



## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #564

### **Nonpoint -- Principal Repayment and Interest (DNR -- Water Quality)**

[LFB 2003-05 Budget Summary: Page 326, #8]

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#### **CURRENT LAW**

DNR uses revenue from its nonpoint source water pollution program repayments of cash surpluses and cash advances appropriation for additional grants and assistance under the nonpoint source water pollution abatement programs. This revenue consists of repayments of cash surpluses and cash advances from recipients of grants under the priority watershed and targeted runoff management (TRM) programs.

#### **GOVERNOR**

Require that repayments of cash surpluses and cash advances from recipients of grants under the nonpoint source water pollution abatement program be used to pay principal and interest costs of general obligation bonds issued to fund the nonpoint source program.

#### **DISCUSSION POINTS**

1. Until 1997, DNR made cash advances to counties that participated in the Department's nonpoint source water pollution abatement programs. Revenues received by DNR in the nonpoint repayments appropriation include the repayments of cash advances to DNR, grants recovered by the Department because they were used to fund ineligible practices, surpluses in accounts of grants provided by DNR for nonpoint source abatement projects that have been completed and closed-out, and paybacks of grants to DNR for practices that are removed due to the development or sale of the land on which the practices were installed.

2. Currently, DNR has \$108,800 in outstanding advance payments to counties. Instead of collecting this funding as repayments, the Department deducts the amount of funding owed to the

Department by each county from future payments. Were the Department to collect this funding, it would be deposited into the nonpoint repayments appropriation.

3. DNR indicates that predicting the amount of revenue received from nonpoint repayments in a given year is difficult. This is largely due to the fact that most of the revenue that the Department receives as repayments comes from discoveries by Department officials that ineligible practices have been funded by grants, and from the removal of practices from land, thereby requiring the return of cost-share funds to the Department. The removal of practices from land is sporadic because the main cause of the removal of nonpoint source abatement practices is the development and sale of rural land (with the new owner electing to remove the practice), which is hard to predict. In light of this uncertainty, the administration did not include an estimate of revenues under the bill.

4. The following table shows repayments received by DNR in the last three fiscal years.

#### **Nonpoint Repayment Revenues**

<u>Fiscal Year</u>	<u>Revenue</u>
1999-00	\$111,600
2000-01	229,200
2001-02	93,000

5. Revenues surged around 2000-01 due to a large number of priority watersheds that closed out that still had balances for nonpoint abatement projects. DNR officials state that priority watersheds still in existence have much smaller advance payment balances remaining, and anticipate total annual revenues of around \$50,000.

6. The nonpoint source repayments appropriation had a July 1, 2002, balance of over \$278,000, but DNR expects to nearly deplete this balance by July 1, 2003. These funds are being used to make grants for the installation of nonpoint source water pollution abatement cropping practices.

7. Some may argue that the Governor's recommended change will reduce funding available for nonpoint water pollution abatement programs. Further they argue that since this funding has been allocated for nonpoint pollution abatement programs, the repayments that DNR receives should continue to be used for nonpoint abatement programs.

8. Under the bill, program revenue repayments would reduce GPR debt service expenditures on a dollar-for-dollar basis. It could be argued that, given the state's financial situation, it is desirable to reduce GPR expenditures where possible, and that using a source of surplus funding that is directly related to the expenditure is reasonable.

**ALTERNATIVES**

1. Approve the Governor's recommendation to require the use of repayments of cash surpluses and cash advances from recipients of grants under the nonpoint source water pollution abatement program to be used to pay principal and interest costs of general obligation bonds issued to fund the nonpoint source program. Estimate revenues at \$50,000 annually.

<u>Alternative 1</u>	<u>GPR</u>	<u>PR</u>	<u>TOTAL</u>
<b>2003-05 FUNDING</b> (Change to Bill)	- \$100,000	\$100,000	\$0

2. Delete provision.

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