



Legislative Fiscal Bureau

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TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Assembly Bill 795/Senate Bill 715: Conservation Grants and State Grazing Coordinator

Assembly Bill 795 and Senate Bill 715 are identical bills that would provide appropriations for a number of soil and water conservation grant and financial assistance programs, as well as create a state grazing coordinator position. AB 795 was introduced on January 24, 2020, and referred to the Assembly Committee on Agriculture. On February 4, 2020, a public hearing was held. On February 6, the Assembly Committee on Agriculture recommended the bill for passage on a vote of 12-0.

Senate Bill 715 was introduced on January 24, 2020, and referred to the Senate Committee on Natural Resources and Energy. On February 5, 2020, a public hearing was held.

BACKGROUND AND CURRENT LAW

Soil and Water Resource Management Program and Grants

Annually, county land conservation committees (LCCs) submit a grant request describing staffing needs and proposed county activities under DATCP's soil and water resource management and animal waste management programs and DNR's nonpoint source water pollution abatement program. DATCP and DNR provide state funds to local units of government and other project cooperators for land and water conservation activities across the state, known as the joint allocation plan. Under the plan, the agencies jointly review county applications and determine if projects should be considered for funding through DATCP or DNR competitive funding. LCCs are authorized to use grants for several purposes: (a) staff activities related to nonpoint source water pollution abatement, animal waste management, or other conservation activities; (b) activities that promote compliance with soil and water conservation requirements under the farmland preservation program; and (c) best management practices related to animal waste management, nonpoint source pollution abatement and other conservation practices determined by the county to be necessary for conservation and resource management. DATCP has established a number of priorities for allocation of funds under the joint allocation plan. These include: (a) continuation of county staff and projects;

(b) funding projects that address statewide priorities identified by DATCP and DNR; (c) the county's demonstrated commitment to implementation of its approved land and water resource management (LWRM) plan and to farm-conservation practices; (d) the cost-effectiveness of the grant; (e) the likelihood that the grant will resolve problems specified in the county's LWRM plan; and (f) the county's demonstrated cooperation and ability to implement the project.

DATCP's soil and water resource management aids appropriation is authorized to expend up to \$750,000 annually from the nonpoint account of the segregated (SEG) environmental fund on producer-led watershed protection grants. Grants are provided directly to producer-led groups for nonpoint source pollution abatement activities. Producer-led groups are eligible for up to \$40,000 per year as long as they have at least five members meeting certain minimum thresholds for farm income, are in one watershed, and collaborate with a state, county, or nonprofit conservation organization. Activities by producer-led groups include education and outreach, development and cost-sharing of best management practices, and water quality monitoring and soil testing. The statutes require producer-led groups to contribute matching funds equal to at least 50% of eligible costs. In 2019-20, 27 groups received \$750,000 in awards under the program.

Alliance for Water Stewardship

The Alliance for Water Stewardship (AWS) is an independent nonprofit organization created by various national and international nonprofit conservation organizations and international governing bodies. AWS certification provides a detailed framework for program participants to engage in water stewardship projects. By standardizing the framework, AWS scoring criteria and resulting certification levels allow individuals, businesses, agricultural producers, and other organizations to demonstrate water stewardship. AWS contends that the standard will result in good water governance, sustainable water usage, improved water quality, protection of water bodies of special importance, and promotion of access to water, sanitation, and hygiene. Further, AWS suggests that certification allows for a credible demonstration to investors, local communities, customers, and government agencies for marketing or regulatory purposes that a recipient is implementing practices consistent with water stewardship.

Cover Crops

Cover crops generally consist of grasses, legumes, and herbaceous flowering plants, such as sunflower or clovers, that are planted between primary crop cycles. Cover crops are intended to reduce erosion, improve soil structure, moisture, and nutrient content, suppress weeds, limit pests, facilitate pollinator species, and serve as forage for farm animals. Further, certain cover crops may contribute nitrogen to the soil, thus reducing the need for nutrient application, which can reduce nonpoint source water pollution runoff.

The U.S. Department of Agriculture's (USDA) Natural Resource Conservation Service (NRCS) operates the Environmental Quality Incentives Program (EQIP) and Conservation Stewardship Program (CSP). Both programs offer financial assistance to participants for installation or implementation of best management practices on agricultural land. EQIP offers 10-year contracts and CSP offers 5-year contracts, which offer annual payments based on: (a) a percentage of the cost

of installing practices; (b) expected environmental benefits of a practice; or (c) income forgone by the producer in installing the practice. Use of cover crops is considered an eligible practice under both programs.

Beginning in 2018-19, the Iowa Department of Agriculture and Land Stewardship initiated a demonstration project to offer rebates of \$5 per acre for the cost of crop insurance on acreage for which a cover crop is planted. During its first two years, approximately 1,200 farmers have applied for the program and planted approximately 300,000 acres of crops. The program is operated in partnership with USDA's Risk Management Agency, the federal entity responsible for administering crop insurance programs in the U.S.

Grazing Programs

Managed grazing represents an alternative management method for raising livestock. According to various reports and surveys by DATCP staff and UW System researchers, managed grazing is thought to offer a number of economic tradeoffs, allowing for production across more acres of farmland, increasing expenditures on land but reducing expenditures on feed. Managed grazing is also thought to confer ecological benefits if properly implemented. DATCP previously administered Grazing Lands Conservation Initiative (GLCI) grants of \$375,500 annually until the program was repealed under 2013 Wisconsin Act 20. Grants were intended to promote the use of managed grazing through technical assistance and educational offerings for farmers. Funding for GLCI came from a combination of federal grants and state funds from the segregated agrichemical management fund.

As of December 2019, Wisconsin NRCS reports it had two full-time staff dedicated to grazing and pasture management, and approximately 40 staff who are trained to write grazing management plans. However, NRCS staff note these 40 staff have competing technical assistance duties related to nutrient management, cover cropping, wetland preservation, and farm management, and may not regularly write grazing plans as a dedicated expert would. DATCP reports 1.0 position in its Farm Center dedicates approximately 15% of its time on technical assistance related to grazing and organics.

SUMMARY OF BILL

Water Stewardship Certification. AB 795/SB 715 ("the bill") would create a continuing appropriation and provide \$250,000 GPR each year beginning in 2020-21 to create a grant program within DATCP to reimburse the cost of applying for certification of water stewardship from the Alliance on Water Stewardship. Under the bill, DATCP would be required to enter into a memorandum of understanding with grant recipients, which may specify eligible costs and the period of certification. The bill would allow DATCP to award grants only once a producer has been certified. The bill would require DATCP to prioritize grant allocation based on an agricultural producer's impact on water quality. Under the bill, grants would be limited to 50% of costs up to \$10,000.

Producer-Led Watershed Protection Grants. The bill would create an appropriation and

provide \$250,000 GPR annually beginning in 2020-21 for producer-led watershed protection grants, in addition to current SEG funding. Further, the bill would expand the definition of a producer-led watershed protection group to consist of a group of five agricultural producers within the same watershed or adjacent watersheds. Under current law, a group must have at least five farmers from within the same watershed. The bill would also expand eligible recipients for lake protection grants provided by DNR to include producer-led watershed protection groups.

Joint Allocation Plan. The bill would require DATCP, in coordination with DNR when allocating grant funding under the annual joint allocation plan, to consider the extent to which any "externalities, such as weather," affected a county's ability to implement its LWRM plan. "Externality" is not defined under the bill, but is typically used to describe the economic cost or benefit of a transaction not borne by its participants. For example, a positive externality would occur when an individual receives treatment for an illness, thus reducing the chance others in the community become sick, while a negative externality would occur when a facility releases air pollutants that cause acid rain that damages crops. Under the bill, "externality" is presumed to mean an external factor or extenuating circumstance. If the bill were not amended to provide more clarity, DATCP could detail by administrative rule how such considerations would be made.

Cover Crop Rebate Program. The bill would create a continuing appropriation and provide \$200,000 GPR each year beginning in 2020-21 for grants to individuals who plant cover crops. Under the bill, DATCP, in cooperation with USDA's Risk Management Agency and other state and federal agencies and organizations, would provide rebates of \$5 per acre of cover crop planted to cover the cost of crop insurance on those acres. The bill would authorize DATCP to promulgate rules that: (a) determine the crops eligible for rebate payments; and (b) establish a process for verifying crops are planted on acreage receiving rebate payments. The bill would prohibit DATCP from providing rebates if the planting of a cover crop is eligible for funding from other state or federal programs is available, including EQIP, CSP, the producer-led watershed protection grant program, or soil and water resource management program. The bill would require potential recipients to plant crops before applying for a rebate, and would require DATCP to approve eligible applicants requests for funding as requests are received. Further, under the bill DATCP would be prohibited from limiting the number of acres for which a recipient may receive funding. The bill would allow DATCP to conduct inspections to verify recipients are compliant with rebate program requirements.

Grazing Coordinator. The bill would provide an additional \$64,800 GPR in 2019-20 and \$86,400 GPR in 2020-21 with 1.0 GPR position in DATCP's Division of Agricultural Resource Management. The position would be dedicated to: (a) convening a stakeholder group, including state, local, and federal government agencies, agricultural groups, nonprofit organizations and academic institutions, intended to expand and enhance grazing activities in Wisconsin and develop a state grazing plan; (b) serving as the primary point of contact for providing grazing technical assistance; (c) identifying new technology and best practices in grazing; and (d) leveraging federal funding to promote the implementation of effective grazing practices. The position and its associated salary, fringe benefit and other costs would continue in the DATCP agency base.

FISCAL EFFECT

The bill would provide a total of \$64,800 GPR in 2019-20 and \$786,400 GPR in 2020-21 with 1.0 GPR position on an ongoing basis, consisting of \$151,200 in salary and fringe benefit costs during the biennium, and \$700,000 in grants beginning in 2020-21. Funding for water stewardship certification grants and cover crop rebates would be provided from continuing appropriations, meaning any unexpended amounts in the appropriations would be carried forward and remain available for expenditure in subsequent years until depleted.

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