

2013 Summer Study
July 19, 2013
DEQ Piedmont Regional Office, Glen Allen Virginia

Jack Bricker, NRCS
Kathy Clarke, Northern Neck SWCD
Luci Coleman, VASWCD
Brad Copenhaver, Virginia Agribusiness Council
James Davis-Martin, DCR
Carmie Duer, Eastern Shore SWCD
Herb Dunford, Virginia Soil and Water Conservation Board
David Dowling, DCR
Deanna Fehrer, Piedmont SWCD
Michael Fletcher, DCR
Jack Frye, Chesapeake Bay Commission
Darryl Glover, DCR
Katie Hellebush, VGPA/VWC
Tim Higgs, VDACS
Jerry Ingle, Virginia Soil and Water Conservation Board
Ann Jennings, Chesapeake Bay Foundation
Adrienne Kotula, James River Association
Larry Land, VACO
Stephanie Martin, DCR
Anthony Moore, Deputy Secretary of Natural Resources
Julie Morris, DPB
Angela Neilan, DEQ
Lindsay Reames, Virginia Farm Bureau
Allyson Sappington, Thomas Jefferson Soil and Water Conservation District
Kendall Tyree, VASWCD
Paul Van Lenten, House Appropriations Committee
Michelle Vucci, DCR
Lou Wallace, VASWCD
Rick Weeks, DCR
Don Wells, VASWCD
Chad Wentz, NRCS
Greg Wichelns, Culpeper SWCD

By phone
Wade Biddux, NRCS

Mr. Weeks called the meeting to order and thanked attendees for their participation.

Mr. Weeks said that it would be helpful for the group to consider where to move next with the rest of the study. He said one possibility was to have one additional meeting for the purpose of reviewing a draft document.

Mr. Weeks asked that the subcommittees consider that part of the discussion with regard to how the study has progressed with the work done thus far.

Mr. Weeks said that when the work of the Summer Study group was completed there would be a group convened for the purpose of the needs assessment. He noted that some members of the Summer Study group might wish to participate in the needs assessment.

Mr. Weeks called on Ms. Vucci to review the current draft of the policy. A copy of the full draft policy is available from DCR.

Ms. Vucci gave a review of the revised policy for the allocation of cost-share and technical assistance. A copy of Ms. Vucci's presentation is available from DCR.

Agriculture Cost-Share and Technical Assistance Funding Revised Policy

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.
- 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.
- Following the June 2013 Board meeting, DCR provided the DRAFT Policy to Districts for review and comment. The Association of Soil and Water Conservation District Directors helped distribute the Policy to Districts and collected comments in late June.

Ms. Vucci said that Ms. Tyree and Ms. Wallace were very helpful in disseminating the information to the Soil and Water Conservation Districts. She said that the comments received were very helpful. She said that staff began the process of analyzing the comments and addressing them within the policy.

- 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.

Ms. Vucci reviewed the difference in the policy presented to the Board meeting and the current draft.

Comparison of the Key Elements of the June 4th Draft Policy and the Revised Policy

- *NPS Assessment (DRAFT)* – Nonpoint (NPS) source assessment data from 2012 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 the 2010 results in allocation changes.
- *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 net 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.

Ms. Vucci said that the non-bay area was what has been typically referred to as Southern Rivers. She noted that in the text of the policy that area is referred to as non-bay or outside of the bay.

Ms. Vucci noted that the code divides the allocation structure as 55% in the Bay, 37 in the non-Bay and 8% for technical assistance.

- *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.

Ms. Sappington said that she would be opposed to any change in the 50%/30%/20% allocation. She noted that in previous years funding had been received that had been given a high/medium/low priority. She said that some practices were funded that were not particularly effective, but were funded in order to expend the funds.

Ms. Sappington said that here are some serious problems within the low priority watersheds. She said that she would prefer a limit on the CEF (Conservation Efficiency Factor) rather than having less money for low priority watersheds.

Ms. Sappington said that in the previous year the Thomas Jefferson SWCD spent over 1.2 million on cost-share. She said that the district is now receiving half of that. She said that she thought it a waste of resources to put money into practices that are not helping the Bay. She said that she did not believe the low priority was a factor if good practices were put in place.

Mr. Dowling said that the intent is to work towards restoring the Bay and towards improving local water quality. He said that a number of comments similar to those of Ms. Sappington were received. He said the attempt was to weigh those concerns to address local water quality as well as the Bay areas.

Ms. Sappington said that if there were serious problems and issues not addressed in the low priority regions then that would hinder meeting the goals for the Bay.

Mr. Dowling said that in the future there would be the ability for districts to move funds to different service areas and other districts. He said that was addressed in the policy.

Ms. Sappington noted that both districts would have to be in agreement.

Mr. Dowling said that the concept was that the funds were going to higher priority watersheds.

Mr. Van Lenten asked about the factors used for FY13 and whether those could be incorporated into the new policy.

Mr. Weeks said that the only difference was that a different data set was being used.

Mr. Van Lenten asked how the policy changed from the way funds were distributed in the previous five years.

Mr. Dowling said that the percentage change from 60%/30%/10% to 55%/30%.15% was the change. He said that the pollution rankings did not change.

Ms. Martin said that another process gave the CDCs the ability to move funds around if a district had vacancies and could not implement the program with their allocation. She said that the change was now that both districts must agree in writing whereas in the past the change was based on a verbal conversation.

Ms. Vucci said that districts still have the ability to move cost share, but the process now would be formalized in order to ensure that DCR financial records are kept up to date.

Ms. Sappington said that a look at the geographic area of the distribution would show that about half of the land would receive 10% in funding.

Ms. Vucci moved on to the next set of changes.

- *Cost-Share Funding Caps (DRAFT)* – For the stream exclusion practice (SL-6), the cap is removed 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 2015 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.

Ms. Vucci said that this was addressed on page 18 of the draft policy.

Ms. Jennings asked if it would be possible to dovetail the full payment under the SL-6 program with the existing NRCS programs that also provide for streams in order to make the best use of limited state dollars.

Mr. Dowling said that some of that would be happening. He said that the Ag BMP tracking system can account for different funding.

Ms. Martin said that the state does capture the data from the CREP program and pays the state portion as it complements the USDA CREP program.

Ms. Jennings asked why the state wouldn't pay the portion that the federal government does not pay in order to bring the landowner up to 100%.

Ann why wouldn't we piggy back on the federal funds and pay that portion that the feds don't pay so that you bring landowner up to 100%...

Ms. Martin said that CREP was not a capped practice.

Mr. Frye asked about a reference to marketing the SL-6 program on page 18 of the draft.

Mr. Dowling said that the Director had asked for a public relations or outreach plan to be put together.

Mr. Frye said that groups such as the cattlemen and dairymen have a lot of interest in support of the concept of fencing. He said that this would seem to be a good idea for the Secretary of Natural Resources and the Secretary of Agriculture and Forestry to support this program.

Ms. Vucci moved on to the next set of 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.)

Ms. Vucci said that the department had received comments from districts asking for flexibility in this policy. She said that the allocation process would address surplus and shortfall situations.

Ms. Vucci said that this would address the transfers between districts. She said that the intent was to formalize the process so that DCR financial records would be consistent with that of the districts.

Ms. Vucci moved on to the next comparison.

- *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).

Mr. Van Lenten asked how much money flows to the district each quarter for the reallocation process.

Ms. Martin said that funds were obligated based on an estimate of the number of acres. She said that the district would commit those funds and tell the participant they were approved.

Mr. Van Lenten asked what would happen if the participant did not follow through.

Mr. Davis-Martin said that would provide the opportunity for the reallocation of those funds.

Ms. Martin said that the district would retain 10% to continue doing business. She said that the district could continue to work with the participant or with a new participant.

Ms. Vucci moved to the next comparison.

- *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 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.

Ms. Sappington expressed a concern that the technical assistance funding would be decreased.

Mr. Dowling noted that technical assistance funding is not tied directly to practices.

Ms. Vucci noted that stakeholder groups as well as the BMP TAC were looking at this issues to see the best way to address.

Ms. Duer noted that in previous years, districts had been able to transfer funds but noted that in FY13 that was not allowed due to the reallocation of funding.

Mr. Dowling said that in the future, districts would still be able to transfer funds, but that the transfer would require additional paperwork for tracking purposes.

Mr. Dowling said that the concept was that both districts would agree to the transfer and that the CDC would facilitate the process.

Ms. Vucci moved on to the next comparison.

- *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.

Ms. Vucci addressed the 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.

Ms. Vucci addressed 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 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.

Mr. Dowling noted that 90% of the criteria were the same across districts. He said that the intent was to have those standardized and not recreate lists between districts.

Ms. Sappington asked if, as the process moved forward, there would be the opportunity to revise the policy and allocation amounts.

Mr. Dowling said that would be something on which DCR would be working with finance committees.

At this point the full committee recessed for the purpose of subcommittee meetings.

[BREAK]

The full committee reconvened at 1:45 p.m.

Mr. Weeks called the meeting back to order and asked for reports from the subcommittees.

Mr. Weeks distributed a list of comments from the July 15 meeting of the Cost-Share subcommittee. He said that there was quite a bit of discussion with regard to allocations.

Mr. Weeks said that the subcommittee discussed changes in percentages. The recommendation was that decision be deferred to the Ag BMP technical committee. Mr. Weeks said that the Cost-Share subcommittee discussed the following at their July 15 meeting and continued the discussion at this meeting.

- **Guidelines for BMP TAC to use in reviewing cost share payment percentages**
 - Any changes in cost share payments for practices should be left to the Ag BMP TAC
 - Additional data is needed on current BMP implementation and if possible applications that were not funded. This information may have to be gathered in the future.
 - BMPs that address TMDLs should be part of the consideration.

- The TAC should try to identify practices where a reduction in cost share would not cause a reduction in the use of the BMP by farmers and those that are underutilized and may need more cost share.
- Caps may need to be raised to encourage certain BMPs such as those needed for AFO/small dairies and those needed to implement RMPs. In addition the TAC should consider possible circumstances when a cap could be waived.
- Some practices could be funded for only a set number of years at a specific farm. However, you would need to maintain enough cost-share to provide an incentive to report.
- Better tracking and accounting for voluntary practices is needed but you need to be able to demonstrate compliance in order to take credit in the Bay model.
- **Review the 60/40 split between Bay and non-Bay**
 - Staff introduced the concept of capping cost share at a certain level in the Southern Rivers/nonBay watersheds, if funding increases and until the Bay WIP commitments are met. The Needs Assessment for the Southern Rivers would need to be updated.
 - The current need is \$1.1 million, if this number is still accurate it might be reasonable to cap at that level as long as it can be adjusted if the needs assessment changes.
- **Discuss possible recommendations on Cost-Share funding sources**
 - The subcommittee agreed that a general fund appropriation at a fixed level or increasing level as in phase-in is needed in addition to the current funding sources for Cost-share.

Mr. Frye asked about the suggestion that the Ag BMP TAC would make recommendations regarding changes to cost-share dollar amounts.

Mr. Weeks said that the committee did not wish to make the recommendations. He said that this was not about changing the process. He said there was a consensus that a base appropriation is needed to provide more stability to the funding.

Mr. Van Lenten noted that the General Assembly appropriates the funding for Ag BMPs and that the budget directs what is placed in reserve.

Mr. Weeks noted that while there were some recommendations there were more items that will require additional discussion. He said some of those discussions might occur outside the structure of the summer study group.

Mr. Dowling said that there probably would be group outside the summer study to continue these discussions.

Mr. Glover reported on the discussions of the Performance Measures subcommittee. He presented two tables labeled "Attachment C." Copies of those tables are available from DCR.

Mr. Glover said that the tables reflected the recommendations of the subcommittee. He said that some of the changes were clarifying language.

Mr. Glover said that districts had been surveyed with regard to the increased work load of the tax credit program.

Mr. Glover said that market saturation should be addressed, perhaps through a funded study.

Mr. Davis-Martin reported on the discussion of the Efficiency Subcommittee.

Mr. Davis-Martin said that the efficiency subcommittee had a long list of items for discussion.

With regard to regional coordination, the recommendations were:

- Work with the Association to develop a skills database for district employees
- Load leveling should be arranged between districts
- With regard to best practices develop a wiki as a way to share information

With regard to state and federal coordination, the recommendations were:

- Alignment of state and federal programs
- Review the existing capacity of state and federal programs
- Build internal capacity in districts through training then using regional coordination
- There should be at least one engineer to start the process of building that capacity. It was recommended that this person be a DCR employee that could work with NRCS in a mentoring relationship.
- Long term the concept is that six or more engineers would be needed. The question was raised as to how these positions would be funded.

With regard to cost reduction the recommendations were:

- Look at vehicle funding and the replacement of vehicles.
- Look at procurement and insurance benefits
- Share best practices through a wiki
- Continuation of a work group to address survey responses
- Identify inefficiencies in the system.
- Have a common chart of accounts for all districts using Quickbooks to meet the financial reporting requirement
- Shift the nutrient management practice back to a three year cycle.

With regard to efficient practice implementation

- Use CEF as a tool, but note that CEF has some limitations
- Work to improve CEF
- Reassess the "Dollar Bill" study by the Chesapeake Bay Commission (2004)
- Defer the discussion of a cap to the cost-share TAC
- Track on a tax ID basis, but not that some entities will have multiple IDs.

With regard to district boundaries

- Discussion would be informed by the budget template process.
- This was tabled for discussion. However if districts believe a change in boundaries would create efficiency they can submit those proposals

Mr. Weeks said that as a path forward, staff would write up the recommendations from the full committee and the subcommittee and would distribute those out for comment. From that point, staff will begin drafting a report.

Mr. Weeks said that the needs assessment needed to begin as soon as possible.

Mr. Weeks said that a peer review committee to review the budget would convene in Charlottesville on August 5. He said that information would be distributed to the group.

Mr. Weeks thanked attendees for their work with the summer study group. He said that his recommendation was that staff compile the information and send it out for comment. He said if enough comment warranted another meeting that could be set up at a later date.

The meeting was adjourned.