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Joint Committee on Finance

Paper #145

Grazing Lands Conservation Initiative (Agriculture, Trade and Consumer Protection)

[LFB 2013-15 Budget Summary: Page 61, #7]

CURRENT LAW

The Grazing Lands Conservation Initiative (GLCI) is a national effort intended to increase the use of managed grazing in livestock production. The initiative has been supported by state and federal agricultural and land management agencies, including the U.S. Department of Agriculture (USDA), which has provided funding to Wisconsin for distributing as grants to encourage the establishment or refinement of grazing systems. Managed, or rotational, grazing is a practice by which livestock producers partition pastures and rotate herds among paddocks, allowing successively grazed areas to regrow for future use.

In Wisconsin, the Department of Agriculture, Trade and Consumer Protection (DATCP) also has provided grants to support the GLCI. A state-funded grant appropriation was created from the segregated (SEG) agricultural management (ACM) fund under 2007 Act 20, and in 2012-13, state GLCI grants are appropriated \$375,500 ACM SEG. GLCI grants administered by DATCP have supported entities providing: (a) technical assistance for individual farmers, particularly planning for grazing rotations and identifying infrastructure necessary to carry out a grazing plan; and (b) educational efforts, including activities in classroom settings and during on-farm pasture walks for groups of practicing and prospective graziers. Research-based grants previously were available but have been discontinued. Grants have been funded at a maximum of: (a) \$40,000 per year per recipient, and no more than \$80,000 over two years for technical assistance grants; and (b) \$30,000 per year, and no more than \$60,000 over three years, for education-related grants. Persons may act as project managers for multiple grant projects, but awards also are limited to \$100,000 per individual project manager.

In addition to grants, grazing education and technical assistance services currently are provided by DATCP, University of Wisconsin System institutions, county offices of the UW–

Extension, state technical colleges, county land and water conservation departments, and several private organizations.

GOVERNOR

Repeat the annual ACM SEG appropriation and other statutory requirements for grants under the GLCI, and delete funding of \$375,500 annually.

DISCUSSION POINTS

1. The administration and DATCP have recommended this provision to limit appropriations from the segregated agricultural chemical funds, including the agricultural chemical cleanup program (ACCP) fund, that do not directly support the primary programs supported by the funds.

2. Table 1 shows total grants awarded under the GLCI in Wisconsin from 2004 through 2012. DATCP has made GLCI grants totaling approximately \$6.5 million in that time, including approximately \$4.4 million FED. ACM SEG has been appropriated since 2007-08, when funding began at \$400,000 annually. Since 2009-10, annual appropriations have been \$375,500 SEG annually. (It should be noted approximately \$233,200 ACM SEG appropriated during the period has been transferred to the general fund in the 2009, 2010 and 2011 fiscal years.)

TABLE 1

Grazing Lands Conservation Initiative Grant Awards

<u>Calendar Year</u>	<u>Amounts Requested</u>	<u>ACM SEG Grants</u>	<u>FED Grants</u>	<u>Grantees</u>	<u>Total Grants</u>
2004	\$889,000	\$0	\$795,000	28	\$795,000
2005	1,095,200	0	718,700	28	718,700
2006	2,006,200	0	757,400	30	757,400
2008	1,603,300	400,000	583,100	37	983,100
2009	1,490,700	310,000	628,800	31	938,800
2010	2,348,700	262,800	721,500	32	984,300
2011	1,678,800	720,500*	150,000	32	870,500
2012	<u>1,103,800</u>	<u>375,500</u>	<u>90,000</u>	<u>26</u>	<u>465,500</u>
Total	\$12,215,700	\$2,068,800	\$4,444,500	244	\$6,513,300

* Includes \$345,000 from 2010-11 and \$375,500 from 2011-12.

3. Currently, 22 regional grazing networks exist throughout Wisconsin, and DATCP reports these are the primary means by which information is provided to graziers. Nineteen of the networks are led by an employee of a county, state or federal agency, while three are farmer-led. GLCI grants support at least 13 of the regional networks in part, and 11 networks have a grant-

supported staff person to coordinate technical assistance and other information sharing among network participants.

4. DATCP reports its own staff, as well as a number of other entities, would continue to provide technical assistance and education if state and federal grant funding were eliminated or significantly reduced. These include: (a) the Natural Resources Conservation Service (NRCS) of the USDA, which DATCP reports has 23 persons statewide who, as part of their duties, assist existing and prospective grazing operations; (b) county land and water conservation departments; (c) county agents of the University of Wisconsin–Extension; (d) the College of Agricultural and Life Sciences at UW–Madison and the Extension Forage Resources program at UW–River Falls; (e) Wisconsin technical colleges; and (f) GrassWorks, a nonprofit membership organization in the state that promotes grazing. However, DATCP indicates that some entities that previously have received grants, such as county UW–Extension or land and water conservation offices, may reduce or drop grazing-related activities without GLCI grant assistance, due to funding limitations and other program priorities.

5. Between 1993 through 1999, information from the Wisconsin Agricultural Statistics Service and the Program on Agricultural Technology Studies of UW–Madison suggests Wisconsin dairy farms practicing rotational grazing increased from about 7% of all farms in 1993 to approximately 22% of farms by 1999. However, according to statistics from the 2007 USDA Census of Agriculture, which currently is being updated for 2012, the incidence of grazing on Wisconsin dairy farms remained at approximately 22%. DATCP staff concur that growth in the incidence of grazing, at least within the dairy industry, appears to have slowed after a period of growth in the 1990s. No comprehensive data over a similar period are available currently to examine grazing incidence at Wisconsin beef farms, although DATCP estimates, based on Census of Agriculture data, about 42% of beef producers use managed grazing. However, a 2012 report by DATCP, GrassWorks, UW–Madison and UW–Extension also suggests some large livestock operations in the state that do not currently practice grazing also have significant land capacity to institute grazing systems.

6. If ACM SEG funding for GLCI grants were eliminated, other sources of financial assistance would remain in place. The soil and water resource management (SWRM) program in DATCP allows landowners to receive cost-sharing for the installation of prescribed grazing systems. Administrative rule ATCP 50 (soil and water resource management) generally specifies eligible costs under this conservation practice are those that establish a grazing system that would abate or prevent nutrient or sediment runoff from animal lots, pasture or cropland. DATCP reports it has typically used proceeds from SWRM’s general obligation bonding authority for grazing systems implementation, and, because the Wisconsin Constitution generally limits bond proceeds to the financing of physical improvements, SWRM funding for grazing systems implementation has supported only costs for permanent infrastructure. Under ATCP 50, such costs may include permanent fencing, seeding stands, livestock watering facilities, livestock access lanes or stream crossings that preserve bank stability. Grazing planning would typically affect only the management of lands without directly installing physical improvements, and therefore, likely would be ineligible for bond funding. DATCP reports SWRM cost-sharing has supported the following implementation of prescribed grazing systems from 2008 to 2012: (a) approximately 17,300 acres of permanent pasture established through 41 projects and at a total state cost of \$162,200; and (b) approximately

452,800 feet of permanent fencing in 55 projects and at a total state cost of \$281,400. DATCP typically allocates about \$3.5 million in bond proceeds for cost-sharing each year.

7. Also, DATCP expects grant funding may be available under the Environmental Quality Incentives Program (EQIP), a program administered by NRCS that provides federal cost-sharing to rural landowners for establishing best management practices to control soil erosion and runoff, among other aims. EQIP funding may be available for most practices allowed under ATCP 50, as well as the creation of grazing management plans, which generally is not supported by state funding currently in Wisconsin. NRCS staff reports Wisconsin's EQIP allocation in the 2013 federal fiscal year is approximately \$26.8 million. Of that amount, approximately \$2.26 million is allocated to cost-sharing for pasture-related practices, including many of the physical improvements allowed under state bond funding as well as the creation of grazing plans.

8. According to various reports and surveys by DATCP staff and UW researchers, managed grazing is thought to offer a number of economic tradeoffs for producers as an alternative to confinement livestock facilities. For instance, various studies from DATCP and UW indicate managed grazing operations may, on average, experience lower production per animal than confinement operations. However, managed grazing also appears to allow for lower costs for labor, production and equipment, for such items as feed and manure storage, which can in some circumstances outweigh differences in average production. Managed grazing may also provide opportunities to install cover vegetation and avoid conventional planting and tillage practices to limit soil loss from farmland. However, depending on the characteristics of a grazing paddock and the intensity of grazing, certain benefits grazing may hold over conventional crop production may diminish.

9. The administration and others have argued that because multiple sources aside from DATCP-administered grants would continue to provide for grazing education, technical assistance, and cost-sharing for grazing planning and infrastructure installation, it is appropriate to eliminate state grant funding. Also, growth in the incidence of farms practicing grazing may have slowed in recent years, even during periods of federal and state grant funding. Producers may have other economic incentives to adopt grazing systems aside from grant assistance. The Committee could consider adopting the Governor's recommendation to delete ACM SEG funding for grants under the GLCI [Alternative 1].

10. However, some have argued it is appropriate to continue state support for GLCI grants, as: (a) the continued development of grazing systems may contribute to state land and water conservation; (b) managed grazing may be a means of improving profitability on certain farms; and (c) retaining funding for education and technical assistance may preserve current resources to allow for additional farms to adopt managed grazing systems in the future. The Committee could consider deleting the Governor's recommendation [Alternative 6].

11. If the Committee wished to continue GLCI grants with state funding, it could consider a lower amount than is appropriated under current law. Under current law, GLCI grants are funded at levels higher than similar competitive grants that have been administered by DATCP's agricultural development program, including: (a) the agricultural development and diversification (ADD) program (\$321,000 GPR annually); (b) the Buy Local, Buy Wisconsin program (\$200,000

GPR annually); (c) the Grow Wisconsin Dairy Producer grant program (\$200,000 GPR annually); and (d) as proposed under the bill, a new grant program for dairy processing plants (\$200,000 GPR annually). The Committee could consider appropriating one of the following annual amounts for GLCI grants in 2013-15: (a) \$150,000 [Alternative 2a]; (b) \$200,000 [Alternative 2b]; (c) \$250,000 [Alternative 2c]; or (d) \$300,000 [Alternative 2d].

12. If the Committee wished to restore GLCI funding to the bill, it could consider an amount of ACM SEG [Alternative 2]. One could argue the ACM fund is the most appropriate source, as: (a) the ACM fund is estimated to have 2014-15 revenues of over \$7.6 million, which would be projected to exceed budgeted expenditures of approximately \$7 million under the bill; and (b) increased use of grazing may promote more efficient use of agricultural chemicals such as pesticides and fertilizers, which are the primary bases for ACM fund revenues. The Committee also could consider deleting funding for GLCI grants, but retaining the statutory authority for the grant program, including the ACM SEG appropriation [Alternative 3]. Such an alternative would reduce ACM SEG appropriations in the 2013-15 biennium, but would continue current authority of DATCP to administer grant funding, were it provided through future budget legislation.

13. The GLCI grant program under current law does not include any statutory specifications for conditions under which a grant may be issued, including a maximum grant amount or a minimum recipient match to a grant award. (Provisions of administrative rule ATCP 161 specify general accountability requirements required of DATCP and grant recipients under the GLCI and other grant programs, but these provisions are not otherwise program-specific.) However, DATCP reports matches are encouraged. While DATCP records show match levels over the course of the program have varied widely by participant and year, overall participants have matched approximately 97% of state and federal funding. Match requirements in grant programs ensure the participant has a financial stake in a project.

14. Table 2 shows, for several DATCP competitive grant programs, the current appropriation, maximum grant, and recipient match for each, as well as whether each is specified by statute or administrative rule.

TABLE 2

DATCP Grant Program Provisions

<u>Grant Program</u>	<u>2012-13 Appropriation</u>	<u>Maximum Grant</u>	<u>Recipient Match</u>
Clean Sweep	\$750,000	None specified*	25% of project (S)
Ag. development and diversification	321,000	\$50,000/project (S)	33% of project (S)
Buy Local, Buy Wisconsin	200,000	50,000/grant/bien. (R)	33% of grant amount (R) (25% of project)
Grow Wisconsin Dairy Producer **	200,000	50,000/biennium (R)	None specified

Note: (S) refers to statutory requirement and (R) refers to requirement of administrative rule.

* While not specified by statute or rule, DATCP administers the program by declaring a maximum grant each year. For 2013, maximum grants are between \$4,000 and \$19,000, depending on the duration of the event and the materials collected.

** Conditions shown are those specified by administrative rule ATCP 161. However, DATCP has implemented the first rounds of the Grow Wisconsin Dairy Producer grant based on a \$5,000 maximum grant with a recipient match of 20% of the grant amount (\$1,000 on a maximum grant).

15. If the Committee wished to retain funding for GLCI grants, specification of maximum grants and recipient matches could be considered. Maximum grants could be specified at: (a) \$10,000 [Alternative 4a]; (b) \$20,000, or half the current maximum for GLCI technical assistance grants [Alternative 4b]; or (c) \$30,000, or the current maximum for grazing education grants [Alternative 4c]. The Committee also could consider a match requirement of: (a) 25% of eligible project costs, equal to 33% of the grant amount, and consistent with the Clean Sweep and Buy Local, Buy Wisconsin programs [Alternative 5a]; (b) 33% of eligible project costs, or 50% of the grant amount, equal to the ADD program [Alternative 5b]; or (c) 50% of eligible project costs, or a dollar-for-dollar match on the grant, which would be consistent with the average participant practice over the course of the program [Alternative 5c].

ALTERNATIVES

1. Adopt the Governor’s recommendation to repeal the ACM SEG annual appropriation for grants under the Grazing Lands Conservation Initiative, and eliminate \$375,500 ACM SEG annually.

2. Delete the provision. Instead, specify one of the following annual funding levels for GLCI grants from ACM SEG:

a. \$150,000

ALT 2a	Change to Bill
	Funding
SEG	\$300,000

b. \$200,000

ALT 2b	Change to Bill
	Funding
SEG	\$400,000

c. \$250,000

ALT 2c	Change to Bill
	Funding
SEG	\$500,000

d. \$300,000

ALT 2d	Change to Bill
	Funding
SEG	\$600,000

3. Adopt the Governor's recommended 2013-15 funding elimination for state GLCI grants. However, retain the ACM SEG appropriation for GLCI grants and the statutory authority for DATCP to administer a GLCI grant program.

4. In addition to Alternatives 2 or 6, specify one of the following annual maximum grants under the GLCI program:

- a. \$10,000;
- b. \$20,000; or
- c. \$30,000.

5. In addition to Alternatives 2, 4 and/or 6, specify one of the following minimum match requirements under the GLCI program:

- a. 25% of eligible project costs, equal to 33% of the grant amount;
- b. 33% of eligible project costs, or 50% of the grant amount; or
- c. 50% of eligible project costs, or a dollar-for-dollar match on the grant.

6. Delete the Governor's recommendation. (The statutory authorization and appropriation for GLCI grants would be maintained, with grant funding of \$375,500 ACM SEG annually.)

ALT 6	Change to Bill Funding
SEG	\$751,000

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