



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #156

Producer-Led Watershed Protection Grants (Agriculture, Trade and Consumer Protection -- Environment)

[LFB 2021-23 Budget Summary: Page 62, #1]

CURRENT LAW

The Department of Agriculture, Trade and Consumer Protection (DATCP) soil and water resource management (SWRM) program, in coordination with the Department of Natural Resources (DNR), administers grants and technical assistance related to prevention and control of nonpoint source water pollution. As part of its program, DATCP administers the producer-led watershed protection grant program under section 93.59 of the statutes and administrative code Chapter ATCP 52. The producer-led watershed protection grant program provides matching grants of 50% up to a total of \$40,000 per year to producer groups that collaborate to conduct nonpoint source water pollution prevention and control activities.

Producer-led groups are eligible if they have 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 sharing of best management practices, and water quality monitoring and soil testing. Producer-led groups often offer incentives to landowners to implement conservation practices for the first time, in order to reduce the risk and uncertainty associated with a new activity and encourage greater uptake by farmers in their watershed.

Funding for producer-led watershed protection grants is derived from DATCP's SWRM grants appropriation, which is authorized to expend up to \$750,000 each year on producer-led grants. Other grants funded from the appropriation include nutrient management planning cost-share grants, nutrient management planning education grants, and nonpoint project cooperator grants. During the 2019-21 biennium, the appropriation is authorized \$4,425,000 nonpoint SEG each year.

DISCUSSION POINTS

1. Assembly Bill 68/Senate Bill 111 would increase the statutory cap on annual producer-led watershed protection grant awards from \$750,000 to \$1,000,000, and provide an additional \$250,000 nonpoint SEG each year for producer-led watershed protection grants. The bipartisan Speaker's Task Force on Water Quality met from March through September of 2019 to study water pollution in Wisconsin, engage with stakeholders and water quality professionals, review best practices and possible solutions to water quality problems, and make recommendations to improve water quality in Wisconsin. As part of its final report and recommended legislation, the Task Force similarly recommended increased funding of \$250,000 GPR each year for producer-led watershed protection grants in 2019 Assembly Bill 795/Senate Bill 715. 2019 AB 795 passed the Assembly on a vote of 98-0, but failed to pass the Senate pursuant to SJR 1. 2019 SB 715 was recommended for passage 16-0 by the Joint Committee on Finance. The bill failed to pass pursuant to SJR 1.

2. The table shows funding for producer-led grants since their inception in 2015-16, and the attachment lists recipients in the 2019-21 biennium. As available funding is determined by a statutory cap from a larger appropriation, unused producer-led authorizations have been allocated for other SWRM grants, primarily nutrient management planning grants. As seen in the table, demand for grants has exceeded allocations in recent years, suggesting the proposed \$1,000,000 annual funding level would be fully allocated.

Producer-Led Watershed Protection Grant Allocations

	<u>Available Funding</u>	<u>Applicants</u>	<u>Requested</u>	<u>Recipients</u>	<u>Awarded</u>
2016	\$250,000	15	\$262,550	14	\$242,550
2017	250,000	11	197,065	11	197,065
2018*	750,000	21	619,721	17	558,246
2019	750,000	27	869,815	24	750,000
2020	750,000	27	1,051,871	24	750,000
2021	750,000	33	1,043,910	30	750,000

*Funding was increased in April, 2018, under 2017 Act 196. Incomplete allocation of funding in 2018 reflects a shortened grant period associated with increased funding.

3. Producer-led watershed protection grants seek to expand implementation of agricultural conservation standards to reduce erosion, improve soil health, and prevent nonpoint runoff to protect water quality while maintaining or improving agricultural yields. While other grant programs offer traditional incentive payments to encourage implementation of conservation standards, DATCP offers block grants to groups, which gives them flexibility to conduct outreach and education, research and develop best practices, encourage neighboring farmers to try new practices, or conduct other conservation activities suited to local conditions and membership interest or expertise. The program was created in part from the perspective that producers may be more responsive to conservation efforts in collaboration with peers than as a result of state or local grant or regulatory programs. As a result, producer-led groups have implemented, tested, and refined use of a variety of conservation practices including: (a) cover crops; (b) harvestable buffers; (c) grassed waterways; (d) no-till and

strip-till farming; (e) low-disturbance manure injection; (f) nutrient management; (g) calibration of manure spreaders; and (h) soil testing.

4. Producer-led watershed protection groups are required to collaborate with a state, local, or nonprofit conservation-focused organization to be eligible for a grant. Grant recipients primarily collaborate with their county land conservation department, but also collaborate with UW-Madison Division of Extension, or other nonprofit organizations. Collaboration with partner organizations allows for education and technical assistance, but also improves best practices sharing and allows for research and statewide implementation of successful projects.

5. Consideration has been given in recent biennia to a variety of grant programs, pilot projects, and technical assistance offerings to spur innovation in agricultural conservation practices, increase participation in nonpoint prevention efforts, diversify agricultural practices, encourage sustainable agricultural development, and mitigate the effects of climate change or extreme weather events on producers. Such proposals have included incentives related to managed grazing, no-till farming, cover crops, water stewardship certification, nitrogen application, and regenerative agriculture. In general, these proposals all seek to continue development of agricultural best management practices to improve their effectiveness, lower their cost, and identify new methods so that their implementation is less burdensome on agricultural producers and better protects the environment. As producer-led watershed protection grants provide flexibility to participants to conduct a variety of activities, including refinement of existing best management practices and experimentation with new practices, provision of additional funding for producer-led watershed protection grants could be considered a more flexible approach to meeting these goals than previously described proposals.

6. Provision of nonpoint SEG funding for producer-led watershed protection grants is dependent on availability of funding in the nonpoint account. Based on Committee action as of June 3, 2021, the nonpoint account is anticipated to have a June 30, 2023, available balance of \$8.8 million, equal to an increase of approximately \$3.4 million during the 2021-23 biennium. Thus, across all budget items related to nonpoint programs, the Committee could consider providing an additional approximately \$1.7 million nonpoint SEG each year in ongoing expenditures while still maintaining balance with available revenues. Further, the Committee could consider allocating a portion of the fund balance as one-time funding, although any ongoing funding allocations that exceed available annual revenues could limit future availability of funding for nonpoint programs.

7. Given recent demand for producer-led watershed protection grants, and the benefits of producer-led groups in improving implementation of nonpoint prevention and control practices, encouraging collaboration amongst farmers and conservation organizations, and spurring innovation and development in agricultural conservation, the Committee could consider increasing funding for producer-led watershed protection grants. The Committee could increase the annual cap on allocations for producer-led groups from \$750,000 to \$1,000,000 and provide an additional \$250,000 nonpoint SEG each year for producer-led watershed protection grants [Alternative 1].

8. To ensure future availability of funding for nonpoint programs, the Committee could provide funding on a one-time basis during the 2021-23 biennium [Alternative 2]. The Committee could also increase the annual cap in producer-led allocations but provide no additional funding,

which would allow DATCP flexibility to allocate up to \$1,000,000 each year for producer-led groups from the current \$4,425,000 annual appropriation for SWRM grants.

ALTERNATIVES

1. Increase the statutory cap on annual producer-led watershed protection grant awards from \$750,000 to \$1,000,000, and provide an additional \$250,000 nonpoint SEG each year for producer-led watershed protection grants.

ALT 1	Change to Base
SEG	\$500,000

2. Specify that funding be provided on a one-time basis during the 2021-23 biennium. (This alternative could be selected in addition to Alternative 1 above.)

3. Increase the statutory cap on annual producer-led watershed protection grant awards, but do not provide additional funding. (DATCP would retain flexibility to allocate additional funding for producer-led watershed protection grants from its existing appropriation for SWRM grants of \$4,425,000 nonpoint SEG each year.)

4. Take no action.

Prepared by: Rory Tikalsky
Attachment

ATTACHMENT

Producer-Led Watershed Protection Grant Awards 2020 and 2021 Awards

<u>Recipient</u>	<u>2020</u>	<u>2021</u>
Bear Creek/Chippewa Farmer Groundwater Group	\$39,815	\$23,475
Biological Farming Friends	0	16,500
Buffalo County Conservation Farmers	0	14,984
Buffalo-Trempealeau Farmer Network	25,000	40,000
Calumet County Ag Stewardship Alliance	7,500	6,250
Cedar Creek Farmers - Improving Land for Cleaner Waters	25,000	0
Central Wisconsin Farmers' Collaborative	0	19,800
Dodge County Farmers for Healthy Soil & Healthy Water	39,705	39,093
Eau Pleine Partnership for Integrated Conservation	0	30,000
Farmers for Lake Country	19,630	15,000
Farmers for the Upper Sugar River	38,800	31,749
Farmers for Tomorrow	40,000	30,000
Farmers of Barron County	20,000	17,200
Farmers of Mill Creek	40,000	31,749
Farmers of the Sugar River	35,000	14,700
Hay River Farmer-Led Watershed Council	10,000	0
Horse Creek Farmer-Led Watershed Council	15,000	28,950
Lafayette Ag Stewardship Alliance	20,000	30,000
Lake Wisconsin Farmer Watershed Council	0	15,000
Ozaukee County Clean Farm Families	40,000	30,000
Peninsula Pride Farms	10,000	30,000
Producers of Lake Redstone	20,000	30,000
Red Cedar Conservation Farmers	40,000	30,000
Sauk Soil and Water Improvement Group	40,000	30,000
Sheboygan River Progressive Farmers	35,000	35,000
South Kinni Farmer-Led Watershed Council	10,000	15,000
Tainter Creek Farmer-Led Watershed Council	40,000	30,000
The Shell Lake - Yellow River Farmer-Led Watershed Council	17,500	12,750
Uplands Watershed Group	17,000	13,000
Watershed Protection Committee of Racine County	40,000	40,000
Western Wisconsin Conservation Council	40,000	30,000
Yahara Pride Farms	<u>25,000</u>	<u>30,000</u>
Total	\$749,950	\$760,200