

Agriculture, Trade and Consumer Protection

Environment

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LFB Summary Items for Which an Issue Paper Has Been Prepared

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<u>Item #</u>	<u>Title</u>
10	Farmland Preservation Planning Grants



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May 18, 2023

Joint Committee on Finance

Paper #185

County Conservation Staff and Program Expansion (Agriculture, Trade and Consumer Protection -- Environment)

[LFB 2023-25 Budget Summary: Page 66, #1]

CURRENT LAW

Since 1987, the Department of Agriculture, Trade and Consumer Protection (DATCP) has disbursed state funds to county land conservation committees to support activities that prevent soil erosion and runoff of nutrients and pollutants into waters of the state. County conservation staff activities eligible for funding include: (a) implementation of land and water resource management plans, which are required of every county by statute to identify local objectives for soil and water conservation; (b) conservation practice engineering, design, and installation; (c) cost-share grant administration; (d) farmland preservation program administration; and (e) livestock regulation. Counties submit funding requests each spring, and grant awards are finalized in fall for the subsequent calendar year. Grants to counties for conservation staff are provided on a reimbursement basis.

Grants are awarded in a tiered process, providing each county a base allocation of \$75,000. As available, remaining funding is allocated to provide for 100% funding of a county's first position, 70% of a second position, and 50% for each position thereafter, with counties providing the difference. Conservation staffing grants are funded by DATCP with GPR and funding from the nonpoint account of the segregated (SEG) environmental fund. During the 2021-23 biennium, grants are budgeted at \$11,030,000, including \$3,715,800 GPR and \$7,314,200 nonpoint SEG in 2022, and \$11,280,000, including \$3,799,200 GPR and \$7,480,800 nonpoint SEG in 2023. Base funding for the program is \$3,027,200 GPR and \$5,936,900 nonpoint SEG annually in the 2023-25 biennium.

DISCUSSION POINTS

1. County conservation staff are the first point of contact for landowners who would implement conservation practices to limit soil erosion and nonpoint source water pollution. DATCP and counties have argued preserving funding for county conservation staffing grants retains continuity in personnel that provide landowners with expertise and technical assistance necessary to meet soil and water conservation standards. In the event a landowner is not in compliance with state soil and water conservation standards, the landowner may be more willing to contact county staff with whom the landowner has a long-term working relationship. Further, county conservation staff represent the primary avenue for allocating state nonpoint source pollution abatement and soil and water conservation grants to landowners, and assisting in implementing the practices and designs necessary to achieve effective use of grant funding.

2. Table 1 shows recent DATCP county conservation staffing grant funding by fund source. The table shows base and one-time funding amounts in each year since the inception of the program. Amounts for 2023 and 2025 reflect Assembly Bill 43/Senate Bill 70 as introduced.

TABLE 1

County Conservation Staffing Funding

<u>Fiscal Year</u>	<u>GPR</u>		<u>Nonpoint SEG</u>		<u>Annual Total</u>
	<u>Base</u>	<u>One-Time</u>	<u>Base</u>	<u>One-Time</u>	
2020	\$3,027,200		\$5,936,900	\$475,000	\$9,439,100
2021	3,027,200		5,936,900	475,000	9,439,100
2022	3,027,200	\$688,600	5,936,900	1,377,300	11,030,000
2023	3,027,200	772,000	5,936,900	1,543,900	11,280,000
2024 (Bill)	3,027,200	2,766,800	5,936,900	3,369,100	15,100,000
2025 (Bill)	3,027,200	2,970,800	5,936,900	3,765,100	15,700,000

3. In 2021, the most recent year for which county reporting is available, DATCP funding supported 115.19 positions, of a total of 378.49 positions reported by counties. Other funding for positions typically comes from county governments (205.87 positions) or other private or governmental grants (57.43 positions). The attachment shows county-reported staffing levels for each county.

4. After a \$75,000 base allocation per county, funding is provided on a proportional basis to each county based on their request, until all funding is depleted. During the 2022-23 allocation, DATCP fully funded the base allocation and first positions in every county, and 70% of requested funding for second positions. After awarding first and second positions, there was a small allocation remaining for third positions, which DATCP divided equally amongst counties and covered approximately 5% of each third position. Table 2 summarizes county requests by funding tier for the 2021-22 and 2022-23 allocation cycle. For the 2022-23 fiscal year allocation, which is supporting staff costs during calendar year 2023, counties requested funding totaling \$18,775,100 and were awarded \$11,280,000.

TABLE 2**County Conservation Staffing Grant Requests**

	<u>2021-22</u>		<u>2022-23</u>	
	<u>Requests</u>	<u>Cumulative Total Requested</u>	<u>Requests</u>	<u>Cumulative Total Requested</u>
Base	\$5,400,000	\$5,400,000	\$5,400,000	\$5,400,000
First Position	1,412,403	6,812,403	1,719,384	7,119,384
Second Position	4,212,573	11,024,976	4,051,948	11,171,332
Third Position	2,425,680	13,450,656	2,392,238	13,563,570
Fourth and Subsequent Positions	4,836,082	18,286,738	5,211,498	18,775,068

5. Future county staffing grants are expected to support less staff as costs increase over time. From 2016-17 to 2022-23 requested amounts have grown by approximately 2.3% each year. Consistent with increasing costs over time, an inflationary increase of 2.3% to base funding would require an additional \$206,200 in 2023-24 and \$210,900 in 2024-25. However, if additional funding were made available, staff costs could increase more quickly in the near term as conservation departments face competition in recruitment from neighboring departments receiving similar funding increases.

6. Additional allocations for county conservation staff are dependent on availability of funding in the nonpoint account. The nonpoint account is anticipated to have a June 30, 2025, available balance of \$9.9 million, an increase of approximately \$2.3 million in 2023-25 from the estimated June 30, 2023, balance. However, expenditures and revenues are anticipated to be approximately equal under base funding in 2024-25. Thus, the Committee could not provide ongoing funding for nonpoint programs in 2023-25 while maintaining a balance with available revenues. 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 programs.

7. Assembly Bill 43/Senate Bill 70 would provide an additional \$3,369,100 nonpoint SEG in 2023-24 and \$3,765,100 nonpoint SEG in 2024-25 and \$2,766,800 GPR in 2023-24 and \$2,970,800 GPR in 2024-25 for county conservation staffing grants, for a total of \$15,100,000 in 2023-24 and \$15,700,000 in 2024-25. Assuming a base allocation for all other nonpoint programs, the proposed funding level for county conservation staffing grants under AB 43/SB 70 could not be supported by nonpoint SEG on an ongoing basis unless revenues to the account were increased. Currently, approximately one-third of county conservation staffing grant funding is provided from GPR. If the Committee wished to ensure future availability of funding for nonpoint programs, it could provide such increases partially with GPR, or on a one-time basis. 2021 Act 58 provided one-time GPR funding of \$688,600 in 2021-22 and \$772,000 in 2022-23 for county conservation staffing.

8. The bill also provides that if any funding remains after meeting current statutory goals, DATCP and DNR may assist counties in meeting their funding goals for second or third positions by

providing grants to lower county match requirements. Grants may also be provided to counties for fourth and subsequent positions. The Administration intends for this provision to allow DATCP's allocation process, which is finalized each fall in consultation with the Land and Water Conservation Board, more flexibility to allocate remaining funds in a given grant cycle. The Board would be provided discretion for how remaining funds are spent. Currently, in the case of remaining funds, funds are split evenly among counties. In 2022-23 for example, after fully funding 70% of second position requests, each county received an additional \$1,554, which covered approximately 5% of a third position. Under the bill, the Land and Water Conservation Board could recommend that remaining funding be spent by giving fewer counties larger shares of leftover funds, or by giving grants to counties struggling to meet their cost-share requirements for second or third positions.

TABLE 3

State Funding of Position Requests Under Alternatives

	<u>Funding Level</u>		<u>Change to Base</u>		<u>Funding Supports up to:</u>
	<u>2023-24</u>	<u>2024-25</u>	<u>2023-24</u>	<u>2024-25</u>	
Alternative 1 (AB 43/SB 70)	\$15,100,000	\$15,700,000	\$6,135,900	\$6,735,900	100% of cost-share for first positions, second positions, and third positions, and approximately \$1.8 million for 4th positions and beyond or grants for county cost-share.
Alternative 2 (Third Position)	\$13,354,500	\$13,661,700	4,390,400	4,697,600	Full statutory cost-share for first positions, second positions, and third positions.
Alternative 3 (Second Position)	10,962,300	11,214,400	1,998,200	2,250,300	Full statutory cost-share for first positions and second positions.
Alternative 4a (Inflation since 2019)	9,656,200	9,878,300	692,100	914,200	68% of cost-share for second positions in 2024 73% in 2025.
Alternative 4b (Inflation; 2.3% to base)	9,170,300	9,381,200	206,200	417,100	56% of cost-share for second positions in 2024 and 61% in 2025.
Alternative 5 (Base)	8,964,100	8,964,100	0	0	51% of cost-share for second positions in 2024 and 2025.

9. Table 3 shows potential funding levels listed in the alternatives below, and the anticipated share of requested positions each funding amount would support. Calculations were made based on 2023 county requests. Given the role county conservation staff take in assisting farmers in implementing best management practices to protect soil health and water quality, the Committee could consider providing additional funding for county conservation staff. Funding could be provided as proposed in AB 43/SB 70 [Alternative 1], at an amount sufficient to fund anticipated third position cost-share amounts [Alternative 2], at an amount sufficient to fund anticipated second positions cost-share amounts, which was the intent of additional one-time funding provided in the 2021-23 biennium [Alternative 3], at an inflationary increase of 2.3% each year [Alternative 4b] or, at an inflationary

increase of 2.3% based on allocated funding in 2019-21 [Alternative 4a]. The Committee could also consider taking no action [Alternative 6].

10. Given the available balance of the nonpoint account, and additional competing uses for funding from that source increased funding could be provided with GPR [Alternatives ending in a]. The Committee could also provide one-third of increases as GPR and the remainder from nonpoint SEG, similar to the proportion of one-time funding increases provided under 2021 Act 58 [Alternatives ending in b], or provide funding on a one-time basis during the 2023-25 biennium [Alternative 5]. Although there is an available balance in the nonpoint account, allocations under the bill from nonpoint SEG would begin to deplete the balance of the nonpoint account in the 2023-25 biennium. Given this, the Committee could consider providing 55% increases of GPR to mitigate depletion of the nonpoint account balance [Alternatives ending in c].

ALTERNATIVES

1. Provide an additional \$6,135,900 in 2023-24 and \$6,735,900 in 2024-25 for a total of \$15,100,000 in 2023-24 and \$15,700,000 in 2024-25 for county staffing grants. Specify that if funding remains after statutory funding goals are met, DATCP and DNR may provide grants to counties for fourth or subsequent positions, or to assist counties in meeting cost-share requirements for second or third positions. Specify funding be provided from:

a. GPR.

ALT 1a	Change to Base
GPR	\$12,871,800

b. Two-thirds nonpoint SEG and one-third GPR.

ALT 1b	Change to Base
SEG	\$8,580,400
GPR	<u>4,291,400</u>
Total	\$12,871,800

c. 55% nonpoint SEG and 45% GPR, as proposed in AB43/SB70.

ALT 1c	Change to Base
SEG	\$7,134,200
GPR	<u>5,737,600</u>
Total	\$12,871,800

2. Provide an additional \$4,390,400 in 2023-24 and \$4,697,600 in 2024-25 for a total of \$13,354,500 in 2023-24 and \$13,661,700 in 2024-25 for county staffing grants, equivalent to the funding to fulfill statutory goals for cost-share for third positions each year. Specify funding be

provided from:

- a. GPR.

ALT 2a	Change to Base
GPR	\$9,088,000

- b. Two-thirds nonpoint SEG and one-third GPR.

ALT 2b	Change to Base
SEG	\$6,058,700
GPR	<u>3,029,300</u>
Total	\$9,088,000

- c. 55% nonpoint SEG and 45% GPR, as provided by AB43/SB70.

ALT 2c	Change to Base
SEG	\$4,998,400
GPR	<u>4,089,600</u>
Total	\$9,088,000

3. Provide an additional \$1,998,200 in 2023-24 and \$2,250,300 in 2024-25 for a total of \$10,962,300 in 2023-24 and \$11,214,200 in 2024-25 for county staffing grants, equivalent to the funding to fulfill statutory goals for cost-share for first and second positions each year. Specify funding be provided from:

- a. GPR.

ALT 3a	Change to Base
GPR	\$4,248,500

- b. Two-thirds nonpoint SEG and one-third GPR.

ALT 3b	Change to Base
SEG	\$2,832,300
GPR	<u>\$1,416,200</u>
Total	\$4,248,500

- c. 55% nonpoint SEG and 45% GPR as provided in AB43/SB70.

ALT 3c	Change to Base
SEG	\$2,336,700
GPR	<u>1,911,800</u>
Total	\$4,248,500

4. Provide additional nonpoint SEG, equivalent to a 2.3% inflationary increase each year based on:

a. Funding in 2019-21 which would provide an additional \$692,100 nonpoint SEG in 2023-24 and \$914,200 nonpoint SEG in 2024-25 for county conservation staffing grants, for a total of \$9,656,200 in 2023-24 and \$9,878,300 in 2024-25

ALT 4a	Change to Base
SEG	\$1,606,300

b. Base funding in 2023-25 which would provide an additional \$206,200 nonpoint SEG in 2023-24 and \$417,100 nonpoint SEG in 2024-25 for county conservation staffing grants, for a total of \$9,170,300 in 2023-24 and \$9,381,200 in 2024-25.

ALT 4b	Change to Base
SEG	\$623,300

5. Specify that funding would be provided on a one-time basis during the 2023-25 biennium. (This alternative could be selected in addition to any other alternative.)

6. Take no action. (Grants would be budgeted at \$8,964,100 each year.)

Prepared by: Margo Poelstra
Attachment

ATTACHMENT

County Conservation Staff and Awards by County

<u>County</u>	<u>2023 Requests</u>	<u>2023 Awards</u>	<u>2021 Staff</u>	<u>County</u>	<u>2023 Requests</u>	<u>2023 Awards</u>	<u>2021 Staff</u>
Adams	\$180,575	\$148,693	4.00	Milwaukee	\$98,283	\$76,554	1.47
Ashland	177,831	142,842	4.00	Monroe	187,425	156,919	5.00
Barron	207,385	163,647	3.75	Oconto	205,650	170,230	4.50
Bayfield	178,274	141,926	5.00	Oneida	136,371	129,010	3.47
Brown	224,247	182,710	9.50	Outagamie	260,016	219,102	12.00
Buffalo	141,709	126,351	4.00	Ozaukee	222,372	178,612	3.50
Burnett	138,621	122,659	6.75	Pepin	124,148	104,565	3.00
Calumet	248,931	197,782	6.00	Pierce	211,880	168,208	5.00
Chippewa	250,499	202,731	9.00	Polk	196,077	161,239	6.00
Clark	199,471	161,889	4.00	Portage	225,526	181,735	5.00
Columbia	186,933	146,920	7.00	Price	111,364	103,314	1.90
Crawford	165,073	137,818	3.00	Racine	223,535	189,031	3.00
Dane	308,657	247,461	13.00	Richland	145,502	122,273	4.00
Dodge	216,093	176,702	6.00	Rock	211,743	171,739	7.50
Door	226,112	178,571	8.86	Rusk	138,071	115,573	3.00
Douglas	157,911	134,888	3.00	St. Croix	216,070	181,352	7.10
Dunn	242,277	191,041	8.00	Sauk	228,003	182,261	6.90
Eau Claire	222,201	177,773	4.48	Sawyer	131,392	112,855	2.50
Florence	84,278	76,554	3.68	Shawano	186,818	157,137	3.60
Fond du Lac	222,178	186,197	10.00	Sheboygan	213,641	170,106	5.00
Forest	129,960	115,787	3.00	Taylor	179,853	148,312	3.00
Grant	163,110	129,865	5.00	Trempealeau	162,554	126,524	10.00
Green	189,096	166,475	3.00	Vernon	188,229	154,494	12.75
Green Lake	239,788	191,649	4.90	Vilas	173,012	143,107	3.00
Iowa	194,143	159,612	3.80	Walworth	235,290	189,764	6.00
Iron	142,270	133,256	3.50	Washburn	131,070	131,070	2.20
Jackson	159,655	159,655	2.00	Washington	180,619	152,223	10.00
Jefferson	225,070	184,269	6.00	Waukesha	243,716	208,933	7.40
Juneau	186,218	155,020	3.00	Waupaca	211,532	165,542	5.67
Kenosha	161,874	148,997	1.66	Waushara	224,258	180,627	5.90
Kewaunee	227,435	190,786	5.00	Winnebago	229,152	185,481	7.00
Lacrosse	226,574	181,602	8.00	Wood	<u>209,112</u>	<u>175,847</u>	<u>5.40</u>
Lafayette	143,458	118,478	3.00				
Langlade	113,986	102,999	2.65	Total	\$13,563,570	\$11,280,000	378.49
Lincoln	104,251	98,257	5.00				
Manitowoc	205,632	170,194	5.00				
Marathon	232,808	183,559	8.50				
Marquette	207,762	165,620	5.70				
Marquette	193,853	169,939	3.00				
Menominee	95,087	95,087	2.00				



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May 18, 2023

Joint Committee on Finance

Paper #186

Nitrogen Management, Cover Cropping, and Producer-Led Watershed Protection Grants (Agriculture, Trade and Consumer Protection -- Environment)

[LFB 2023-25 Budget Summary: Page 67, #2 & 3]

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, the nitrogen optimization pilot program, and the cover crop insurance rebate program that 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.

DATCP administers the producer-led watershed protection grant program under section 93.59 of the statutes, and the nitrogen optimization pilot program and cover crop insurance rebate program under s. 92.14 of the statutes. Funding for each program is derived from DATCP's SWRM grants appropriation. Other grants funded from the appropriation include nutrient management planning cost-share grants, nutrient management planning education grants, and nonpoint project cooperator grants.

SWRM financial assistance programs are funded primarily by the nonpoint account of the segregated environmental fund (SEG), which derives mostly from tipping fees paid by landfills for each ton of solid waste disposed of in the landfill. In 2022-23, the appropriation is authorized \$7,075,000 nonpoint SEG, including \$1,000,000 for producer-led watershed protection grants, \$1,600,000 for nitrogen optimization grants, \$800,000 for cover crop rebates, and the remaining \$3,675,000 for previously described cost-sharing grants, and contracts with cooperating agencies.

Base funding for the appropriation is \$4,425,000 in each year of the 2023-25 biennium.

DISCUSSION POINTS

Nitrogen Optimization Pilot Program

1. Nitrogen is a common component of nutrients applied to agricultural fields. Although nitrogen is critical to plant growth, excess nitrogen applications in agricultural processes is known to produce nonpoint source water pollution, which may have adverse impacts on surface water quality as high nutrient loads in water bodies increase the concentration of algae, threaten native species, reduce water clarity, and deplete oxygen concentrations. Nitrogen in the form of nitrate may also have negative human health effects, and state and federal nitrate drinking water standards limit nitrate concentrations to no more than 10 parts per million (ppm). In the Wisconsin Groundwater Coordinating Council Report to the Legislature in 2021, it was estimated that the number of private wells exceeding the health standard for nitrate in Wisconsin is over 42,000, or around 6% of private wells.

2. DATCP and DNR operate a variety of nonpoint source water pollution abatement programs that seek to reduce soil and water runoff in urban and agricultural settings. In particular, nonpoint prevention efforts in agricultural settings often seek to optimize nutrient application used to improve crop yields by reducing total applications of nutrients, or improving timing and placement of nutrients. 2021 Wisconsin Act 223 created the commercial nitrogen optimization pilot program for grants to agricultural producers that operate projects over at least two growing seasons to study the optimal application of commercial nitrogen fertilizers. Recipient producers are required to collaborate with a UW System institution to monitor the project on-site. The maximum grant is \$50,000, up to 20% of which could be provided to the UW institution for a given project. DATCP is to allocate grants to various areas of the state with different soil and geologic characteristics, and prioritize projects that are innovative, of a longer term, and not receiving other state or federal funds.

3. DATCP promulgated an emergency rule on July 11, 2022, to implement the commercial nitrogen optimization pilot program. The Joint Committee on Finance approved supplemental funding of \$1,600,000 nonpoint SEG in 2022-23 for the SWRM management aids appropriation for the implementation of the commercial nitrogen optimization pilot program. Assembly Bill 43/Senate Bill 70 would provide \$1,600,000 in ongoing funding for the commercial nitrogen optimization pilot program in each year of the 2023-25 biennium.

4. The first grant round for the nitrogen optimization pilot program received 31 applications requesting a total of \$2,144,507 in January, 2023. DATCP will award funding to 20 projects totaling \$1,583,713. Applications were prioritized based on criteria set in the statutes. Priorities include serving a geographical area that is in need and having a longer duration of study. DATCP also notes that though matching funds were not required under statute or rule, staff determined that projects offering a match requirement may be a better investment for grant funds. While DATCP notes that this was a minor consideration, 11 of the 18 awardees are providing a total of \$182,772 in matching funds for their respective projects.

5. DATCP is currently using existing staff to manage the nitrogen optimization pilot program and collaborating with UW-Madison Division of Extension. Extension has hired a full-time staff member to coordinate between different entities within the UW System, including the UW Soils Lab. The UW Soils Lab has also hired a full-time staff member to lead data collection and review for the program.

Cover Crop Rebate Program

6. Farmers grow cover crops for their potential production and soil health benefits, rather than for sale or direct use of the crop. Cover crops can slow soil erosion, improve soil health, enhance water availability, suppress weeds, and increase moisture and nutrient content of soil. Cover crops include grasses, legumes, or other non-grass or non-woody plants and are planted seasonally to cover soil in between the planting of other crops. Producers are required to self-report all cropland on each farm to the U.S. Department of Agriculture (USDA) Farm Service Agency (FSA) annually. According to crop acreage data, Wisconsin farmers planted approximately 409,000 acres and 475,000 acres in each of 2021 and 2022, compared to 69,000 acres of cover crops in 2020.

7. 2021 Act 223 created the cover crop insurance rebate program administered by DATCP. The program provides rebates of \$5 per acre of a cover crop planted for crop insurance premiums paid on those acres. The rebate amount of \$5 matches that of: (a) the USDA Pandemic Cover Crop Program (PCCP), which provided cover crop rebates to producers nationwide for the 2021 and 2022 growing seasons; and (b) corresponding rebate programs operated in Iowa and Illinois.

8. DATCP promulgated an emergency rule on July 11, 2022, to implement the cover crop rebate program. The Joint Committee on Finance approved supplemental funding of \$800,000 nonpoint SEG in 2022-23 for the SWRM management aids appropriation for the program. Assembly Bill 43/Senate Bill 70 would provide \$800,000 in ongoing funding in each year of the 2023-25 biennium for cover crop rebates.

9. Wisconsin producers applied for the first round of state-funded cover crop rebates in January, 2023. DATCP is collaborating with USDA's Risk Management Agency to review applications for 2023 rebates. DATCP is anticipating awarding approximately \$714,000 in rebates. Emergency rules allow up to 10% of funds allocated for cover crop rebates to be used to support DATCP's administration process. DATCP staff is currently evaluating options for use of the remaining funds.

10. A total of 142,937 acres are enrolled in the program following the first round of rebate applications. On average, each producer enrolled 312 acres, for a total of \$1,560 in rebates per producer. DATCP planned to award rebates on a first-come, first-serve basis. However, for 2022-23 there was more available funding than enrolled acres, allowing all producers who applied and are eligible to receive rebates for all enrolled acres.

11. Prior to creation of a state program, many Wisconsin producers were receiving cover crop rebates through a federal relief program, the PCCP. The PCCP was established by USDA during the COVID-19 pandemic to help farmers maintain their cover crop systems while the agriculture industry was experiencing financial stress. This program provides premium support to eligible

producers who insured a spring crop planted on acreage where a qualifying cover crop was planted. The premium support is up to \$5 per acre. Funding was available for the 2021 and 2022 cropping years, and has yet to be offered for 2023. In 2022, Wisconsin farmers received rebates of \$1.66 million for their crop insurance through PCCP. Wisconsin farmers receiving PCCP benefits were ineligible to apply for cover crop rebates through the new state program. DATCP anticipates increases in demand for rebate requests in coming years, regardless of the continuation or end of PCCP.

12. DATCP notes that following the first state cover crop insurance rebate application round, the Department received feedback from some farmers that they were unaware of the funding opportunity. DATCP intends to continue promoting the program and working with partners to spread more awareness for the program to encourage stronger uptake in future cycles. While DATCP anticipates increasing demand, staff do not expect for demand to reach the level of PCCP because of more restrictive eligibility requirements for the state program, including a number of programs in which participation disqualifies a person from cover crop insurance rebates by statute. Excluded state programs include: (a) producer-led watershed protection grants; (b) soil and water resource management cost-sharing aids; (c) lake management planning grants; (d) lake management grants; and (e) river protection grants.

Producer-Led Watershed Protection Grants

13. 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.

14. Producer-led watershed protection grants have been provided since 2015. Under 2021 Act 58, the statutory cap on annual producer-led watershed protection grant awards was increased from \$750,000 to \$1,000,000 and an additional \$250,000 nonpoint SEG each year was appropriated on a one-time basis during the 2021-23 biennium to provide a total of \$1,000,000 in each year of the biennium. Assembly Bill 43/Senate Bill 70 would provide an additional \$250,000 nonpoint SEG each year for producer-led watershed protection grants. Funding for grants in each year of the 2023-25 biennium would be \$1,000,000 nonpoint SEG.

15. Priorities include projects that: (a) expand cost-share programming to promote innovative practices and management; (b) promote conservation systems that increase continuous living cover throughout the year; (c) are educational efforts to learn conservation systems through on-farm demonstrations or research with a plan to share results; and (d) target outreach promoting environmental, financial, and community benefits of conservation to farmers, agricultural industry professionals, students, non-farming landowner, or other community members.

16. The table shows funding for producer-led grants since their inception in 2015-16, and

the attachment lists recipients in the 2021-23 biennium. 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 if the proposal is approved.

Producer-Led Watershed Protection Grants by Year

	<u>Available Funding</u>	<u>Applicants</u>	<u>Requested</u>	<u>Recipients</u>	<u>Awarded</u>
2016	\$250,000	15	\$262,500	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
2022	1,000,000	36	1,194,543	36	1,000,000
2023	1,000,000	45	1,525,889	45	1,000,000

17. 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 practices, 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.

18. 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. In addition, DATCP reports that groups are often expanding offerings and experimenting with innovative practices.

19. Producer-led groups also conduct various outreach activities to improve farmer networking, learning, and relationships. In 2022, producer-led groups hosted 94 field days, 49 pop-up workshops, 43 trainings, and nine farm tours for just over 8,000 participants. Between all awarded groups, approximately \$42,400 was spent on field days, \$44,800 was spent on demonstration plots, and \$25,500 was spent on other outreach activities. DATCP reports that these figures are subject to change, as 2022 data has not been finalized.

20. Producer-led watershed protection groups are also 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, and improves best practices sharing and

allows for research and statewide implementation of successful projects.

Funding and Alternatives

21. Provision of nonpoint SEG funding for producer-led watershed protection grants, nitrogen optimization grants, and cover crop rebates is dependent on availability of funding in the nonpoint account. Under the adjusted base and Committee action on May 2, 2023, affecting standard budget adjustments and debt service, the nonpoint account is anticipated to have a June 30, 2025, available balance of \$9.9 million, an increase of approximately \$2.3 million in 2023-25 biennium. However, expenditures and revenues are anticipated to be approximately equal under base funding in 2024-25. Thus, the Committee could not provide ongoing funding for nonpoint programs in 2023-25 while maintaining a balance with available revenues. 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 programs.

22. Given oversubscription for the first grant cycle of the nitrogen optimization pilot program and benefits provided to the state's soil and water by nitrogen management projects, the Committee could consider providing \$1,600,000 annually in the 2023-25 biennium for the program [Alternative A1]. Similarly, the Committee could consider providing \$800,000 annually for the cover crop rebate program, as first round applications nearly reached the initial funding allocation and DATCP has intentions of increasing demand through outreach in future grant cycles [Alternative B1].

23. Given consistent demand for producer-led watershed protection grants since program inception, and the potential benefits of producer-led groups 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 provide an additional \$250,000 nonpoint SEG each year for producer-led watershed protection grants [Alternative C1].

24. DATCP is not anticipating any change in demand for producer-led watershed protection grants despite the creation of the nitrogen optimization pilot program and the cover crop rebate program. DATCP reports that while some producer-led watershed groups have used their grant funding for nitrogen efficiency trials, these trials represent a small percentage of overall program spending. The Committee may choose to deny the proposed additional \$250,000 annually in the 2023-25 biennium due to overlapping program goals between nonpoint source water pollution abatement programs to assess how demand for producer-led watershed protection grants is affected by additional available funding opportunities for conservation projects.

25. To ensure future availability of funding for nonpoint programs, the Committee could provide funding on a one-time basis for producer-led watershed protection grants during the 2023-25 biennium [Alternative C2]. The Committee could also choose to provide funding on a one-time basis for the nitrogen optimization pilot program [Alternative A2] and the cover crop rebate program [Alternative B2] in the 2023-25 biennium. Funding for the nitrogen optimization and cover crop rebate programs may be appropriate to continue on a one-time basis while program implementation and demand continue to develop.

ALTERNATIVES

A. Nitrogen Optimization Pilot Program

1. Provide 1,600,000 nonpoint SEG in each year of the 2023-25 biennium to DATCP for nitrogen optimization pilot program grants.

ALT A1	Change to Base
SEG	\$3,200,000

2. Specify that funding be provided on a one-time basis during the 2023-25 biennium. (This alternative could be selected in addition to Alternative A1 above.)

3. Take no action.

B. Cover Crop Rebate Program

1. Provide \$800,000 nonpoint SEG in each year of the 2023-25 biennium to DATCP for cover crop rebates.

ALT B1	Change to Base
SEG	\$1,600,000

2. Specify that funding be provided on a one-time basis during the 2023-25 biennium. (This alternative could be selected in addition to Alternative B1 above.)

3. Take no action.

C. Producer-Led Watershed Protection Grants

1. Provide an additional \$250,000 nonpoint SEG each year for producer-led watershed protection grants. Funding for the program would be \$1,000,000 nonpoint SEG in each year of the 2023-25 biennium.

ALT C1	Change to Base
SEG	\$500,000

2. Specify that funding be provided on a one-time basis during the 2023-25 biennium. (This alternative could be selected in addition to Alternative C1 above.)

3. Take no action. (Funding allocated for producer-led watershed protection grants would be \$750,000 in each year of the 2023-25 biennium.)

Prepared by: Margo Poelstra

ATTACHMENT

Producer-Led Watershed Protection Grants 2022 and 2023

<u>Recipient</u>	<u>2022</u>	<u>2023</u>
Bad Axe	\$33,600	\$20,000
Bear Creek/Chippewa Farmer Groundwater Group	20,100	17,300
Biological Farming and Friends	19,100	21,200
Buffalo-Trempealeau Farmer Network	33,600	30,800
Calumet County Agricultural Stewardship Alliance	22,900	18,300
Central Wisconsin Farmers' Collaborative	33,600	20,000
Chippewa Valley Producer-Led Watershed	0	10,000
Cedar Creek Farmers	3,250	4,500
Coon Creek	20,100	30,800
Dry Run Farmer-Led Watershed Council	0	10,000
Dodge County Farmers for Healthy Soil & Healthy Water	33,200	38,000
Eau Pleine Partnership for Integrated Conservation	0	38,000
Farmers for Lake Country	23,600	17,000
Farmers of the Sugar River	22,000	24,000
Farmers for Tomorrow	33,600	24,400
Farmers of Barron County	0	20,000
Farmers of Lemonweir Valley	33,600	30,800
Farmers of Mill Creek	40,000	30,800
Farmers of Roche-A-Cri	7,500	14,600
Farmers on the Rock	33,600	30,800
Green County Clean Waters	0	21,600
Flambeau Valley Watershed Group	0	10,000
Farmers for the Upper Sugar River	40,000	30,800
Hay River Watershed Council	14,700	20,000
Iowa County Uplands Watershed Group	0	25,000
Horse Creek Farmer-Led Watershed Council	16,800	10,000
Jefferson County Soil Builders	18,500	30,800
Kenosha County Regenerative Producers	0	10,000
Lafayette Ag Stewardship Alliance	40,000	30,800
Lake Wisconsin Farmer Watershed Council	40,000	30,800
Milwaukee River Watershed Clean Farm Families	0	38,000
Ozaukee County Clean Farm Families	33,600	0
Peninsula Pride Farms	40,000	38,000
Producers of Lake Redstone	33,600	24,400
Red Cedar Conservation Farmers	33,600	24,400

<u>Recipient</u>	<u>2022</u>	<u>2023</u>
Rock River Regenerative Grazers	\$39,400	\$30,800
Sauk Soil and Water Improvement Group	25,000	25,000
Sheboygan River Progressive Farmers	29,200	30,800
Shell Lake - Yellow River Farmer-Led Watershed Council	21,300	13,200
South Kinni Farmer-Led Watershed Council	10,100	10,300
Tainter Creek Farmer-Led Watershed Council	33,600	24,400
Uplands Watershed Group	10,000	0
Watershed Protection Committee of Racine County	40,000	30,800
Western Wisconsin Conservation Council	33,600	20,000
Yahara Pride Farms	<u>33,600</u>	<u>20,000</u>
Total	\$999,950	\$1,001,200



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May 18, 2023

Joint Committee on Finance

Paper #187

Soil and Water Resource Management Grants (Agriculture, Trade and Consumer Protection -- Environment)

[LFB 2023-25 Budget Summary: Page 67, #4]

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), develops a joint allocation plan annually for grants to counties for projects that address or prevent nonpoint source water pollution. Joint allocation plan funding supports landowner cost-share grants, county land conservation staff, primarily rural targeted runoff management grants, notice of discharge grants and nutrient management planning and education. In 2023, total DATCP and DNR grants allocated to counties under the plan are \$18.7 million from a variety of state and federal fund sources. Additional amounts awarded under DNR urban nonpoint programs to other local units of government, which are not listed in the joint allocation plan, totaled approximately \$3.7 million in 2022-23.

Funding for DATCP landowner cost-share activities comes from both segregated (SEG) revenue from the nonpoint account of the environmental fund and general obligation bonding authority. This paper discusses changes to funding to both SEG and bond-funded programs. In the 2021-23 biennium, SEG funding for conservation practices, educational programs and other non-county pollution abatement grants totaled \$3,782,500 annually. An additional \$7 million in bonding was provided for structural practices. Debt service associated with SWRM bonding is supported by the nonpoint account and is budgeted at \$4.7 million in 2022-23.

The Wisconsin Constitution generally requires bonds be used for permanent improvements that benefit the state's waters. Therefore, practices supported by bonding are structural in nature, such as streambank stabilization, manure storage facilities, feed storage runoff control systems, and drainage basins. Non-structural "soft" practices, such as nutrient management planning, cover

crops, and other cropping practices, are not eligible for bonding and are instead funded by nonpoint SEG. In general, state law requires that landowners must receive an offer of cost sharing of at least 70% of the cost of installing an agricultural practice if the landowner is to be required to modify an existing practice.

DISCUSSION POINTS

Nonpoint SEG-Supported Bonding

1. Assembly Bill 43/Senate Bill 70 would provide \$7 million in nonpoint SEG-supported bonding authority in 2023-25. Bonding authority for soil and water resource management has been increased by \$7 million each biennium since 2007-09. DATCP reports that demand for bond-supported practices is consistent over time, but general trends will likely lead to increasing costs for materials, construction, and installation of practices. Table 1 shows requested and allocated amounts for SWRM bonding since 2009. Over the period, requests exceeded funding by an average of \$4.0 million. DATCP reports that it has exhausted current bonding authority for SWRM grants. In 2023, \$7.0 million was requested and \$3.5 million was awarded.

TABLE 1
SWRM Requests and Awards

	<u>Requested</u>	<u>Awarded</u>
2009	\$8,418,319	\$3,839,147
2010	8,176,341	3,890,243
2011	8,119,589	3,737,643
2012	8,091,768	3,766,822
2013	7,654,850	3,904,501
2014	7,282,000	3,947,708
2015	8,059,000	3,573,746
2016	7,146,000	3,761,808
2017	7,806,000	3,534,515
2018	8,102,000	3,828,983
2019	7,631,750	3,643,534
2020	7,975,750	3,687,400
2021	7,411,250	3,700,488
2022	7,374,500	3,638,709
2023	7,039,500	3,545,741

2. Principal and interest payments on SWRM bonds are supported by the nonpoint account of the segregated environmental fund. \$4.8 million nonpoint SEG is budgeted in 2023-24 and \$5.5 million nonpoint SEG is budgeted in 2024-25 for these purposes. Since the conversion of debt service associated with nonpoint programs from GPR-supported to nonpoint SEG-supported beginning 2009-10, debt service has represented a considerable portion of nonpoint account expenditures. Table 2 shows nonpoint SEG debt service as a percentage of other account expenditures since 2007-08, with budgeted amounts shown for 2022-23 and later.

TABLE 2**Nonpoint Account Debt Service as Percentage of Expenditures**

	<u>Year</u>	<u>Debt Service</u>	<u>Total Expenditures</u>	<u>Percent</u>
Actual	2009-10	\$5,309,800	\$16,622,100	32%
Actual	2010-11	10,810,700	20,920,500	52
Actual	2011-12	13,365,500	23,855,800	56
Actual	2012-13	14,486,300	27,681,100	52
Actual	2013-14	15,637,900	26,833,400	58
Actual	2014-15	14,953,400	29,100,300	51
Actual	2015-16	15,826,700	30,684,400	52
Actual	2016-17	15,409,100	30,498,800	51
Actual	2017-18	15,686,700	29,155,600	54
Actual	2018-19	16,023,600	31,510,400	51
Actual	2019-20	16,297,200	34,502,900	47
Actual	2020-21	15,805,800	34,038,100	46
Actual	2021-22	13,669,800	29,669,300	46
Budgeted	2022-23	14,295,800	34,881,500	41
Base	2023-24	13,760,700	29,740,300	46
Base	2024-25	16,666,400	32,645,700	51

3. DATCP provides bond-supported cost-sharing on a competitive basis for most instances of voluntary installation of practices. A smaller reserve (\$250,000 in 2023) each year is reserved for awards on a noncompetitive basis in response to regulatory actions for discharges from animal feeding operations. Under current law, landowners are not required to implement a conservation practice unless the state offers 70% cost sharing on installation of that practice. Thus, a portion of bond-supported funding is set aside in reserve to compel landowners to install practices in response to a regulatory action.

4. Provision of nonpoint SEG funding is dependent on availability of funding in the nonpoint account. The nonpoint account is anticipated to have a June 30, 2025, available balance of \$9.9 million, an increase of approximately \$2.3 million in the 2023-25 biennium. However, expenditures and revenues are anticipated to be approximately equal under base funding in 2024-25. Limiting expenditures for debt service could increase the amount of funding that could be provided to other nonpoint SEG-funded SWRM programs.

5. Considering the use of bond-supported funds for implementation of agricultural practices that improve water quality and the need for funding to compel regulatory compliance, the Committee could consider providing bonding authority for these purposes. Bonding authority could be increased by \$7 million as proposed in Assembly Bill 43/Senate Bill 70 [Alternative A1]. Conversely, given concerns about revenues exceeding expenditures in 2023-25 in the nonpoint account, and proportion of nonpoint account expenditures associated with debt service payments, the Committee could consider providing a lesser amount for bonds. The Committee could consider providing \$4 million in bonding authority for SWRM projects in 2023-25 [Alternative A2], or taking no action [Alternative A3].

Nonpoint SEG for Noncapital Projects

6. Assembly Bill 43/Senate Bill 70 would also provide an additional \$100,000 nonpoint SEG annually for soil and water resource management noncapital projects. Funding would be used for nonstructural costs largely related to agricultural best management practices. Eligible programs where funding could be used include: (a) cost-sharing for nutrient management planning; (b) nitrogen optimization pilot program; (c) cover crop insurance rebate program; (d) producer-led watershed protection grant program, up to the full \$1,000,000 amount allowed by statute for the program in a given year; (e) nutrient management farmer education grant program; and (f) project cooperator and innovation grant programs.

7. In the 2023 joint allocation plan, DATCP allocated SWRM grant funding to the following: (a) \$2,125,100 for nutrient management planning cost sharing; (b) \$1,000,000 for producer-led watershed protection grants; (c) \$175,000 for nutrient management farmer education (NMFE) grants, to provide funding for workshops and training to farmers related to nutrient management planning; (d) \$324,100 for innovation grants to counties for projects attempting new methods of land and water conservation; and (e) \$950,800 for project cooperators and supporting projects. An additional \$2.4 million was provided to producers for the nitrogen optimization pilot program and the cover crop insurance rebate program, following a release of funding for the programs by the Joint Finance Committee in August, 2022. Table 3 shows allocations for SWRM grants in 2023.

TABLE 3

2023 SWRM Grant Allocations

<u>Grant Programs</u>	<u>Funding</u>
Nutrient Management Planning Cost-Share	\$2,125,100
Producer-Led Watershed Protection Grants	1,000,000
NMFE Grants	175,000
Innovation Grants	324,100
Project Cooperator Grants	950,800
Nitrogen Optimization	1,583,700*
Cover Crop Insurance Rebates	<u>714,000*</u>
Total	\$6,872,700

*Anticipated awards as of May, 2023.

8. Nutrient management planning is required for fields to which nutrients such as manure or fertilizer are applied, subject to certain cost-sharing requirements and funding availability. Planning is intended to allow for efficient application of nutrients in a manner that will avoid later runoff to ground or surface waters. DATCP reports approximately 3.23 million acres in Wisconsin were under nutrient management planning in 2021, the most recent year for which reporting is available, representing approximately 35% of Wisconsin's 9.2 million acres of harvested cropland. DATCP contends that nutrient management cost-sharing funds are increasingly requested for ongoing

implementation, rather than planning. While many producers have plans and understand efficient nutrient application, DATCP contends a challenge is promoting perpetual compliance without ongoing financial support for updates and adjustments to plans to accommodate new technology and practices. Nonpoint SEG funding could be used to support this aspect of the nutrient management program to ensure ongoing efforts of safe nutrient application.

9. Nonpoint SEG funding could also be used to support the producer-led watershed protection grant program, nitrogen optimization grants, or the cover crop rebate program. Demand for producer-led watershed protection grants has consistently outweighed requests in recent years, despite allocation of additional funding for the program in recent biennia. The first rounds of nitrogen optimization grants and the cover crop rebate program received strong uptake from producers, as DATCP allocated 99% of available funding for nitrogen optimization grants and 89% of available funding for cover crop rebates in 2023. DATCP anticipates demand for these programs to continue in upcoming biennia.

10. Funding could also be used to support NMFE grants. DATCP provides NMFE grants to counties and technical colleges to conduct workshops and other training to provide education to farmers on nutrient management principles. Grants educate and encourage farmers to write their own nutrient management plans, which increases the total acreage under nutrient management plans. DATCP reports that demand for NMFE grants has been increasing following the COVID-19 pandemic. DATCP reports that 23% of plans in 2021 were farmer-written. Plans written under NMFE-funded programs may help increase voluntary nutrient management planning, which may occur without the state providing cost-share funding under its nutrient management planning grants that compel farmers to participate.

11. DATCP also funds project cooperator grants for projects that support statewide priorities of nutrient management, technical standards development, and training. In 2023, \$950,800 was provided to project cooperators including various UW-Madison and Division of Extension entities, Wisconsin Land and Water, and the Standards Oversight Council. DATCP targets project cooperator grants to the following areas: (a) nutrient management implementation activities including SnapPlus, software maintained by UW-Madison for nutrient management planning and related soil and nutrient management projects; (b) support for statewide training of conservation professionals; (c) development and support of technical standards; and (d) coordinated activities in AEAs and impaired waters. DATCP reports that demand for project cooperator funding has remained consistent in recent years and is not expected to change.

12. DATCP also funds innovation awards with nonpoint SEG amounts. In 2023, \$324,100 was provided to Calumet, Columbia, Door, Eau Claire, Fond du Lac, Langlade, Manitowoc, Marathon, Ozaukee, Polk, Racine, and Waupaca Counties for innovation awards for projects attempting new methods of land and water conservation. DATCP received 13 applications requesting \$362,415 in funding. DATCP reports that demand for innovation grants is declining due to an inability to expend funding on additional county conservation staff to implement work. If additional funding were provided for county conservation staff as discussed in a separate paper, demand for innovation grants could increase.

13. As discussed in a previous section regarding the provision of bonding authority,

provision of nonpoint SEG funding is dependent on availability of funding in the nonpoint account. Given the anticipated balance of revenues and expenditures in 2024-25, the Committee could not provide ongoing funding for nonpoint programs in the 2023-25 biennium while maintaining a balance with available revenues. The account, however, has an available balance that would be able to support funding of \$100,000 for SWRM programs in the 2023-25 biennia. The Committee could consider allocating additional funding on a one-time basis, but any ongoing funding allocations that exceed available annual revenues could limit future availability of funding for nonpoint programs.

14. Considering demand for grants and the potential benefits to water quality in the state due to nutrient management planning and various other best management practices, the Committee could consider providing an additional \$100,000 annually to supplement current allocations for SWRM grants and support programs with high existing demand [Alternative B1]. The Committee could also provide funding on a one-time basis in 2023-25 [Alternative B2] or take no action [Alternative B3].

ALTERNATIVES

A. Nonpoint SEG-Supported Bonding

1. Provide \$7,000,000 in general obligation bonding authority supported by the nonpoint account of the environmental fund to support cost-sharing grants to landowners for installation of structural practices.

ALT A1	Change to Base
BR	\$7,000,000

2. Provide \$4,000,000 in general obligation bonding authority supported by the nonpoint account of the environmental fund to support cost-sharing grants to landowners for installation of structural practices.

ALT A2	Change to Base
BR	\$4,000,000

3. Take no action.

B. Soil and Water Resource Management Grants

1. Provide an additional \$100,000 nonpoint SEG annually for SWRM grants in the 2023-25 biennium.

ALT B1	Change to Base
SEG	\$200,000

2. Specify that funding be provided on a one-time basis in the 2023-25 biennium.
3. Take no action.

Prepared by: Margo Poelstra



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May 18, 2023

Joint Committee on Finance

Paper #188

Clean Sweep Grants (Agriculture, Trade and Consumer Protection -- Environment)

[LFB 2023-25 Budget Summary: Page 68, #7]

CURRENT LAW

The Department of Agriculture, Trade and Consumer Protection (DATCP) administers the clean sweep program to provide grants to counties and municipalities for the collection and disposal of pesticides, farm chemicals, unwanted prescription drugs, and hazardous wastes. The goal of the program is to reduce potential health and environmental risks caused by the disposal of hazardous waste and unwanted chemicals. DATCP administers a competitive grant process and awards are made to reimburse local costs, with municipalities providing a match of at least 25% of cash or in-kind services.

Eligible grant expenditures include: (a) costs to hire a hazardous waste contractor; (b) equipment rentals, supplies and services to operate the collection site and handle disposal, including permanent, secure drop boxes for unwanted prescription drugs; (c) staff costs related to a continuous or permanent collection event; and (d) educational and promotional activities. Grants may not be used to collect, among other items: (a) uncontaminated oil; (b) batteries; (c) contaminated soil or debris; (d) fluorescent tubes; (e) triple-rinsed plastic pesticide containers; (f) materials or devices that may be disposed of at other waste or recycling sites; (g) personal care products; (h) infectious waste and hypodermic needles; and (i) chemicals for which there is no federal- or state-approved disposal method. DATCP sets maximum grant awards for each eligible activity. Maximum grant awards for 2023 are shown in Table 1.

Municipalities may apply jointly for a grant to host a singular collection site. Sites may be temporary (up to three days per year), continuous (four or more days per year), or permanent (at least six months and with permanent infrastructure for collections). Beginning in 2016, municipalities may apply for funding of \$1,000 per box (maximum five) to purchase drop boxes

for unwanted prescription drugs. In 2022, DATCP estimates the clean sweep program supported 160 drug drop boxes across the state.

TABLE 1
2023 Maximum Clean Sweep Grants

<u>Event Collection Type</u>	<u>Single Jurisdiction</u>	<u>Multi- Jurisdictional</u>
Agricultural Waste		
Permanent	\$11,000	\$41,000
Continuous	10,000	40,000
Temporary	8,000	20,000
Household		
Permanent	21,000	66,000
Continuous	20,000	65,000
Temporary	16,000	30,000
Prescription Drug*		
Continuous	5,000	8,000
Temporary	4,000	6,000

*Municipalities may also apply for up to \$5,000 for prescription drug drop boxes, at \$1,000 per box.

The Department is provided \$750,000 SEG annually from the environmental management account of the segregated (SEG) environmental fund for the clean sweep program. DATCP estimates full-time equivalent staffing allocated to the program of 0.5 position at a cost of \$49,000 annually from the segregated agrichemical management fund during the 2021- 23 biennium.

DISCUSSION POINTS

1. In 2022, DATCP awarded \$749,000 in grants including: (a) \$475,000 for household hazardous waste collections; (b) \$199,000 for collections of agricultural waste; and (c) \$75,000 for collections of unwanted prescription drugs. Of 61 grantees in 2022, 13 were permanent, 25 were continuous, and 23 were temporary. Forty-one grantees collected agricultural waste, 33 collected hazardous household waste, and 20 collected prescription drugs. DATCP reports that participation in the clean sweep program has remained relatively consistent, with minor fluctuations attributed to some counties or municipalities applying every year and some applying every other year.

2. Table 2 shows how much was requested and awarded for each household hazardous waste, agricultural waste, and unwanted prescription drug collection in recent grant cycles. Each category has been oversubscribed, with unwanted household waste presenting the greatest discrepancy between requests and awards.

TABLE 2

Clean Sweep Requests and Awards

	<u>Household</u>		<u>Award</u>	<u>Agricultural</u>		<u>Award</u>	<u>Unwanted Prescriptions</u>		<u>Award</u>
	<u>Requested</u>	<u>Awarded</u>	<u>Rate</u>	<u>Requested</u>	<u>Awarded</u>	<u>Rate</u>	<u>Requested</u>	<u>Awarded</u>	<u>Rate</u>
2021	\$913,690	\$475,000	52%	\$318,150	\$198,000	62%	\$83,875	\$75,000	89%
2022	997,233	475,000	48	340,125	198,000	58	90,700	75,000	83
2023	935,925	475,000	51	334,500	199,000	59	83,359	75,000	90

3. Assembly Bill 43/Senate Bill 70 would provide an additional \$250,000 annually from the environmental management account of the segregated environmental fund for clean sweep grants. Base funding for the program would be \$1,000,000 under the bill.

4. DATCP provides awards to all eligible applicants and prorates award amounts to stay within current funding limits. In 2023, DATCP awarded approximately 59% of each applicant's agricultural waste request, 51% of each applicant's household waste request, and 90% of each applicant's pharmaceutical waste request, filling 55% of all requests. With additional funding, DATCP would plan to reduce proration per applicant or provide funding to more applicants.

5. In recent grant cycles, DATCP reports that the cost of collection and disposal of pesticides, farm chemicals, unwanted prescription drugs, and hazardous wastes has increased. DATCP cites the increase in cost is due to cost of supplies, including transportation and fuel, labor, and raw materials. DATCP's allocation of \$750,000 for clean sweep grants has remained unchanged since 2009, and the Department has regularly expended the full allocation.

6. The environmental management account is expected to have a balance of approximately \$33.2 million on June 30, 2023. Further, the account is anticipated to have a positive structural balance in the 2023-25 biennium. That is, anticipated base revenues of \$53.6 million are expected to exceed base expenditures (including standard budget adjustments and debt service reestimates) of \$46.3 million by approximately \$7.3 million each year.

7. DATCP intends for funding to support additional applicants receiving grants or provide additional funding for existing participants. As grant cycles have been routinely oversubscribed, causing proration on requests, the Committee could choose to provide \$250,000 environmental fund SEG for the clean sweep grant program annually in 2023-25 [Alternative 1]. This would bring base funding for the program to \$1 million environmental fund SEG in each year of the 2023-25 biennium.

ALTERNATIVES

1. Provide an additional \$250,000 from the environmental management account of the SEG environmental fund annually for clean sweep grants. (Base funding for the program would be \$1,000,000 annually.)

ALT 1	Change to Base
SEG	\$500,000

2. Take no action.

Prepared by: Margo Poelstra



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May 18, 2023

Joint Committee on Finance

Paper #189

Biodigester Grant Programs (Agriculture, Trade and Consumer Protection -- Environment)

[LFB 2023-25 Budget Summary: Pages 68, #8 and Page 69, #9]

CURRENT LAW

Biodigesters are systems that anaerobically digest organic material, such as animal manure or crop and food waste. In general, the majority of biodigesters in Wisconsin are installed in municipal wastewater treatment facilities, dairy and agricultural farms, food processing and industrial waste facilities, and landfills. Biodigesters are most often installed to control odor, enhance renewable energy production, and increase income to a facility.

Biodigesters produce biogas, a renewable form of energy created by breaking down organic matter. Biogas is a versatile energy source and can be combusted to provide heat and electricity, upgraded to pipeline quality, or further processed in vehicle fuel. The Wisconsin Public Service Commission (PSC) has identified biogas as a method for improving energy security, environmental health, public health, and the economy.

DISCUSSION POINTS

Biodigester Planning Grants

1. In May, 2021, PSC's Office of Energy Innovation (OEI) released the Wisconsin Biogas Feedstock and Industry Survey Report, intended to quantify the current status of biogas facilities in Wisconsin, identify challenges in the industry, and recommend potential supportive policies for biodigester uptake, operation, and maintenance. In collaboration with OEI, University of Wisconsin-Stevens Point researchers designed and distributed a survey to 318 Wisconsin biogas facilities and 300 facilities who might consider biodigesters and received 82 responses.

2. The report found that most biodigesters in Wisconsin have been built in the past 50 years (1970 to 2020), with the largest portion built from 2010 to 2020. Most biodigesters were built without grant support, but among the facilities that received grants, most received 10% to 30% of installation costs to support building. As of 2021, based on the estimated amount and type of available waste materials, the American Biogas Council (ABC) estimates that approximately 1,300 new biogas projects could be developed in Wisconsin. ABC estimates that the completion of this many biodigester projects could create approximately 36,000 jobs and contribute to the reduction of state carbon emissions.

3. In Wisconsin, production of biogas by biodigesters varies across facilities from 25,000 cubic feet per day to 500,000 cubic feet per day. The primary uses for biogas across facilities are heating and electricity. A small percentage of surveyed facilities reported processing the biogas into transportation fuel for vehicles that are designed to run on compressed natural gas (CNG) or upgrading to biomethane, a fuel that can be injected into natural gas pipelines and used for heating and cooking. Many biodigester facilities also generate co-products outside of biogas production, such as fertilizer, composts, bedding for livestock, and waste heat recovery for space heating. Biogas therefore can allow producers to diversify their income by utilizing agricultural and food waste.

4. Assembly Bill 43/Senate Bill 70 would provide \$250,000 annually from the environmental management account of the segregated (SEG) environmental fund annually for grants to support planning for installation of regional biodigesters. The Department would be responsible for administering rules for the program. DATCP intends for the maximum grant award to be \$50,000, funding approximately five projects annually. However, DATCP reports that feedback from stakeholders regarding maximum grant amounts could be considered during the rulemaking process.

5. PSC reported that on average, biodigesters may cost \$3 million or more to install, although small-scale biodigesters can be installed for less than \$100,000. PSC has identified that focusing on small-scale distributive energy systems is important for improving energy resilience. Proposed grants would fund biodigester projects in agricultural settings including: (a) feasibility studies; (b) soil testing; (c) engineering assessments; and (d) local government permitting and outreach efforts. DATCP intends for grant funding to support the construction of biodigesters involving several small farms to ensure the project is profitable for all participating entities.

6. PSC's surveyed respondents identified several motivations for installing biodigesters, including: (a) nutrient management and odor control; (b) addition of renewable energy to a farm or facility; and (c) biosolid resource recovery. Respondents also identified many barriers to installing biodigesters, including: (a) permitting; (b) waste contracts; (c) nutrient management concerns and regulations; (d) generator commissioning; and (e) grant writing. Proposed biodigester planning grants would address many of these barriers, providing municipalities, small businesses, and consultants funding to assist interested producers. Grant recipients would use funding to evaluate the potential for development of regional biodigesters in the area.

7. DATCP also anticipates some demand from producer-led watershed groups. These groups may be interested in assessing if biodigester systems could be beneficial to their area for addressing nutrient management concerns and improving local soil and water quality.

8. There are few state-funded programs that currently provide financial assistance for which biodigester planning and implementation would be eligible. The Focus on Energy program, which is created in statute and directed by PSC but administered by a third-party nonprofit organization, offers customized incentives for renewable energy projects, including biodigesters. Such projects may be eligible for 50% of project costs, up to \$300,000, in project incentives. Certain federal programs, such as the Rural Energy for America Program, also provide grants and loan guarantees that may support biodigesters. It should be noted that these programs provide financing and incentives for capital costs, while the AB 43/SB 70 proposal would support planning in advance of project construction. The AB 43/SB 70 proposal could, therefore, be seen as complementing existing financial assistance programs.

9. Given the increasing prevalence of biodigesters in Wisconsin, the potential benefits that biogas can have as a renewable resource and as a source of additional income from a farm, and identified demand and need from Wisconsin producers, the Committee could consider providing \$250,000 annually for biodigester planning grants [Alternative A1]. Considering the first-time nature of the program, funding could be provided on a one-time basis during the 2023-25 biennium, and subsequent allocations could be considered during the 2025-27 budget deliberations [Alternative A4].

10. The Committee could also consider specifying a minimum participant match for biodigester planning grants. As planning grants support pre-construction activities, but may not always lead to capital expenditures, they could be viewed as appropriate for a higher recipient match, such as two-thirds of project costs [Alternative A2a]. Planning grants could alternatively be viewed as necessary to induce persons to engage in the necessary investigation to make a project achieve its aims, and therefore be appropriate for a lower recipient match, such as one-third of project costs [Alternative A2b]. An equal match (up to 50% of project costs) could also be considered [Alternative A2c]. The Committee could also consider codifying the \$50,000 maximum grant DATCP indicates would be offered, or a lower amount of \$25,000 [Alternative A3a or A3b].

Biodigester Operator Grants

11. Assembly Bill 43/Senate Bill 70 would provide \$50,000 annually for grants to individuals pursuing biodigester operator certifications. The Department would be responsible for promulgating rules to administer the program. The Administration intends to use programming and certification provided by the American Biogas Council, which in recent years has conducted courses for participants through UW-Oshkosh. The certification is the only biodigester certification provided in the U.S. In order to receive the certification, operators must complete required course modules, have 2,000 hours of operator experience, and pass an exam at the conclusion of the course.

12. The American Biogas Council reports that the Digester Operator Certification expands knowledge of biodigester operators to optimize digester performance and avoid operational errors. In-person four-day training at UW-Oshkosh costs \$1,900 for members of the American Biogas Council and \$2,300 for non-members. Online training costs \$1,400 for members of the American Biogas Council and \$1,700 for non-members. DATCP anticipates providing 70% tuition reimbursement to participants that pass the operators exam at the conclusion of the course. Certification, and tuition reimbursement, will only be provided to participants who pass the exam, but DATCP anticipates that not all participants will choose to take it.

13. The American Biogas Council reports that four Wisconsin operators participated in the course in the past year. DATCP says that the course has not been held in-person at UW-Oshkosh since 2019 and that it has been provided virtually in recent years. In August, 2023, the course will be held in-person at UW-Oshkosh. UW-Oshkosh has professors that specialize in anaerobic digestion and owns two biodigesters that will be used for site tours.

14. DATCP contends that maintaining a biodigester is a full-time position. Most producers who own biodigesters currently contract with private consultants to meet the required workload and expertise for operation. In PSC's biogas report, it identified that most biodigesters in Wisconsin employ one to five staff members to support operation and maintenance. Out of 39 respondents, 31% reported having one employee, 40% reported having two to five employees, and 29% reported having more than five employees. As more biodigesters are being built in Wisconsin, more operators will be required to keep up with workload. Tuition reimbursement for biodigester certification courses provided by the American Biogas Council could help keep up with demand for operators as more biodigesters are built in Wisconsin. The Committee could consider providing \$50,000 GPR annually for grants for this purpose [Alternative B1a].

15. Given the available balance in the environmental management account of the segregated environmental fund, the Committee could consider providing \$50,000 environmental management SEG annually in the 2023-25 biennium [Alternative B1b]. Considering the first-time nature of the program, funding could be provided on a one-time basis during the 2023-25 biennium, and subsequent allocations could be considered during the 2025-27 budget deliberations [Alternative B3].

16. The Committee could also consider codifying the maximum grant DATCP indicates would be offered [Alternatives B2]. DATCP anticipates providing 70% tuition reimbursement to participants. The Committee could choose to instead provide 50% or one-third of tuition to grant recipients [Alternative B2a, B2b, or B2c].

17. Finally, the Committee could determine that funding for tuition assistance for this program should not be provided [Alternative 4].

ALTERNATIVES

A. Biodigester Planning Grants

1. Provide \$250,000 in each year of the 2023-25 biennium for biodigester planning grants in a new annual appropriation from the environmental fund. Authorize DATCP to promulgate administrative rules for the program.

ALT A1	Change to Base
SEG	\$500,000

2. Specify that grant recipients must provide matching funds at least equal to one of the following:

a. Two-thirds of project costs.

- b. 50% of project costs.
 - c. One-third of project costs.
3. Specify that the maximum grant that may be awarded is at least equal to one of the following:
- a. \$50,000.
 - b. \$25,000.
4. Specify that funding be provided on a one-time basis in the 2023-25 biennium.
5. Take no action.

B. Biodigester Operator Certification Grants

1. Provide \$50,000 in each year of the 2023-25 biennium for biodigester planning grants and authorize DATCP to promulgate administrative rules for the program. Provide funds in a new annual appropriation from:

- a. GPR; or

ALT B1a	Change to Base
SEG	\$100,000

- b. Environmental fund SEG.

ALT B1b	Change to Base
SEG	\$100,000

2. Specify that the maximum share of tuition that an applicant may receive is at least equal to one of the following:
- a. 70% of tuition costs.
 - b. 50% of tuition costs.
 - c. One-third of tuition costs.
3. Specify that funding be provided on a one-time basis in the 2023-25 biennium.
4. Take no action.

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AGRICULTURE, TRADE AND CONSUMER PROTECTION

Environment

LFB Summary Item for Which No Issue Paper Has Been Prepared

<u>Item #</u>	<u>Title</u>
6	Water Stewardship Certification Grants

