



## Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873  
Email: [fiscal.bureau@legis.wisconsin.gov](mailto:fiscal.bureau@legis.wisconsin.gov) • Website: <http://legis.wisconsin.gov/lfb>

---

May, 2019

Joint Committee on Finance

Paper #537

### County Conservation Staffing (Agriculture, Trade and Consumer Protection and Natural Resources -- Environmental Quality)

[LFB 2019-21 Budget Summary: Page 40, #5]

---

#### 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) land and water resource management plan implementation; (b) conservation practice engineering, design, and installation; (c) cost-share grant administration; (d) farmland preservation program administration; and (e) livestock regulation. 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 thereafter, with counties providing the difference. Conservation staffing grants are funded by DATCP with general purpose revenue (GPR) and segregated (SEG) revenue from the nonpoint account of the environmental fund.

#### GOVERNOR

Provide \$476,000 GPR and \$924,000 nonpoint SEG annually to increase grants for county land and water conservation staff. Under the bill, county staffing grants would be provided \$10,364,100 each year, consisting of \$3,503,200 GPR and \$6,860,900 nonpoint SEG. The administration indicates it intends increased funding to fully cover 100% of first position costs and 70% of second position costs. The funding provided would be consistent with the ratio of GPR to nonpoint SEG in the base.

## DISCUSSION POINTS

1. During the 2019 allocation, DATCP fully funded the base allocation of \$75,000 per county and first positions in every county, and approximately 45% of second positions (64% of its 70% cost-share amount). No funding for third positions has been allocated since 2010. In 2018, the most recent year for which counties have reported staffing levels and use of grant awards, DATCP allocated \$9.0 million in awards to support 112 full-time equivalent positions, of a total 364 positions reported by counties. Other funding for positions typically comes from county governments (211 positions) or other private or governmental grants (41 positions).

2. The table shows recent DATCP conservation staffing grant funding by fund source. GPR funding has generally declined over time, being partially replaced by nonpoint SEG. The following nonpoint SEG amounts have been provided on a one-time basis: (a) \$998,600 in 2013-14; (b) \$815,900 in 2014-15; and (c) \$675,000 annually in the 2015-17 biennium. Additional nonpoint SEG expenditures for staffing grants and other purposes has been offset by occasional transfers to the account. The transfers are discussed in greater detail in a separate issue paper entitled "Environmental Fund Overview."

### DATCP County Conservation Staffing Grant Funding

<u>Fiscal Year</u>	<u>GPR</u>	<u>SEG</u>	<u>Total</u>
2007-08	5,081,900	4,225,100	9,307,000
2008-09	5,081,900	4,225,100	9,307,000
2009-10	4,270,100	5,036,900	9,307,000
2010-11	4,270,100	5,036,900	9,307,000
2011-12	3,843,100*	5,036,900	8,880,000
2012-13	3,843,100*	5,036,900	8,880,000
2013-14	2,844,500	6,035,500	8,880,000
2014-15	3,027,200	5,852,800	8,880,000
2015-16	3,027,200	5,711,900	8,739,100
2016-17	3,027,200	5,711,900	8,739,100
2017-18	3,027,200	5,936,900	8,964,100
2018-19	3,027,200	5,936,900	8,964,100
2019-20 (Bill)	3,503,200	6,860,900	10,364,100
2020-21 (Bill)	3,503,200	6,860,900	10,364,100

\*Amounts were further reduced by \$1,100,400 GPR in 2011-12 and \$280,400 GPR in 2012-13 to meet lapse requirements of the agency under 2011 Wisconsin Act 32.

3. County conservation staff are the first point of contact for landowners seeking to implement conservation practices to limit soil erosion and nonpoint source water pollution. DATCP and counties have argued preserving funding for county 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

person has a long-term working relationship.

4. The administration indicates that the proposed funding level for county staffing grants is intended to reflect the cost of fully funding the state's 70% share of second positions at county conservation departments, which were last fully funded under the 2010 allocation. While the proposed allocation meets this intent for the 2019 allocation, recently received applications for 2020 funding from counties show additional funding of \$255,900 each year would be required to fully fund second positions in 2020. For the 2020 allocation, \$6,842,200 would be required to fully fund counties' 2020 \$75,000 annual base plus additional necessary costs for first positions, \$10,620,000 would be required to fully fund 70% of second positions, and \$12,855,300 would be required to fully fund 50% of third positions.

5. 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 available balance of -\$10.8 million on June 30, 2021. Given insufficient balances in the nonpoint account, the Committee could consider providing GPR or other funding for county staffing grants, in lieu of SEG.

6. Effective December 1, 2010, the state promulgated new, stricter phosphorus standards for municipal and industrial wastewater treatment facilities. The Department of Natural Resources (DNR) reports that under these new standards, almost 80% of facilities must meet standards more stringent than those previously in effect. Federal law provides regulatory flexibility to states for implementing water quality standards in the form of variances. A variance is a short-term deviation from pollution abatement standards that allows incremental step-ups over a period of time to enable a more feasible and cost-effective implementation of pollution abatement technology. Typically, variances are provided on an individual basis, with each application requiring DNR and Environmental Protection Agency (EPA) approval. However, in February, 2017, DNR received approval from EPA for a statewide multi-discharger phosphorus variance (MDV), which allows eligible municipal and industrial wastewater treatment plants to participate without the need for an individualized permit.

7. The MDV allows qualifying municipal and industrial wastewater treatment facilities to incrementally reduce their discharges over a period of 20 years, while also undertaking one of three options to reduce phosphorus discharges within their watershed. The first two options consist of either a permit holder or a third-party contractor implementing practices to reduce phosphorus discharges within the geographic drainage basin of the point source. For 2018, DNR reports three permittees selected this option, all of which were self-directed.

8. The third option is for the permit holder to make payments to counties in support of county nonpoint source pollution abatement activities. The payment is calculated as an amount per pound of phosphorus by which the point source in the previous year exceeded the level of phosphorus discharge it would be expected to reach to meet water quality standards. The amount was originally set at \$50 per pound, and is annually adjusted by DNR for inflation. For 2019, payments are set at

\$53.01 per pound of phosphorus. In 2017, two permittees selected this option, with payments totaling \$2,600 to one county. In 2018, 37 permittees selected this option, with payments of \$619,400 to 25 counties, as seen in Attachment 1. Payments are distributed to counties electing to participate in the MDV program in proportion to the territory each county has in the watershed of the discharge. Attachment 2 shows payments by watershed. Funds received by counties may support: (a) cost-sharing projects to reduce phosphorus at agricultural facilities; (b) staff to implement such projects; or (c) modeling or monitoring of waters for planning purposes for future efforts to reduce phosphorus entry into state waters. However, at least 65% of funds must be used for cost-share projects. Thus, of the \$619,400 received by counties in March, 2019, up to approximately \$216,800 would be available for additional conservation staffing.

9. DATCP argues that because MDV payments are dependent upon point source participation, they should not be considered a replacement for state county staffing grant awards to counties. The primary determinant of point source participation is the cost of improvements in wastewater treatment technology used to reduce discharges. As a condition of MDV participation, point sources are required to incrementally reduce their discharges. Long-term payments are expected to decline as permit conditions become stricter, and as technology improves to allow phosphorus reductions at a cost below the \$53.01 per pound paid to counties. However, DNR reports that permittee participation and resulting payments are expected to increase in 2019, with 50 permitted entities already authorized under the MDV through May 7, 2019. DNR anticipates that approximately twice as many permitted entities will participate in the MDV as compared to 2018, although it does not expect payments to double because permit limits on phosphorus continue to become stricter.

10. Depending on county allocation of MDV payments, up to \$216,800 (35%) of the 2019 payment of \$619,400 could be spent on county conservation staff. Further, considering that MDV payments are expected to grow during the 2019-21 biennium, more non-state funding would become available for county conservation staff. The Committee could consider reducing the Governor's proposal to reflect increased MDV funding for county staffing during the biennium, and requiring DATCP to reduce staffing grant awards for each county by 35% of the amount they received from the most recent payment by DNR. Thus, funding received in March, 2019, for 2018 discharges of phosphorus by point sources would be removed from a county's county staffing grant award announced in fall 2019 to fund activities in 2020. Conversely, additional funding associated with cost-share grants would require additional staff time associated with project engineering and construction, and grant administration. Thus, while funding for county staff would increase under MDV payments, associated workload would also increase to reflect additional phosphorus mitigation projects necessary under the MDV.

11. If the Committee wished to fully fund the 2020 state cost-share portion of second positions, it could consider modifying the Governor's proposal to provide an additional \$255,900 each year. Maintaining the same ratio of GPR and nonpoint SEG, this would increase county staffing grants by \$563,000 GPR and \$1,092,900 nonpoint SEG annually (Alternative 2). The Committee could also consider adopting the Governor's proposal to increase county staffing grants by \$476,000 GPR and \$924,000 nonpoint SEG annually (Alternative 1).

12. Given concern about availability of nonpoint account funding, the Committee could

modify the Governor's request to provide the entire proposed amount of \$1,400,000 annually as GPR (Alternative 3). The Committee could also consider providing only the GPR increase of \$476,000 annually (Alternative 4).

13. Given the potential funding available to counties from payments under the multi-discharger variance, the Committee could consider decreasing the Governor's proposal by \$216,800, split equally between GPR and nonpoint SEG, to reflect the additional funding available to counties for conservation staff from MDV payments, and reduce awards to counties according to payments they receive under the MDV (Alternative 5). The Committee could also consider maintaining current funding of \$3,027,200 GPR and \$5,936,900 nonpoint SEG annually (Alternative 6).

## 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.)

1. Adopt the Governor's proposal to provide an additional \$476,000 GPR and \$924,000 nonpoint SEG annually to increase grants for county land and water conservation staff. Grants would be budgeted at \$10,364,100 annually, consisting of \$3,503,200 GPR and \$6,860,900 nonpoint SEG.

ALT 1	Change to	
	Base	Bill
GPR	\$952,000	\$0
SEG	<u>1,848,000</u>	<u>0</u>
Total	\$2,800,000	\$0

2. Provide an additional \$563,000 GPR and \$1,092,900 nonpoint SEG annually to reflect the 2020 cost of fully funding the 70% state share for second positions. Grants would be budgeted at \$10,620,000 annually, consisting of \$3,590,200 GPR and \$7,029,800 nonpoint SEG.

ALT 2	Change to	
	Base	Bill
GPR	\$1,126,000	\$174,000
SEG	<u>2,185,800</u>	<u>337,800</u>
Total	\$3,311,800	\$511,800

3. Modify the Governor's proposal by providing all additional funding as GPR, for an increase of \$1,400,000 GPR annually. Grants would be budgeted at \$10,364,100 annually, consisting of \$4,427,200 GPR and \$5,936,900 nonpoint SEG.

ALT 3	Change to	
	Base	Bill
GPR	\$2,800,000	\$1,848,000
SEG	<u>0</u>	<u>- 1,848,000</u>
Total	\$2,800,000	\$0

4. Provide additional funding of \$476,000 GPR annually. Grants would be budgeted at \$9,412,100 annually, consisting of \$3,475,200 GPR and \$5,936,900 nonpoint SEG.

ALT 4	Change to	
	Base	Bill
GPR	\$952,000	\$0
SEG	<u>0</u>	<u>- 1,848,000</u>
Total	\$952,000	-\$1,848,000

5. Provide \$367,600 GPR and \$815,600 nonpoint SEG annually, which would reduce the Governor's proposal to offset payments made to counties under the multi-discharger variance. Require DATCP, when preparing its allocation for county staffing grants, to reduce staffing grant awards to each county by 35% of the payment received by the county in the most recent distribution of MDV payments by DNR. Grants would be budgeted at \$10,147,300 annually, consisting of \$3,394,800 GPR and \$6,752,500 nonpoint SEG.

ALT 5	Change to	
	Base	Bill
GPR	\$735,200	-\$216,800
SEG	<u>1,631,200</u>	<u>- 216,800</u>
Total	\$2,583,200	\$433,600

6. Take no action. Grants would be budgeted at \$8,964,100 annually, consisting of \$3,027,200 GPR and \$5,936,900 nonpoint SEG.

ALT 6	Change to	
	Base	Bill
GPR	\$0	-\$952,000
SEG	<u>0</u>	<u>- 1,848,000</u>
Total	\$0	-\$2,800,000

Prepared by: Rory Tikalsky  
Attachments

## ATTACHMENT 1

### 2018 Multi-Discharger Variance Payments to Counties

<u>County</u>	<u>Amount</u>
Calumet	\$51,039
Chippewa	3,532
Eau Claire	8,325
Fond du Lac	115,545
Grant	14,100
Iowa	30,295
Juneau	25,801
Lafayette	62,349
Lincoln	13,962
Manitowoc	10,252
Marathon	29,836
Monroe	27,462
Outagamie	617
Ozaukee	1,132
Pierce	19,712
Racine	1,765
Sauk	89,582
Shawano	1,252
Taylor	23,390
Trempealeau	19,366
Walworth	3,567
Waupaca	1,196
Waushara	462
Winnebago	53,857
Wood	<u>10,968</u>
Total	\$619,364





ATTACHMENT 2

Multi-Discharger Variance Payments by Watershed

