

Agriculture Cost-Share and Technical Assistance Funding Revised Policy - Overview

July 19, 2013

Background:

- For transparency, predictability, and consistency, DCR formally documented funding policies for:
 - *Administration and Operations* – Funding is provided directly to Soil and Water Conservation Districts (Districts) for “core expenses”, special support for Best Management Practices (BMPs) and Total Maximum Daily Loads (TMDLs), and dam maintenance.
 - *Cost-Share and Technical Assistance* – Cost-share funding is incentive funding to participants for projects that implement BMPs to achieve pollution reduction. Through technical assistance funding, District technical staff provide assistance to participants implementing BMPs funded through cost-share.
- These policies contain detailed distribution methodologies that become the basis for determining funding allocations and also address audit concerns.

Background (cont'd):

- In May of 2013, the Soil and Water Conservation Board approved the Administration and Operations Funding Policy for fiscal year 2014. Grant agreements with Districts have been signed and distributed.
- The Director also convened a small ad-hoc group comprised of affected stakeholders to discuss issues related to cost-share and technical assistance funding processes, to help determine the most efficient and effective use and allocation of funds now and in the future.
- In June of 2013, the DRAFT Cost-Share and Technical Assistance Funding Policy for fiscal year 2014 was presented to the Virginia Soil and Water Conservation Board for consultative purposes, in accordance with the provisions of the Appropriation Act.

Background (cont'd):

- Following the June 2013 Board meeting, DCR provided the DRAFT Policy to Districts for review and comment. The Soil and Water Conservation District Association helped distribute the Policy to Districts and collected comments in late June.
- DCR analyzed all comments. A detailed response-to-comments document has been prepared and will be shared with all Districts once the Policy is approved.
- Using the comments from the Districts, as well as feedback received at the Board meeting, DCR made revisions to the DRAFT Policy presented at the June 2013 Board meeting.

COMPARISON OF THE KEY ELEMENTS OF THE JUNE 4TH DRAFT POLICY AND THE REVISED POLICY

POLICY COMPARISONS:

- *NPS Assessment (DRAFT)* – Nonpoint (NPS) source assessment data from 2010 are used rather than 2008 data to determine cost-share allocation baseline calculations.
- *NPS Assessment (REVISED)* – No change. The Policy continues to emphasize that, switching from the 2008 data to 2010 data, results in allocation changes.

POLICY COMPARISONS:

- *Pollutant Rankings (DRAFT)* - Cost-share allocations are based on ranking pollutant loads using hydrologic units. Those units ranked in the top 20% have the highest pollutant potential, those ranked in the next 30% are considered medium, and the lowest 50% are considered low potential.
 - Cost allocations are based on providing 60% of available funding to high potential, 30% to medium, and 10% to low potential. Prior year distributions have been 50%, 30%, and 20%, respectively.
- *Pollutant Rankings (REVISED)* – The 60%/30%/10% allocation shifts to a compromise 55%/30%/15% structure. For fiscal year 2015, a 60%/30%/10% allocation will be used.

POLICY COMPARISONS:

- *Cost-Share Funding Caps (DRAFT)* – For the stream exclusion practice (SL-6), the cap is removed completely to provide funding at 100%. Participants were also eligible for other cost-share up to the existing standard \$50,000 or \$70,000 caps.
- *Cost-Share Funding Caps (REVISED)* – The SL-6 practice will continue to be paid at 100% for two years. Participants receiving more than \$70,000 for SL-6 in fiscal year 2014 cannot receive additional cost-share for other practices. This prevents a “double-dipping” situation and gives participants and Districts choices in where to best deploy dollars for effective practices.

POLICY COMPARISONS:

- *Reallocation (Timing) (DRAFT)* – The reallocation of all unobligated District cost-share funds would take place after the close of the third quarter of the fiscal year. Technical assistance funds would not be subject to reallocation.
- *Reallocation (Timing) (REVISED)* - In cases where Districts have not obligated 90% by the end of the third quarter, unobligated funds will be available for reallocation. In these cases, Districts keep 10% of the unobligated balance to make adjustments for existing cost-share practices. The reallocation process now addresses shortfall/surplus situations. (Also, all paperwork needs to be routed to DCR's Comptroller for review and approval.)

POLICY COMPARISONS:

- *Reallocation (Practices) (DRAFT)* – Reallocated funds would be provided to Districts based on:
 - 70% for stream exclusion (SL-6)
 - 30% for practices with the lowest Conservation Efficiency Factor (CEF)
- *Reallocations (Practices) (REVISED)* – All of the reallocated cost-share funds are used for identified **priority** agricultural BMP practices with the lowest Conservation Effectiveness Factor (CEF) factors.

POLICY COMPARISONS:

- *Technical Assistance Funding (DRAFT)* - Technical assistance funds are distributed using a formula that uses total technical assistance available in fiscal year 2014 for all Districts and multiplying that amount by an individual factor by District, which is the percentage of that District's cost-share allocated in fiscal year 2013 to total cost-share funding in fiscal year 2013 for all Districts.
- *Technical Assistance Funding (REVISED)* – A formula-driven calculation now uses a fiscal year 2013 base allocation for all Districts and adds to it the difference between this base allocation and fiscal year 2014 total available technical assistance funding. In order to determine how much additional funding an individual District will receive over its base allocation, the formula calculates how much cost-share the District receives as a percentage to total cost-share available and multiplies this factor by total fiscal year 2014 technical assistance funding for all Districts.

POLICY COMPARISONS:

- *Conservation Reserve Enhancement Program (CREP)* – At the time of the June 2013 Board meeting, there was no funding for this program, which helps farmers restore riparian forest buffers, grass and shrub buffers, and wetlands.
- *Conservation Reserve Enhancement Program (CREP)* - The revised policy now includes \$600,000 for CREP through an allocation from the Virginia Natural Resources Commitment Fund. This change reduces the amount available for cost-share.

Final Policy Steps

- Revised Policy has been drafted and grant agreements and local contracts are currently in the final review stage, being readied for the Director's final approval.

KEY ACTION ITEMS

- Look at CREP funding alternatives for FY15.
- Directly consider bacteria in development of the 2016 NPS assessment model.
- Working with stakeholders, review primary and secondary criteria utilized for project selection and consider developing a more standardized set of criteria and process through which cost-share might be better directed to improve water quality while still providing District flexibility.
- Working with stakeholders, determine levels of technical assistance appropriate for various BMPs in order for greater levels of technical assistance to be awarded to Districts for practices that are more time-consuming to review and approve.
- BMP Technical Advisory Committee (TAC) review of state cost-share rates for approved BMPs with the intent of developing reduced rates for standard operating practices in order to allow cost-share dollars to be spread further but for the state to still be able to continue to collect BMP usage information. Additionally, the TAC should examine acreage caps for agronomic practices and the allowable duration of payments for certain practices.