implement the performance standards and prohibitions to reduce nonpoint source pollution. Based on the previous assumption for payments for CREP, DATCP would have \$625,000 available annually over the next three years to reimburse counties through the DATCP annual allocation plan for implementing county land and water resource management plans. The funds available under the proposed bill will provide a long-term increase in funds to support local county staff to implement these plans and the nonpoint source performance standards and prohibitions.

Long-Range Fiscal Implications

The proposed bill would provide a long term funding source for grants to counties for working in the state's Conservation Reserve Enhancement Program (CREP) as well as other federal, state, and county soil and water conservation programs through implementing county land and water resource management plans. There is already an identified unmet need to adequately fund county staff to implement these plans and the performance standards and prohibitions being proposed through NR 151 and ATCP 50, Wis. Adm. Code, to implement s. 281.16, Stats. Based on previous assumptions, after the first three years, DATCP would make the entire \$1.375 million available under the proposed bill available to counties to implement county land and water resource management plans and the nonpoint source performance standards and prohibitions. The unmet need to implement the performance standards and prohibitions has been estimated at between \$2 million and \$4 million, annually.

Fiscal Estimate Worksheet - 2003 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

LRB Number 03-2614/1		Introduction Number SB-215	
Subject			
Motorboat gas tax formula and CREP program implementation			
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
State Operations - Salaries and Fringes		\$116,000	
(FTE Position Changes)		(2.0 FTE)	
State Operations - Other Costs		9,000	
Local Assistance		1,375,000	
Aids to Individuals or Organizations			
TOTAL State Costs by Category		\$1,500,000	\$
B. State Costs by Source of Funds			
GPR			
FED			
PRO/PRS			
SEG/SEG-S		1,500,000	
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)			
		Increased Rev	Decreased Rev
GPR Taxes		\$	\$
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S		1,500,000	
TOTAL State Revenues		\$1,500,000	\$
NET ANNUALIZED FISCAL IMPACT			
		<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS		\$1,500,000	\$
NET CHANGE IN REVENUE		\$1,500,000	\$1,375,000
Agency/Prepared By		Authorized Signature	Date
DATCP/ Keith Foye (608) 224-4603		Don Akamatsu (608) 224-4747	8/7/2003