



## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #613

### **Nonpoint Account Overview (Natural Resources -- Water Quality)**

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#### **CURRENT LAW**

The environmental fund consists of: (a) the nonpoint account, which is the primary funding source for nonpoint source water pollution abatement programs in Wisconsin; and (b) the environmental management account, which primarily supports Department of Natural Resources (DNR) programs related to recycling, groundwater, and cleanup of contaminated lands. The two accounts are statutorily designated as one fund but are tracked separately for budgetary purposes. For discussion of the environmental management account, see the budget paper entitled "Environmental Management Account Overview."

The nonpoint account supports state and local programs to prevent and control nonpoint source water pollution in rural and urban settings. The account funds two basic types of grants to assist local governments: (a) grants from the Department of Agriculture, Trade and Consumer Protection (DATCP) to county land conservation departments for costs associated with land and water conservation staff; and (b) DATCP and DNR grants distributed to landowners through counties, or directly to municipalities for the installation of structures and practices to abate nonpoint source water pollution. In most cases, state law requires an offer of cost-sharing if agricultural landowners are to be required to modify existing practices or structures to abate nonpoint source water pollution. This share typically must be at least 70% of the cost of installation. Projects related to urban storm water management may be cost-shared at up to 50% of eligible project costs, although state cost-sharing is not required for projects or practices installed to bring urban areas into compliance with state performance standards.

#### **DISCUSSION POINTS**

1. This paper provides a general overview of the nonpoint account, including the estimated condition and general information about revenues and expenditures for the account during the 2023-

25 biennium. Discussion and alternatives for individual budget issues affecting the nonpoint account are included in separate budget papers. However, any changes in expenditures from the account under specific budget issues will impact the availability of funding for other items under consideration.

## Revenues

2. Table 1 shows revenues to the nonpoint account. While nonpoint SEG represents the primary funding source for nonpoint programs, funding also comes from federal Clean Water Act (Section 319) funding, bond revenues, and general purpose revenues (GPR).

3. Nonpoint account revenues are derived from: (a) a portion of state tipping fees on solid waste disposed of at a Wisconsin landfill, equal to \$3.20 per ton and totaling \$14.4 million in 2021-22; (b) an annual transfer from the general fund of \$7,991,100; (c) an annual transfer from the environmental management account of \$6,150,000; and (d) interest earnings and miscellaneous income, equal to \$39,600 in 2021-22.

4. During the 2023-25 biennium, tipping fees are expected to contribute 56% of nonpoint revenues, the GPR transfer will contribute 25% of revenues, and the environmental management account transfer will contribute 18%, with the small remaining amount reflecting interest income from investment of the fund balance.

**TABLE 1**

### Nonpoint Revenues by Category

	<u>GPR Transfer</u>	<u>SEG Transfers</u>	<u>Tipping Fee<sup>a</sup></u>	<u>Other Revenue</u>	<u>Total Revenue</u>
2007-08	\$11,514,000	\$0	\$792,600	\$333,900	\$12,640,500
2008-09	13,625,000	0	5,259,400	35,300	18,919,700
2009-10	12,863,700	0	10,662,000	-2,300	23,523,400
2010-11	12,863,700	0	17,773,900	-4,500	30,633,100
2011-12	10,974,200	0	12,851,400	-2,500	23,823,100
2012-13	11,315,500	0	24,399,100	31,100	35,745,700
2013-14	11,143,600	650,000 <sup>b</sup>	13,432,800	27,600	25,254,000
2014-15	11,143,600	1,300,000 <sup>b</sup>	19,822,700	2,000	32,268,300
2015-16	11,143,600	1,000,000 <sup>c</sup>	8,615,800	3,100	20,762,500
2016-17	11,143,600	1,000,000 <sup>c</sup>	14,977,700	10,200	27,131,500
2017-18	7,991,100	3,652,500 <sup>b</sup>	21,921,800	28,900	33,594,300
2018-19	7,991,100	3,652,500 <sup>b</sup>	19,491,300	98,400	31,233,300
2019-20	7,991,100	6,150,000 <sup>b</sup>	17,639,300	289,200	32,069,600
2020-21	7,991,100	6,150,000 <sup>b</sup>	26,380,400	185,500	40,707,000
2021-22	7,991,100	6,150,000 <sup>b</sup>	14,441,500	39,600	28,622,200
2022-23 <sup>d</sup>	7,991,100	6,150,000 <sup>b</sup>	18,158,100	200,000	32,499,200

<sup>a</sup> Tipping fees vary based on timing of year-end billings, which may be collected the following fiscal year.

<sup>b</sup> From the environmental management account.

<sup>c</sup> From the segregated agricultural chemical cleanup fund.

<sup>d</sup> Estimated.

## Expenditures

5. As seen in Table 2, nonpoint account expenditures support: (a) debt service payments on general obligation bonds issued for nonpoint grants (41% of budgeted expenditures in 2022-23); (b) grants for nonpoint programs (43%); and (c) DATCP and DNR regulatory and technical assistance staff, and other administration costs (16%). Grants are provided from both nonpoint SEG and nonpoint SEG-supported bonding. Grants supported by bond revenues represent long-term improvements to the state's waters. To reflect these long-term benefits, projects are financed through bond revenues and subsequent nonpoint SEG-supported debt service payments. The account supports 20.30 positions at DATCP and 19.14 at DNR related to regulation of nonpoint pollution and administration of nonpoint grant programs. DNR is also appropriated nonpoint SEG for contracts with UW-Madison Division of Extension and other organizations for education, research, and technical assistance activities related to nonpoint source water pollution.

**TABLE 2**

### Nonpoint Expenditures by Category

	<u>Debt Service</u>	<u>Grants</u>	<u>Operations</u>	<u>Total Expenditures</u>	<u>Transfers</u>
2007-08	\$847,700	\$6,610,300	\$4,993,500	\$12,451,500	\$301,400
2008-09	847,700	6,851,100	5,339,500	13,038,300	4,230,300
2009-10	5,203,000	6,833,800	4,585,300	16,622,100	7,547,500
2010-11	10,699,400	5,915,200	4,305,900	20,920,500	6,943,500
2011-12	13,279,600	6,053,800	4,522,300	23,855,700	0
2012-13	14,388,500	7,968,000	5,324,600	27,681,100	0
2013-14	15,528,600	6,850,300	4,454,500	26,833,400	0
2014-15	14,844,900	8,684,600	5,570,800	29,100,300	0
2015-16	15,724,100	9,599,000	5,361,300	30,684,400	0
2016-17	15,309,100	9,537,100	5,652,600	30,498,800	0
2017-18	15,582,500	8,839,900	4,733,200	29,155,600	0
2018-19	16,004,100	10,281,900	4,609,700	30,895,700	0
2019-20	15,682,500	10,272,700	5,573,900	31,529,100	0
2020-21	15,108,400	10,443,000	5,323,900	30,875,300	0
2021-22	13,669,800	10,664,100	5,335,400	29,669,300	0
2022-23 <sup>a</sup>	14,295,800	15,155,800	5,429,900	34,881,500	0
2023-24 <sup>b</sup>	13,756,300	10,961,900	5,298,900	30,017,100	0
2024-25 <sup>b</sup>	16,651,200	10,961,900	5,298,600	32,911,700	0

<sup>a</sup> Budgeted.

<sup>b</sup> Base budget, including Committee action to date.

6. Funding shown in Table 2 for the 2023-25 biennium under the adjusted base and Committee action to date is lower than for 2022-23 primarily due to expiration of one-time funding and lower anticipated debt service costs in 2023-24. Funding provided on a one-time basis during the 2021-23 biennium included: (a) county conservation staff (\$1,377,300 in 2021-22 and \$1,543,900 in

2022-23); (b) producer-led watershed protection grants (\$250,000 each year); (c) DNR nonpoint education and research contracts (\$500,000 each year); and (d) \$2.4 million in 2022-23 for nitrogen optimization projects and cover crop insurance rebates under 2021 Wisconsin Act 223. Based on debt service reestimates approved under previous Committee action, debt service costs are anticipated to be approximately \$540,000 lower in 2023-24. Debt service costs are expected to increase again in 2024-25 by \$2.4 million compared to 2022-23 amounts.

7. As seen in Table 3, AB 43/SB 70 would provide additional funding for nonpoint programs as follows: (a) \$3,369,100 in 2023-24 and \$3,765,100 in 2024-25 for county conservation staffing grants; (b) \$1,000,000 each year in one-time funding for grants for flood mapping and flood insurance studies; (c) \$250,000 each year for grants for producer-led watershed protection groups; (d) \$2,400,000 each year for the nitrogen optimization pilot program and cover crop rebates; and (e) \$500,000 each year for runoff management grants for noncapital projects. The bill would also provide additional nonpoint SEG-supported bonding authority, consisting of: (a) \$17 million for rural nonpoint programs at DATCP and DNR, an increase from the \$13.5 million authorized during the 2021-23 biennium; and (b) \$11 million for urban nonpoint programs at DNR, an increase from the \$4 million authorized during the 2021-23 biennium. AB 43/SB 70 does not propose significant changes to nonpoint-funded administration staff or funding outside of standard budget adjustments and minor transfers.

**TABLE 3**

**Nonpoint Account-Supported Grants and Contracts under AB43/SB70**

	Fund Source	Base/Prior Authorization	Bill 2023-24	Bill 2024-25	Change to Base 2023-24	Change to Base 2024-25
<b>Agriculture, Trade and Consumer Protection</b>						
County Conservation Staffing Grants	SEG	5,936,900	\$9,306,000	\$9,702,000	\$3,369,100	\$3,765,100
SWRM Grants - Nitrogen Optimization and Cover Crop	SEG	0	2,400,000	2,400,000	2,400,000	2,400,000
SWRM Grants - Producer-Led Groups	SEG	750,000	1,000,000	1,000,000	250,000	250,000
SWRM Grants - Noncapital Project Aids	SEG	3,675,000	3,775,000	3,775,000	100,000	100,000
<b>Natural Resources</b>						
Rural Nonpoint Grants (TRM/NOD)	SEG	100,000	500,000	500,000	\$400,000	\$400,000
Urban Nonpoint and Municipal Flood Control -- Flood Mapping and Flood Insurance Studies	SEG	500,000	1,500,000	1,500,000	1,000,000*	1,000,000*

\*One-time funding in the 2023-25 biennium.

**Account Condition**

8. Table 4 shows the estimated nonpoint account condition under the adjusted base and Committee action on May 2, 2023, affecting standard budget adjustments and debt service. Under such a scenario, nonpoint account revenues are estimated to exceed expenditures by approximately \$2.5 million in 2023-24 and -\$231,000 in 2024-25. The nonpoint account would be expected to have an available balance of approximately \$9.9 million on June 30, 2025, up from \$7.7 million as of June 30, 2023.

9. As considered under other budget papers, the Committee may wish to continue one-time nonpoint funding or provide additional base funding for various grant programs. If the Committee wished to increase funding for nonpoint programs, it is not estimated that additional ongoing expenditures would maintain balance with available revenues in future biennia. The Committee could consider allocating a portion of the fund balance as one-time funding, but any ongoing funding allocations that exceed available annual revenues could limit future availability of funding for nonpoint program, or require providing for additional revenues to the account.

**TABLE 4**

**Nonpoint Account Condition**

	<u>Actual</u> <u>2021-22</u>	<u>Estimated</u> <u>2022-23</u>	<u>Base Plus JFC</u> <u>2023-24</u>	<u>Base Plus JFC</u> <u>2024-25</u>	<u>2024-25</u> <u>Staff</u>
Opening Balance	\$21,767,600	\$20,720,500	\$18,338,200	\$20,820,300	
<b>Revenue</b>					
GPR Transfer	\$7,991,100	\$7,991,100	\$7,991,100	\$7,991,100	
Tipping Fee	14,441,500	18,158,100	18,158,100	18,339,600	
Env. Mgmt. Acct. Transfer	6,150,000	6,150,000	6,150,000	6,150,000	
Interest and Misc. Income	<u>39,600</u>	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>	
Total Revenue	\$28,622,200	\$32,499,200	\$32,499,200	\$32,680,700	
<b>Expenditures</b>					
Debt Service	\$13,669,800	\$14,295,800	\$13,756,300	\$16,651,200	
Grants	10,664,100	15,155,800	10,961,900	10,961,900	
DNR Contracts	672,200	767,600	267,600	267,600	
DNR Administration	2,289,400	2,324,400	2,501,900	2,501,900	19.14
DATCP Administration	<u>2,373,800</u>	<u>2,337,900</u>	<u>2,529,400</u>	<u>2,529,100</u>	<u>20.30</u>
Total Expenditures	\$29,669,300	\$34,881,500	\$30,017,100	\$32,911,700	39.44
<b>Cash Balance</b>	\$20,720,500	\$18,338,200	\$20,820,300	\$20,589,300	
Encumbrances/Continuing	-\$15,784,700	-\$15,784,700	-\$15,784,700	-\$15,784,700	
Tipping Fees Receivable	5,111,800	5,111,800	5,111,800	5,111,800	
<b>Available Balance</b>	\$10,047,600	\$7,665,300	\$10,147,400	\$9,916,400	

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