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Joint Committee on Finance

Paper #475

Nonpoint Contracts (Natural Resources -- Water Quality)

[LFB 2021-23 Budget Summary: Page 446 and 447, #11 and #12]

CURRENT LAW

The Department of Natural Resources (DNR) is appropriated funds for contracts with entities providing research, education, and outreach related to nonpoint source water pollution abatement programs. DNR is appropriated \$767,600 each year during the 2019-21 biennium for these purposes, which includes \$267,600 in base funding and \$500,000 in one-time funding. Contracts are funded by the nonpoint account of the environmental fund.

DISCUSSION POINTS

A. Nonpoint Contracts Funding

1. Table 1 lists contract allocations during the 2019-21 biennium. Funding supports:
 - The Natural Resources Educators Program at UW-Madison Division of Extension, which provides technical assistance and outreach to farmers and municipalities to support implementation of nonpoint performance standards.
 - SnapPlus nutrient management planning software, which is free software that assists farmers in planning nutrient and fertilizer application to increase effectiveness, limit runoff, and reduce fertilizer costs.
 - U.S. Geological Survey research, which seeks to quantify and evaluate best management practices (BMPs) for reducing urban nonpoint runoff, such as calculating phosphorus runoff to waterways that is avoided through practices such as street sweeping.

- The BMP implementation tracking system, discussed later.
- The Standards Oversight Council, which develops best management practices for implementation to prevent and control nonpoint runoff consistent with state and federal requirements.
- The Center for Land Use Education at UW-Stevens Point which supports technical assistance to counties and municipalities for development and implementation of shoreland zoning ordinances.
- Research related to nitrogen application efficiency and infiltration, and groundwater impacts of nutrient application in areas with Silurian bedrock. Research informs development of more tailored nonpoint standards and more accurate modelling of the sources of nonpoint pollution.

TABLE 1

2019-21 Nonpoint Contracts

<u>Project Name</u>	<u>Project Sponsor</u>	<u>2019-20</u>	<u>2020-21</u>
Natural Resources Educators Program*	UW-Madison Division of Extension	\$300,500	\$355,900
SnapPlus Nutrient Management Software Development and Maintenance*	College of Ag. & Life Sciences (UW-Madison)	180,000	180,000
Urban Nonpoint Best Management Practices Effectiveness Research*	U.S. Geological Survey	110,200	80,000
Best Management Practices Implementation Tracking System*	TAPFIN Process Solutions	80,000	75,000
Standards Oversight Council*	Wisconsin Land and Water Conservation Association	42,000	42,000
Center for Land Use Education (CLUE)*	UW-Stevens Point	20,000	20,000
Silurian Groundwater Monitoring	Wisconsin Geological and Natural History Survey	0	43,700
Nitrogen Use Efficiency Research	Discovery Farms (UW-Madison Division of Extension)	0	30,500
Nitrate Leaching Research	College of Ag. & Life Sciences (UW-Madison)	<u>0</u>	<u>25,000</u>
Total		\$732,700	\$852,100

*Ongoing project.

Note: Due to unexpended allocations in 2019-20, total amounts may exceed total appropriations, as funding is reallocated in the subsequent year.

2. Table 2 shows a history of nonpoint contract funding since 2011-12. Assembly Bill 68/Senate Bill 111 would provide an additional \$615,000 nonpoint SEG each year for nonpoint

contracts on an ongoing basis, for a total of \$882,600 each year. Final allocation decisions by the Department are subject to appropriations by the Legislature, program need, and proposals received from contractors. However, DNR reports it intends for future nonpoint contract funding to support: (a) ongoing projects identified in Table 1; and (b) additional research and evaluation to improve mapping, refine implementation of, and evaluate the targeted performance standard under Chapter NR 151 of the administrative code that requires different nutrient application practices for varying depths of soil to Silurian bedrock.

TABLE 2

Nonpoint Contracts Funding History

	<u>Ongoing</u>	<u>One-Time</u>	<u>Total</u>
2011-12	\$997,600	\$0	\$997,600
2012-13	997,600	0	997,600
2013-14	997,600	0	997,600
2014-15	997,600	0	997,600
2015-16	227,600	770,000	997,600
2016-17	227,600	770,000	997,600
2017-18	267,600	500,000	767,600
2018-19	267,600	500,000	767,600
2019-20	267,600	500,000	767,600
2020-21	267,600	500,000	767,600
2021-22*	882,600	0	882,600
2022-23*	882,600	0	882,600

*AB 68/SB 111 proposed.

3. Research and development funded by nonpoint contracts are the basis for nonpoint grant allocations and regulatory standards. Funding provided for technical assistance and best management practices development allows for consistent implementation of nonpoint standards and helps to ensure the effectiveness of the approximately \$24 million in annual nonpoint grants provided by DNR and the Department of Agriculture, Trade and Consumer Protection (DATCP). Further, research and monitoring activities allow DNR to respond to emerging nonpoint source water pollution issues and develop targeted regulatory standards that more effectively prevent and reduce nonpoint pollution. Finally, nonpoint contracts provide DNR flexibility to fund organizations providing outreach, education, and direct services to assist farmers seeking to implement nonpoint standards.

4. Provision of additional funding for nonpoint contracts is dependent on availability of funding in the nonpoint account of the environmental fund. 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 \$1.7 million nonpoint SEG each year in ongoing expenditures while still maintaining balance with available revenues. Further, the Committee could allocate 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.

5. Given the availability of nonpoint funding, and the impact nonpoint contracts have on effective allocation of grants, outreach and education to farmers, and development of nonpoint regulatory standards, the Committee could consider providing an additional \$615,000 nonpoint SEG each year for nonpoint contracts [Alternative A1]. The Committee could also consider providing an additional \$500,000 nonpoint SEG each year for nonpoint contracts for a total of \$767,600 each year, equal to the 2019-21 allocation [Alternative A2]. The Committee could also take no action, and contracts would be budgeted at \$267,600 each year [Alternative A4].

6. As seen in Table 2, nonpoint contracts have regularly been authorized one-time funding in recent years to ensure future availability of nonpoint funding. Thus, the Committee could provide funding on a one-time basis during the 2021-23 biennium [Alternative A3].

B. Best Management Practices Implementation Tracking System

7. The best management practices implementation tracking system allows DNR, in conjunction with DATCP and other collaborators, to track use and impacts of nonpoint pollution-reducing practices installed as a result of grants or regulatory requirements. The system is currently in development, and current modules allow for tracking of activities supported under DNR's rural targeted runoff management grant program and point source discharger compliance with the state's phosphorus standard. As part of the 2019-21 nonpoint contract allocation, DNR is developing modules related to: (a) DNR's notice of discharge (NOD) rural nonpoint grant program, for animal feeding operations issued an NOD and cost-sharing to correct impermissible discharges of wastewater; (b) urban nonpoint grant programs; and (c) NR 151 performance standards.

8. In addition to nonpoint contract funding, AB 68/SB 111 would provide \$150,000 nonpoint SEG each year in one-time funding to support continued development of the BMP implementation tracking system. DNR reports the additional funding would support development of modules related to water quality trading and adaptive management activities.

9. In certain instances, point and nonpoint source dischargers regulated by DNR may pursue alternative approaches to reducing water quality impacts of their operations. Through adaptive management or water quality trading activities, regulated entities may partner with others operating in their watershed to reduce discharges more cost-effectively than through modifications at the original discharge site. For example, municipal and industrial wastewater treatment facilities partner with local farmers to reduce phosphorus runoff from agricultural land. In doing so, facilities can avoid installing increasingly expensive technology while still meeting phosphorus discharge requirements under their Wisconsin pollutant discharge elimination system (WPDES) permit.

10. Implementation of modules to track adaptive management and water quality trading activities would allow regulated entities and their partners to more easily report and track progress toward meeting nonpoint pollution reduction goals. Further, DNR contends that improved BMP implementation tracking would help it more readily identify progress towards nutrient reduction goals and more effectively pursue improvements to water quality in Wisconsin.

11. As noted previously, provision of funding for further development of the BMP

implementation tracking system is dependent on availability of funding from the nonpoint account of the environmental fund. The account is anticipated to have a June 30, 2023, available balance of \$8.8 million. As the proposed system development costs are one-time, an allocation of the amount proposed would not significantly affect the fund balance.

12. Given the potential enhancements of a BMP implementation tracking system to water quality trading and adaptive management efforts by municipal, industrial, and nonpoint dischargers, and the availability nonpoint funding, the Committee could consider providing an additional \$150,000 nonpoint SEG each year of the 2021-23 biennium on a one-time basis for development of water quality trading and adaptive management modules [Alternative B1].

13. DNR currently funds development of its BMP implementation tracking system through existing nonpoint contracts. If development of water quality trading and adaptive management modules were a Department priority, it could consider allocating funding within its existing biennial authorization for nonpoint contracts as determined above, and the Committee could take no additional action related to BMP implementation tracking system funding [Alternative B2].

ALTERNATIVES

A. Nonpoint Contracts Funding

1. Provide an additional \$615,000 nonpoint SEG each year for nonpoint contracts. (Budgeted amounts for nonpoint contracts would total \$882,600 each year of the 2021-23 biennium.)

ALT A1	Change to Base
SEG	\$1,230,000

2. Provide an additional \$500,000 nonpoint SEG each year for nonpoint contracts. (Budgeted amounts for nonpoint contracts would total \$767,600 each year of the 2021-23 biennium.)

ALT A2	Change to Base
SEG	\$1,000,000

3. Specify that funding be provided on a one-time basis during the 2021-23 biennium. (This alternative could be selected in addition to A1 or A2 above.)

4. Take no action. Budgeted amounts for nonpoint contracts would total \$267,600 each year of the 2021-23 biennium.

B. Best Management Practices Implementation Tracking System

1. Provide an additional \$150,000 nonpoint SEG each year in one-time funding for development of a water quality trading and adaptive management module for the Department's best

management practices implementation tracking system.

ALT B1	Change to Base
SEG	\$300,000

2. Take no action.

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