



## Legislative Fiscal Bureau

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May, 2019

Joint Committee on Finance

Paper #529

### **Concentrated Animal Feeding Operation Fees and Regulatory Positions (Natural Resources -- Environmental Quality)**

[LFB 2019-21 Budget Summary: Page 304, #6 and Page 305, #7]

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#### **CURRENT LAW**

The federal Clean Water Act requires the Environmental Protection Agency (EPA) to regulate point source dischargers of pollutants into waters of the United States. Under a 1974 memorandum of understanding with EPA, the Department of Natural Resources (DNR) is delegated regulatory authority to enforce national water pollution standards in Wisconsin. Under this authority, DNR regulates concentrated animal feeding operations (CAFOs) as point sources of discharges with Wisconsin Pollutant Discharge Elimination System (WPDES) permits issued under s. 283.31 of the statutes. CAFOs are defined as large-scale animal feeding operations of 1,000 animal units or more and some smaller operations with certain discharges of pollutants into state waters. Measurement in animal units adjusts for the relative size and manure production of different animals, with 700 dairy cows, 1,000 beef cattle, and 125,000 broiler chickens each approximating 1,000 animal units.

CAFO permittees currently pay a fee of \$345 annually. Of this amount, \$250 is deposited into the general fund as general purpose revenue (GPR) and \$95 is deposited into a program revenue (PR) appropriation for management of the state's water resources. DNR is required to report annually to the Joint Committee on Finance and the Legislature's agricultural and environmental standing committees on how these PR funds are used. Permits are issued with five-year terms, and DNR reports 305 permitted CAFOs as of April 1, 2019.

In 2018-19, CAFO permitting oversight is budgeted 22.0 positions and \$2,168,700, consisting of 8.5 GPR, 9.5 segregated (SEG) environmental fund (nonpoint account), 2.0 environmental improvement fund (EIF) SEG, and 2.0 federal (FED) positions, with associated funding of \$861,300 GPR, \$913,800 nonpoint SEG, \$174,800 EIF SEG, and \$218,800 FED.

## **GOVERNOR**

Increase the fee paid by WPDES permit holders that operate CAFOs from \$345 annually to \$660 annually, and establish a fee of \$3,270 upon initial issuance of a permit and every five years thereafter. Create a PR continuing appropriation within the Division of External Services to receive the five-year \$3,270 fee and \$315 of the annual \$660 fee. Provide 5.0 positions within this continuing appropriation, and estimate its expenditures at \$425,000 each year during the biennium.

Modify the current requirement that \$95 of the annual CAFO permit fee be deposited into a PR appropriation within the Division of Environmental Management, and instead require its deposit into a Division of External Services PR appropriation separate from the PR appropriation created under the bill.

## **DISCUSSION POINTS**

### **A. Regulatory Positions**

1. DNR reports that on January 1, 2019, there were 304 permitted CAFOs in Wisconsin. Since 2000, the Department reports that each year an average of 15 new CAFO permits were issued, and one was discontinued, and it expects this trend to continue. Thus, it is anticipated there will be approximately 318 active permits at the end of 2019, and 332 at the end of 2020.

2. Table 1 shows permitted CAFOs and the resulting staff ratio since 2005. Permit data in the table reflects active permits as of January 1 each year. Historically, DNR has not comprehensively tracked positions dedicated to CAFO regulation. The data provided in the table reflects approximate allocations of staff based on available internal DNR tracking of staffing assignments, generally reflecting calendar year totals. Staff levels since 2016 reflect officially designated staff by fiscal year.

3. Regulatory staffing dedicated to CAFOs was last increased under 2017 Wisconsin Act 59, which provided an additional 2.0 EIF SEG positions. The Governor's proposal provides an additional 5.0 PR positions for CAFO regulation. DNR reports it would allocate the positions as follows: (a) 0.5 hydrogeologist and 0.5 compliance enforcement coordinator as central office staff, expanding existing 0.5 hydrogeologist and 0.5 compliance enforcement coordinator to full-time; (b) 1.0 central intake position in the central office; (c) 1.0 spills response coordinator split into four 0.25 positions associated with field staff in each of the regional offices; and (d) 2.0 field staff.

4. In response to the Legislative Audit Bureau's 2016 audit of wastewater permitting and enforcement at the DNR, the Department reported that in order to accomplish required work related to CAFO regulation, it would require a permit-to-field-staff ratio of 20:1. The Department reports this number continues to be its goal for CAFO regulatory staff levels. The proposed allocation of three field staff would result in a permit-to-staff ratio of approximately 20:1 during the 2019-21 biennium. The administration indicates the proposed amount of 5.0 staff was chosen to accomplish this goal. DNR reports that additional field staff would allow it to more frequently inspect operations, increase interactions with permittees, proactively address issues, and avoid permit noncompliance and resulting enforcement actions. DNR also notes that hiring additional staff would allow for workloads

that are more manageable and improve staff retention, allowing it to reduce costs associated with recruitment, training, and managing new staff. DNR expects greater staff retention would improve program consistency.

**TABLE 1**  
**CAFO Positions and Permits by Year**

| <u>Year</u> | <u>Active Permits<sup>a</sup></u> | <u>Regulatory Staff</u> |                   |                   | <u>Ratio of Permits to Field Staff</u> |
|-------------|-----------------------------------|-------------------------|-------------------|-------------------|--|
|             |                                   | <u>Central Office</u>   | <u>Field</u>      | <u>Total</u>      |  |
| 2005        | 135                               | 3.0                     | 8.0               | 11.0              | 16.9                                   |
| 2006        | 147                               | 3.0                     | 8.0               | 11.0              | 18.4                                   |
| 2007        | 159                               | 3.0                     | 9.0               | 12.0              | 17.7                                   |
| 2008        | 169                               | 5.0                     | 10.0              | 15.0              | 16.9                                   |
| 2009        | 180                               | 5.0                     | 10.5              | 15.5              | 17.1                                   |
| 2010        | 189                               | 5.0                     | 10.5              | 15.5              | 18.0                                   |
| 2011        | 212                               | 5.0                     | 10.5              | 15.5              | 20.2                                   |
| 2012        | 248                               | 5.0                     | 10.5              | 15.0              | 23.6                                   |
| 2013        | 251                               | 6.0                     | 10.0              | 16.0              | 25.1                                   |
| 2014        | 262                               | 6.5                     | 10.5              | 17.0              | 25.0                                   |
| 2015        | 267                               | 6.5                     | 10.5              | 17.0              | 25.4                                   |
| 2016        | 279                               | 7.5                     | 12.5              | 20.0 <sup>b</sup> | 22.3                                   |
| 2017        | 289                               | 7.5                     | 12.5              | 20.0 <sup>b</sup> | 23.1                                   |
| 2018        | 298                               | 8.5                     | 13.5              | 22.0 <sup>b</sup> | 22.1                                   |
| 2019        | 304                               | 8.5                     | 13.5              | 22.0 <sup>b</sup> | 22.5                                   |
| 2020        | 318 <sup>c</sup>                  | 10.5 <sup>d</sup>       | 16.5 <sup>d</sup> | 27.0 <sup>b</sup> | 19.3                                   |
| 2021        | 332 <sup>c</sup>                  | 10.5 <sup>d</sup>       | 16.5 <sup>d</sup> | 27.0 <sup>b</sup> | 20.1                                   |

<sup>a</sup> Permits totals are as of January 1.

<sup>b</sup> Fiscal year actual and proposed staffing. Staff totals prior to 2016 approximately reflect calendar years.

<sup>c</sup> Estimated permitted CAFOs.

<sup>d</sup> DNR anticipated allocation.

5. The Department reports that increasing its hydrogeologist from half-time to full-time would allow it to increase its efforts to evaluate and avoid potential groundwater impacts associated with CAFOs. Similarly, expanding the compliance enforcement coordinator to full-time would increase the Department's capacity to standardize and improve CAFO compliance efforts across regions.

6. DNR intends for the 1.0 spills response coordinator to be split into four 0.25 positions housed in each field office. DNR reports this would give each office the technical skills and expertise to lead manure spill response within each district, including outside regular business hours. Housing staff in each field office would allow faster and more robust responses to manure spill events, and reduce the impact of spills on water quality and public health. Further, additional staff would address increased need to respond to spills, which have occurred more frequently in recent years, as shown in

Table 2. DNR tracks data related to spill volume as it is available. Thus, the third column of the table represents known spill volume measured in gallons, but is not intended to be comprehensive.

**TABLE 2**

**Reported Manure Spills**

| <u>Year</u> | <u>Spills</u> | <u>Gallons*</u> |
|-------------|---------------|-----------------|
| 2007        | 38            | 302,900         |
| 2008        | 49            | 895,500         |
| 2009        | 41            | 550,400         |
| 2010        | 54            | 329,800         |
| 2011        | 52            | 383,900         |
| 2012        | 37            | 204,500         |
| 2013        | 60            | 1,378,300       |
| 2014        | 85            | 2,175,800       |
| 2015        | 49            | 83,100          |
| 2016        | 68            | 2,447,600       |
| 2017        | 92            | 869,300         |
| 2018        | <u>101</u>    | <u>380,000</u>  |
| Total       | 726           | 10,001,100      |

\*Reflects known spill volumes and is not intended to be comprehensive.

7. The 1.0 central intake position would facilitate and improve DNR review of permit applications, including ensuring that required materials are submitted and properly completed, collaborating with permittees and their consultants, and assisting technical staff in reviewing applications to limit delays in the permitting process. DNR reports that central intake efforts are currently split among four positions that experience frequent turnover, which requires continued training of staff on these duties. Consolidating these duties and centralizing them could allow DNR more continuity in permit review, reduce its permit backlog by providing faster review of permits, and provide permittees with more consistency in their interactions with DNR.

8. EPA staff have noted that the size of a state's permit backlog is one indicator of how well its wastewater permit program is administered. In its audit, LAB reported that DNR has established a goal of a permit backlog of no more than 15% of CAFO permits, and EPA staff believe that the 15% goal is reasonable. Table 3 shows the Department's CAFO permit backlog since 2005. The permit backlog has grown in recent years to 20.3% as of May, 2019. DNR reports that the following factors affect the variation in the permit backlog: (a) number of permits expiring in a year; (b) availability of staff to review permits; (c) the number of existing facilities not in substantial compliance, meaning they do not meet current permit conditions, which prevents DNR from reissuing their permit. Additional office staff dedicated to permit review would be expected to reduce the permit backlog.

**TABLE 3**

**CAFO Permit Backlog**

| <u>Year*</u> | <u>Backlog</u> |
|--------------|----------------|
| 2005         | 13.6%          |
| 2006         | 13.2           |
| 2007         | 10.4           |
| 2008         | 13.6           |
| 2009         | 11.9           |
| 2010         | 13.5           |
| 2011         | 13.7           |
| 2012         | 15.1           |
| 2013         | 15.4           |
| 2014         | 9.9            |
| 2015         | 9.9            |
| 2016         | 17.2           |
| 2017         | 24.9           |
| 2018         | 21.8           |
| 2019         | 20.3           |

\*As of July, except 2019, which is as of May.

9. DNR argues that investment in spills coordination, hydrogeology, permit compliance and intake, and field staff are necessary for its CAFO program and its efforts to protect water quality. By increasing staffing for water impacts evaluation, spills mitigation, and permit noncompliance, the Department argues it would be able to provide adequate oversight of CAFOs. Additionally, it argues that additional permit intake and field staff would improve its ability to meet the regulated community's need for responsiveness to permit applications and compliance issues.

10. As the number of permitted CAFOs in Wisconsin increases, DNR regulatory staff become responsible for increased volume of inspections, permit reviews, and enforcement actions. DNR reports that this results in: (a) reduced frequency of compliance inspections, and a reduction or elimination of manure hauling compliance checks; (b) reduced maintenance-of-compliance efforts, which allow permittees to proactively address issues and reduce the need to impose enforcement actions; (c) reduced review of annual reports submitted by permitted operations; (d) reduced information and education efforts, such as DNR staff involvement in annual CAFO workshops; and (e) increased permit backlogs. Thus, DNR argues, continued supplementation of field and central office staff allows the Department to proactively address compliance issues, reduce the need for enforcement actions, and reduce its backlog of permits.

11. The 2016 LAB audit provided DNR a number of recommendations relating to CAFO regulation and permitting. Among other recommendations, LAB recommended that the Department: (a) reduce its permit review backlog; (b) improve the frequency of its inspections; and (c) assess regional variation in CAFO enforcement and train staff to increase enforcement consistency. The expected duties of proposed staff, as outlined by DNR, would intend to address these

recommendations.

12. Currently, the Department of Agriculture, Trade, and Consumer Protection (DATCP) is charged with providing farmers assistance in implementing soil and water conservation standards. As part of this duty, it provides county land and water conservation departments annual grants to cover costs associated with county conservation staff. During the 2017-19 biennium, DATCP was provided \$8,964,100 annually, consisting of \$5,936,900 nonpoint SEG and \$3,027,200 GPR, for these purposes. DATCP reports that in 2018, county conservation staff totaled 364. Of these 364, 112 were funded by DATCP, 211 were funded by counties, and 41 were funded by other sources. The Governor's proposal increases funding for county conservation staffing grants, as discussed in a separate issue paper entitled "County Conservation Staffing."

13. One of the eligible activities for county conservation staff funding is conservation practice engineering, design, and installation. County conservation staff provide technical support to farmers seeking to construct conservation projects, such as manure storage facilities, barnyard runoff control systems, and other agricultural best management practices. At the statewide level, DATCP's Bureau of Land and Water Resources supports these staff. DATCP employs 10 engineers and specialists to: (a) help local staff design and install structures; (b) train local staff to review plans; (c) develop and maintain best management practice standards; (d) develop standard designs for structures; and (e) train and certify local staff to be conservation engineering practitioners.

14. DNR reports that it regularly collaborates with county conservation staff on issues related to CAFOs. DNR staff tasked with review of engineering plans and permits work with county staff during permit review, although DNR notes the extent and type of interaction varies depending on the expertise and capacity of local staff. Further, county staff are involved in on-site oversight of construction projects at CAFOs. DNR also works with county staff in event of emergencies, like manure spills. DNR reports it has seen a significant decrease in recent years in assistance provided by county conservation staff to CAFOs, noting that most CAFOs rely on private consultants for engineering, design, and planning related to CAFO permitting requirements.

15. While DATCP and local conservation staff provide support related to engineering of agricultural best management practices and implementation of nonpoint standards, DNR's federally delegated regulatory authority require it to lead enforcement activities related to CAFOs. Activities related to review of permit applications, facility inspection, and enforcement actions are based on DNR administrative rules and statutory authority developed to meet federal standards and approved by EPA for that purpose.

16. Considering the growing number of permitted CAFOs in Wisconsin, the increasing rate and volumes of manure spills, a permit backlog above EPA accepted levels, and deficiencies in CAFO permitting activities identified by LAB, the Committee could consider adopting the Governor's proposal to provide an additional 5.0 CAFO regulatory staff supported by PR (Alternative A1), or a variety of other fund sources (Alternative A2). Given that the Governor's proposal provides funding sufficient to support only 4.0 positions, as discussed in a subsequent section, the Committee could consider providing 4.0 CAFO regulatory staff from PR (Alternative A3), or a variety of other fund sources (Alternative A4). Given concerns about availability of funding, as discussed in the next section, the Committee could also consider taking no action (Alternative A5).

## **B. Fees and Funding Structure**

17. The Governor's proposal would increase the annual CAFO permit fee from \$345 to \$660, and establish a five-year fee of \$3,270 paid upon issuance and renewal of permits (Alternative B1a). The administration indicates that the proposed fee levels for annual and five-year fees were chosen to generally reflect an equal balance in revenues between total annual fees (\$660) and the five-year fee (an average of \$654 annually). Further, the administration indicates it proposed a five-year initial issuance and renewal fee to reflect the additional work associated with (re)issuing a permit, which can include review of permits for completeness, compliance with design specifications, environmental analysis, and administration of public notice and comment. The Committee could consider a five-year and annual fee (Alternative B1a or B2a).

18. Although a five-year fee captures initial costs of issuing permits, periodic permit fees could result in additional complexity for permittees, with payments varying year to year. If the Committee wished to assess a consistent annual fee, it could consider establishing an annual fee that smooths these fee amounts (Alternative B1b or B2b).

19. As part of their permit, CAFOs are required to report the number of animal units they keep. As of May, 2019, DNR reports CAFO facilities kept approximately 900,000 animal units, with the average CAFO keeping approximately 2,900 units, and the median CAFO keeping approximately 2,000 units. Due to their size and complexity, CAFOs with more animal units would be expected to require more staff time associated with both permit application review, and inspection and enforcement activities. Establishing a fee based on animal units would result in fees that are more proportional to the cost of regulating each entity. Further, as CAFOs increase in size, the amount of manure and wastewater produced also increases. Because measurement in animal units reflects the relative size and manure production of different animals, a fee per animal unit would allow DNR to link fees to the expected manure production and wastewater discharge of an operation, and thus the expected environmental impact of the operation. As a result, operations with larger potential environmental impacts would contribute more towards DNR regulatory efforts intended to prevent and reduce any environmental impacts of CAFOs. Given the relatively increased regulatory cost and potential environmental impact of CAFOs with more animal units, the Committee could consider assessing CAFO fees based on animal unit size on the date of (re)issuance of a permit (Alternatives under B1c or B2c).

20. It is estimated the Governor's proposed fee increases would produce an additional \$315,000 annually during the biennium (Alternatives under B1). Thus, revenues under the Governor's proposal would not cover the proposed 5.0 PR positions and \$425,000 PR annually, although they could support 4.0 positions. If the Committee wished to cover the cost of the proposed 5.0 positions, it could consider establishing revenues of \$425,000 annually (Alternatives under B2).

21. Regulatory fees are often assessed on regulated entities to cover the state's costs associated with their oversight and regulation. For example, the Department of Safety and Professional Services, Department of Financial Institutions, and Public Service Commission are all largely funded by program revenue assessments on the entities that they are charged with regulating. While the Governor's proposal intends to fund additional CAFO staff entirely with increased fees, CAFOs are not currently charged fees that cover their cost of regulation. As noted previously, staff

costs associated with directly with CAFO regulation, excluding administrative and other Departmental supplies and services costs associated with staff, totaled \$2,168,700 in 2018-19 from GPR, PR, SEG, and FED sources. A fee structure sufficient to raise the approximately \$2,600,000 annually necessary to fully fund current and proposed CAFO staff would require an annual fee of \$8,000 or \$2.90 annually per animal unit.

22. Conversely, given that CAFOs do not currently cover their cost of regulation, the Committee could consider providing an alternative source of funding for proposed increases to regulatory staff. Most CAFO regulatory staff are supported by either GPR (8.5 positions) or nonpoint SEG (9.5 positions). The Committee could consider providing proposed staff as GPR (Alternative B3a or B4a), nonpoint SEG (Alternative B3b or B4b), or half of each (Alternative B3c or B4c).

23. While the Committee could consider using nonpoint account SEG to cover some or all of proposed costs associated with the proposed positions, without other action by the Committee, the nonpoint account balance would not be sufficient to support such expenditures. Under the bill, it is expected the nonpoint account of the environmental fund would have authorized expenditures that exceed anticipated revenues by approximately \$7.7 million annually during the 2019-21 biennium. Further, on June 30, 2018, the account had a closing cash balance of \$11.1 million and an available (unencumbered) balance of \$5.9 million. Thus, under the Governor's proposal it is expected the nonpoint account would have an estimated closing cash balance of -\$5.3 million and an available balance of -\$10.8 million on June 30, 2021.

24. In addition to other fee changes, the Committee could consider incorporating 2019 Assembly Bill 69/Senate Bill 31, which would specify that the current \$250 from each annual CAFO permit fee deposited into the general fund be deposited into a separate PR account dedicated to CAFO regulation. The bill is intended to allow fees paid by CAFOs to support regulatory efforts associated with CAFOs. Proponents argue the bill would support additional staff and regulatory activities at DNR related to CAFOs, in order to reduce permit backlogs and improve inspection efforts. If the Committee wished to specify that existing CAFO fee revenue be directed for use in regulating CAFOs, it could convert the GPR portion of the fee to PR (Alternatives under B5).

25. As written, the bill does not specify the initial applicability of the five-year fee for CAFOs. The administration reports that for existing CAFOs, it intended that DNR assess the fee upon reissuance of their permit. However, bill language could be construed to allow DNR to assess the fee on all CAFOs upon the effective date of the bill, and every five years thereafter. The Committee could consider specifying that the five-year fee apply upon renewal of a CAFO's permit for existing operations, which would avoid unanticipated costs for existing operations. (This language is incorporated as part of alternatives offering a five-year fee.)

### **C. Appropriation Structure and Reporting Requirements**

26. Current law specifies that of the \$345 annual CAFO fee, \$250 be deposited into the general fund and \$95 be deposited into a program revenue appropriation [s. 20.370 (4)(mi)] under the Division of Environmental Management dedicated to environmental quality and management of the state's water resources. Further, current law requires DNR report annually to the Joint Committee on Finance and the Legislature's agricultural and environmental standing committees on how these PR



funds are used.

27. The bill would create a new PR continuing appropriation [s. 20.370(9)(ag)] within the Division of External Services for receipt of the newly proposed and increased fees. At the same time, it would transfer deposit of the existing \$95 PR fee from its appropriation in the Division of Environmental Management [(4)(mi)] to the equivalent appropriation in the Division of External Services [s. 20.370(9)(mi)]. DNR transferred CAFO regulatory duties to the Division of External Services under its 2017 reorganization, and transfer of this \$95 fee to the Division of External Services is considered a technical fix related to this transfer. However, the bill omits transfer of reporting requirements related to the \$95 fee to the Division of External Services appropriation [(9)(mi)]. The administration reports it intended to transfer this reporting requirement as well.

28. Under the bill, the appropriation receiving the \$95 annual CAFO fee in the Division of External Services [(9)(mi)] receives other miscellaneous PR funding, and has broad authorization for expenditure of moneys received. While not expected, it is possible that DNR could expend CAFO fees from this appropriation on other Division of External Services activities.

29. The bill would result in deposits of CAFO fees into two separate PR appropriations [(9)(mi) and (9)(ag)], and it would delete requirements related to reporting of expenditures on PR CAFO fees [assigned to (4)(mi)]. If the Committee wished to simplify administration of CAFO PR fees and restrict use of CAFO PR solely to regulation of CAFOs, it could create a new PR continuing appropriation within the Division of External Services, and specify that all program revenue received from CAFO fees be deposited into the appropriation (Alternative C2). The Committee could also consider adopting the Governor's proposed appropriation structure for PR fees (Alternative C1). Further, if the Committee wished to retain the reporting requirement associated with use of these fees, it could require DNR to report annually to the Committee, and other standing committees concerned with agriculture and the environment, on the use of PR fees received from CAFO permittees (Alternatives under C4).

30. The bill transfers 9.5 nonpoint SEG positions and \$864,300 annually associated with CAFO regulation within the Division of External Services from its nonpoint source general program operations appropriation [s. 20.370(9)(mr)] to its environmental fund general program operations appropriation [s. 20.370(9)(mv)]. Funding was provided in the current appropriation as part of the 2017 reorganization, but subsequent review identified the appropriation does not have authorizing language sufficient to allow expenditure of funds for CAFO regulation. Thus, DNR reports it requested the transfer of funding to an appropriation [(9)(mv)] with language sufficiently broad to support the intended use of these funds. The environmental fund general program operations appropriation [(9)(mv)] generally supports administrative and management staff associated with environmental fund programs, and is not intended to support program staff. Further, increased activities, and resulting staff and funding, associated with CAFO regulation in recent years arguably justifies delineating CAFO regulation from other nonpoint general operations activities currently housed in the existing appropriation [(9)(mr)].

31. If the Committee wished to better align appropriation of the 9.5 nonpoint SEG positions and \$864,300 annually with their existing duties, and increase transparency related to CAFO regulatory funding, it could create a new nonpoint SEG appropriation, and transfer the funding and

positions to that appropriation (Alternative C3). The Committee could also consider adopting the Governor's proposal to transfer staff and funding to environmental fund general operations [(9)(mv)], and house CAFO staff with administrative and managerial staff (Alternative C1). In addition to either alternative, the Committee could also consider requiring DNR to report annually to the Committee, and other standing committees concerned with agriculture and the environment, on the expenditure of nonpoint SEG funds from the appropriation (Alternative C4c or C4d).

**ALTERNATIVES**

(Funding of alternatives below related to nonpoint SEG are dependent upon Committee action under paper #525 entitled "Environmental Fund Overview." The paper provides a number of alternatives related to revenue that would address the condition of the nonpoint account.)

**A. Regulatory Positions**

1. Provide 5.0 positions for CAFO regulatory staff, supported by PR. (This would adopt the Governor's proposal.)

| <b>ALT A1</b> | <b>Positions Change to Base Bill</b> |      |
|---------------|--------------------------------------|------|
| PR            | 5.00                                 | 0.00 |

2. Modify the Governor's proposal to instead support positions with:

| <b>ALT A2</b> | <b>Positions Change to Base Bill</b> |               |
|---------------|--------------------------------------|---------------|
| Specify Below | 5.00                                 | 5.00          |
| PR            | <u>0.00</u>                          | <u>- 5.00</u> |
| Total         | 5.00                                 | 0.00          |

- a. GPR.
- b. Nonpoint SEG.
- c. 50% GPR and 50% nonpoint SEG.

3. Provide 4.0 positions for CAFO regulatory staff, supported by PR. (This amount would be supported by increased fee revenue proposed under the bill.)

| <b>ALT A3</b> | <b>Positions Change to Base Bill</b> |        |
|---------------|--------------------------------------|--------|
| PR            | 4.00                                 | - 1.00 |

4. Modify Alternative A3 above to instead support positions with:

| <b>ALT A4</b> | <b>Positions Change to Base Bill</b> |               |
|---------------|--------------------------------------|---------------|
| Specify Below | 4.00                                 | 4.00          |
| PR            | <u>0.00</u>                          | <u>- 5.00</u> |
| Total         | 4.00                                 | - 1.00        |

- a. GPR.
- b. Nonpoint SEG.
- c. 50% GPR and 50% nonpoint SEG.

5. Take no action.

| <b>ALT A5</b> | <b>Positions Change to Base Bill</b> |        |
|---------------|--------------------------------------|--------|
| PR            | 0.00                                 | - 5.00 |

**B. Fees and Funding Structure**

1. Authorize expenditures of \$315,000 PR annually, and establish revenues to generate the same amount, structured as one of the following. (This would produce the same revenue as proposed by the Governor and be sufficient to fund 4.0 positions.)

| <b>ALT B1</b> | <b>Change to Base</b> |                | <b>Change to Bill</b> |                |
|---------------|-----------------------|----------------|-----------------------|----------------|
|               | <b>Revenue</b>        | <b>Funding</b> | <b>Revenue</b>        | <b>Funding</b> |
| PR            |                       | \$630,000      |                       | - \$220,000    |
| PR-REV        | \$630,000             |                | \$0                   |                |

- a. \$315 annually, and \$3,270 upon issuance of a permit and every five years thereafter. (This would adopt the Governor's proposal.) Further, specify that the five-year fee apply upon the next renewal of existing CAFO permits.
- b. \$970 annually.
- c. 35¢ per animal unit, based on the number of animal units authorized upon (re)issuance of the permit.

2. Authorize expenditures of \$425,000 PR annually, and establish revenues to generate the same amount, structured as one of the following. (This would produce revenue sufficient to

support the proposed 5.0 positions.)

| ALT B2 | Change to Base |           | Change to Bill |         |
|--------|----------------|-----------|----------------|---------|
|        | Revenue        | Funding   | Revenue        | Funding |
| PR     |                | \$850,000 |                | \$0     |
| PR-REV | \$850,000      |           | \$220,000      |         |

a. \$480 annually, and \$4,130 upon issuance of a permit and every five years thereafter. Further, specify that the five-year fee apply upon the next renewal of existing CAFO permits.

b. \$1,305 annually.

c. 47¢ per animal unit, based on the number of animal units authorized upon (re)issuance of the permit.

3. Do not increase fees. Provide funding of \$425,000 annually consisting of:

| ALT B3        | Change to Base |           | Change to Bill |                  |
|---------------|----------------|-----------|----------------|------------------|
|               | Revenue        | Funding   | Revenue        | Funding          |
| Specify Below |                | \$850,000 |                | \$0              |
| PR            |                | <u>0</u>  |                | <u>- 850,000</u> |
| Total         |                | \$850,000 |                | \$0              |
| PR-REV        | \$0            |           | - \$630,000    |                  |

a. GPR.

b. Nonpoint SEG.

c. \$212,500 GPR and \$212,500 nonpoint SEG, with positions split equally between GPR and nonpoint SEG.

4. Do not increase fees. Provide funding of \$315,000 annually consisting of:

| ALT B4        | Change to Base |           | Change to Bill |                  |
|---------------|----------------|-----------|----------------|------------------|
|               | Revenue        | Funding   | Revenue        | Funding          |
| Specify Below |                | \$630,000 |                | \$630,000        |
| PR            |                | <u>0</u>  |                | <u>- 850,000</u> |
| Total         |                | \$630,000 |                | - \$220,000      |
| PR-REV        | \$0            |           | - \$630,000    |                  |

- a. GPR.
- b. Nonpoint SEG.
- c. \$157,500 GPR and \$157,500 nonpoint SEG.

5. In addition to any of the above alternatives:

a. Delete the current law \$250 annual GPR fee. (When paired with alternatives under B1 or B2, this would have the effect of converting the fee to PR.)

| ALT B5a | Change to |           |
|---------|-----------|-----------|
|         | Base      | Bill      |
| GPR-REV | -\$81,300 | -\$81,300 |

b. Convert the current law \$250 GPR fee to PR. (This could be moved in addition to alternatives B3 or B4.)

| ALT B5b | Change to     |               |
|---------|---------------|---------------|
|         | Base          | Bill          |
| GPR-REV | -\$81,300     | -\$81,300     |
| PR-REV  | <u>81,300</u> | <u>81,300</u> |
| Total   | 0             | 0             |

6. Take no action. Fees would remain at \$345 annually, consisting of \$250 GPR and \$95 PR.

| ALT B6 | Change to |            |
|--------|-----------|------------|
|        | Base      | Bill       |
| PR-REV | \$0       | -\$630,000 |

### C. Appropriation Structure and Reporting Requirements

1. Adopt the Governor's proposal to create a PR continuing appropriation [s. 20.370(9)(ag)] within the Division of External Services to receive newly proposed fees and increased fees under the bill, and transfer current law PR fees to the Division of External Services miscellaneous program revenue appropriation [s. 20.370(9)(mi)]. (This would not transfer reporting requirements on current law PR fees.)

2. Create a program revenue continuing appropriation within the Division of External Services for the purposes of regulating animal feeding operations under Chapters 281 and 283 of the statutes, and to receive PR fees paid by animal feeding operations under Chapter 283 of the

statutes. Specify that current law PR fees and any fee increase adopted in alternatives above be deposited into this appropriation.

3. Create a nonpoint SEG annual appropriation within the Division of External Services for the purposes of regulating animal feeding operations under Chapters 281 and 283 of the statutes.

4. Require the Department of Natural Resources to report annually to the Joint Committee on Finance, and other standing committees concerned with agriculture and the environment, on the expenditure of funds from any of the following appropriations. (This alternative could be moved into any other alternatives.)

a. The appropriation [s. 20.370(9)(ag)] created under Alternative C1, and the appropriation [s. 20.370(9)(mi)] proposed under the bill to receive existing CAFO PR fees.

b. The PR appropriation created under Alternative C2.

c. The nonpoint SEG appropriation created under Alternative C3.

d. The PR and nonpoint SEG appropriations created under Alternatives C2 and C3.

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