



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #473

Nonpoint Account Overview (Natural Resources -- Water Quality)

CURRENT LAW

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

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

DISCUSSION POINTS

1. This paper provides a general overview of the nonpoint account, including the estimated condition and general information about revenues and expenditures for the account during the 2021-

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

Revenues

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

3. Nonpoint account revenues are derived from: (a) a portion of state tipping fees on solid waste disposed of at a Wisconsin landfill, equal to \$3.20 per ton and totaling \$17.6 million in 2019-20; (b) an annual transfer from the general fund of \$7,991,100; (c) an annual transfer from the environmental management account of \$6,150,000; and (d) interest earnings and miscellaneous income, equal to \$289,200 in 2019-20. Under operations reductions directed by the Governor and Department of Administration in response to COVID-19, the general fund transfer is reduced by \$998,900 to \$6,992,200 in 2020-21.

4. During the 2021-23 biennium, tipping fees are expected to contribute 56% of nonpoint revenues, the GPR transfer will contribute 25% of revenues, and the environmental management account transfer will contribute 18%, with the small remaining amount reflecting interest income from investment of the fund balance.

TABLE 1

Nonpoint Revenues by Category

	<u>GPR Transfer</u>	<u>SEG Transfers</u>	<u>Tipping Fee^a</u>	<u>Other Revenue</u>	<u>Total Revenue</u>
2007-08	\$11,514,000	\$0	\$792,600	\$333,900	\$12,640,500
2008-09	13,625,000	0	5,259,400	35,300	18,919,700
2009-10	12,863,700	0	10,662,000	-2,300	23,523,400
2010-11	12,863,700	0	17,773,900	-4,500	30,633,100
2011-12	10,974,200	0	12,851,400	-2,500	23,823,100
2012-13	11,315,500	0	24,399,100	31,100	35,745,700
2013-14	11,143,600	650,000 ^b	13,432,800	27,600	25,254,000
2014-15	11,143,600	1,300,000 ^b	19,822,700	2,000	32,268,300
2015-16	11,143,600	1,000,000 ^c	8,615,800	3,100	20,762,500
2016-17	11,143,600	1,000,000 ^c	14,977,700	10,200	27,131,500
2017-18	7,991,100	3,652,500 ^b	21,921,800	28,900	33,594,300
2018-19	7,991,100	3,652,500 ^b	19,491,300	98,400	31,233,300
2019-20	7,991,100	6,150,000 ^b	17,639,300	289,200	32,069,600
2020-21 ^d	6,992,200 ^e	6,150,000 ^b	18,090,700	209,600	31,442,500

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

^b From the environmental management account.

^c From the segregated agricultural chemical cleanup fund.

^d Estimated.

^e Reduced by \$998,900 in 2020-21 in response to COVID-19 lapse requirements.

Expenditures

5. As seen in Table 2, nonpoint account expenditures support (a) debt service payments on general obligation bonds issued for nonpoint grants (47% of budgeted expenditures in 2020-21); (b) grants for nonpoint programs (35%); and (c) DATCP and DNR regulatory and technical assistance staff, and other administration costs (18%). Grants are provided from both nonpoint SEG and nonpoint SEG-supported bonding. Grants supported by bond revenues represent long-term improvements to the state's waters. To reflect these long-term benefits, projects are financed through bond revenues and subsequent nonpoint SEG-supported debt service payments. The account supports 20.30 positions at DATCP and 19.15 at DNR related to regulation of nonpoint pollution and administration of nonpoint grant programs. DNR is also appropriated nonpoint SEG for contracts with UW-Extension and other organizations for education, research, and technical assistance activities related to nonpoint source water pollution.

TABLE 2

Nonpoint Expenditures by Category

	<u>Debt Service</u>	<u>Grants</u>	<u>Operations</u>	<u>Total Expenditures</u>	<u>Transfers to General Fund</u>
2007-08	\$847,700	\$6,610,300	\$4,993,500	\$12,451,500	\$301,400
2008-09	847,700	6,851,100	5,339,500	13,038,300	4,230,300
2009-10	5,203,000	6,833,800	4,585,300	16,622,100	7,547,500
2010-11	10,699,400	5,915,200	4,305,900	20,920,500	6,943,500
2011-12	13,279,600	6,053,800	4,522,300	23,855,700	0
2012-13	14,388,500	7,968,000	5,324,600	27,681,100	0
2013-14	15,528,600	6,850,300	4,454,500	26,833,400	0
2014-15	14,844,900	8,684,600	5,570,800	29,100,300	0
2015-16	15,724,100	9,599,000	5,361,300	30,684,400	0
2016-17	15,309,100	9,537,100	5,652,600	30,498,800	0
2017-18	15,582,500	8,839,900	4,733,200	29,155,600	0
2018-19	16,004,100	10,281,900	4,609,700	30,895,700	0
2019-20	15,682,500	10,272,700	5,573,900	31,529,100	0
2020-21 ^a	15,567,100	11,436,900	5,868,400	32,872,400	0
2021-22 ^b	14,190,800	10,861,900	5,442,300	30,495,000	0
2022-23 ^b	15,071,500	10,861,900	5,447,700	31,381,100	0

^a Budgeted.

^b Base budget, including Committee action prior to June 3, 2021.

6. Funding under Assembly Bill 68/Senate Bill 111 shown in Table 2 for the 2021-23 biennium is lower than the 2020-21 base year primarily due to expiration of one-time funding and lower anticipated debt service costs, as well as slightly lower staff and administration costs. Funding provided on a one-time basis during the 2019-21 biennium totaled \$1,075,000 each year, consisting of: (a) \$500,000 each year for nonpoint research and education contracts; (b) \$475,000 each year for county conservation staffing grants; and (c) \$100,000 each year for rural nonpoint grants. Based on debt reestimates approved under previous Committee action, debt service costs are anticipated to be

\$1,376,300 lower in 2021-22 and \$495,600 lower in 2022-23 as compared to the base budget. Further, standard budget adjustments reduced administration costs by \$43,400 in 2021-22 and \$38,000 in 2022-23.

7. As seen in Table 3, AB 68/SB 111 would provide additional funding for nonpoint programs as follows: (a) \$3,600,000 in 2021-22 and \$3,708,000 in 2022-23 for county conservation staffing grants; (b) \$1,000,000 each year in one-time funding for grants for flood mapping and flood insurance studies; (c) \$940,000 each year for soil and water resource management grants related to producer-led watershed protection groups, regenerative agriculture, and grazing; (d) \$615,000 each year for nonpoint research and education contracts; (e) \$150,000 each year in one-time funding for continued development of a nonpoint best management practices implementation tracking system; and (f) \$100,000 each year for rural nonpoint grants. The bill would also provide additional bonding authority, consisting of: (a) \$13.5 million for rural nonpoint programs at DATCP and DNR, equal to the 2019-21 biennial authorization; and (b) \$12 million for urban nonpoint programs at DNR, an increase from the \$4 million authorized during the 2019-21 biennium. AB 68/SB 111 does not propose changes to nonpoint-funded administration staff or funding outside of standard budget adjustments.

TABLE 3

Nonpoint Account-Supported Grants and Contracts under AB 68/SB 111

	Fund Source	Base/Prior Authorization*	AB 68/SB 111 2021-22	2022-23
Agriculture, Trade and Consumer Protection				
County Conservation Staffing Grants	SEG	\$5,936,900	\$9,536,900	\$9,644,900
SWRM Grants - Nutrient Management and Cooperators	SEG	3,675,000	3,675,000	3,675,000
SWRM Grants - Producer-Led Groups	SEG	750,000	1,000,000	1,000,000
SWRM Grants - Regenerative Agriculture	SEG	0	370,000	370,000
SWRM Grants - Grazing	SEG	0	320,000	320,000
DATCP Rural Nonpoint Bonding	BR	7,000,000*	7,000,000	
Natural Resources				
Rural Nonpoint Grants	SEG	\$ 0	\$100,000	\$100,000
Urban Nonpoint Grants	SEG	500,000	500,000	500,000
Flood Mapping and Flood Insurance Studies	SEG	0	1,000,000 [†]	1,000,000 [†]
Research and Education Contracts	SEG	267,600	882,600	882,600
Best Management Practices Tracking System	SEG	0	150,000 [†]	150,000 [†]
DNR Rural Nonpoint Bonding	BR	6,500,000*	6,500,000	
DNR Urban Nonpoint Source and Municipal Flood Control Bonding (UNPS/MFC)	BR	4,000,000*	12,000,000	

*Bonding amounts represent the 2019-21 biennial authorization.

[†]One-time funding during the biennium.

Fund Condition

8. Table 4 shows the estimated nonpoint account condition under a base budget and Committee action prior to June 3, 2021. Under such a scenario, nonpoint account revenues are estimated to exceed expenditures by approximately \$3.4 million during the biennium. The nonpoint

account would be expected to have an available balance of approximately \$8.8 million on June 30, 2023, up from \$5.4 million as of June 30, 2021.

9. As considered under other budget papers, the Committee may wish to continue one-time nonpoint funding or provide additional funding for various grant programs. If the Committee wished to increase funding for nonpoint programs, it could allocate approximately \$1.7 million each year in additional ongoing expenditures while still maintaining balance with available revenues. Additionally, the Committee could consider allocating a portion of the fund balance as one-time funding, although any ongoing funding allocations that exceed available annual revenues could limit future availability of funding for nonpoint programs.

TABLE 4

Nonpoint Account Condition

	<u>Actual 2019-20</u>	<u>Estimated 2020-21</u>	<u>Base Plus JFC 2021-22</u>	<u>Base Plus JFC 2022-23</u>	<u>2022-23 Staff</u>
Opening Balance	\$11,396,300	\$11,936,800	\$10,506,900	\$12,592,600	
Revenues:					
Tipping Fee	\$17,639,300	\$18,090,700	\$18,239,600	\$18,319,300	
GPR Transfer	7,991,100	6,992,200	7,991,100	7,991,100	
Env. Mgmt. Transfer	6,150,000	6,150,000	6,150,000	6,150,000	
Misc. Income	<u>289,200</u>	<u>209,600</u>	<u>200,000</u>	<u>200,000</u>	
Total Revenue	\$32,069,600	\$31,442,500	\$32,580,700	\$32,660,400	
Expenditures:					
Debt Service	\$15,682,500	\$15,567,100	\$14,190,800	\$15,071,500	
Grants	10,272,700	11,436,900	10,861,900	10,861,900	
DNR Contracts	642,900	767,600	267,600	267,600	
DNR Administration	2,614,800	2,781,800	2,841,400	2,842,200	19.15
DATCP Administration	<u>2,316,200</u>	<u>2,319,000</u>	<u>2,333,300</u>	<u>2,337,900</u>	<u>20.30</u>
Total Expenditures	\$31,529,100	\$32,872,400	\$30,495,000	\$31,381,100	39.45
Cash Balance	\$11,936,800	\$10,506,900	\$12,592,600	\$13,871,900	
Encumbrances/Continuing	-14,350,500	-14,350,500	-14,350,500	-14,350,500	
Tipping Fees Receivable	9,116,600	9,234,000	9,266,400	9,315,100	
Available Balance	\$6,702,900	\$5,390,400	\$7,508,500	\$8,836,500	

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