

**Summer Study
Cost -Share Subcommittee
July 15, 2013**

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By phone:

Megan Dalton, Shenandoah Valley SWCD
David Dowling, DCR
Jerry Ingle, Virginia Soil and Water Conservation Board
Lou Ann Wallace, VASWCD

Mr. Weeks called the meeting to order. He said that staff was making good progress toward getting the cost-share policy finalized. He said the hope was to distribute the draft policy prior to the Friday meeting of the full Summer Study committee. He said the first part of the meeting would be review and discussion of the policy.

Mr. Weeks said that the topics of discussion for this meeting were:

- Guidelines for BMP TAC to use in reviewing cost-share payment percentages. Are there guidelines that should be given to the TAC?
- Review the 60/40 split between Bay and non-Bay. Is there a funding level at which the amount given to the Southern Rivers should be capped until the WIP work is concluded?
- Discuss possible recommendations on cost-share funding sources. Are there ideas or recommendations for funding source(s) that would be more consistent than relying on a portion of the surplus?

Mr. Weeks asked if there were suggested guidelines for the TAC. He asked if there were activities that had become more common practice where cost-share should be reduced.

Ms. Kotula suggested looking at practices that were a priority in the Bay TMDL and putting a greater emphasis on those.

Ms. Dalton said that historically there has been a 75% guideline that was used even with flat-rate practices in the Ag BMP manual. She gave examples of cover crops and forestry practices. She said that the rates were basically calculated on the estimated costs of the installation of the practices.

Ms. Dalton said that historically when there have been discussions regarding percentages in cost-share there have been some thought about doing an analysis of information in the tracking program to determine how many acres are being implemented statewide. She said that perhaps with practices that have become commonplace the rates could be reduced because there is no need to incentivize.

Ms. Dalton said that the Ag BMP TAC had not spent a lot of time on rates, but had focused on the details of the practices. She said that this might be a new area for the Ag BMP TAC that would require an analysis of the data.

Mr. Moore said that data would be available through the Ag tracking program.

Ms. Dalton said that it was important to remember that the data would capture what districts have the money to pay for. She said that a lot of districts would implement more but do not because of a lack of funding.

Mr. Stoneman said that that the numbers would have to be considered on a district by district basis. He said that the 100% cost-share on stream exclusion would make a difference and skew the numbers in some districts.

Ms. Dalton said that depending on the questions asked, the data may or may not be helpful.

Mr. Weeks said that an analysis of what the data needs to be is secondary to the general discussion.

Mr. Ingle noted that in his district many practices were already begun before funding became available. Cost-share was not used as an incentive to bring in new participants.

Ms. Kotula asked if there was a way to look at what applications were actually funded.

Mr. Stoneman said that would be the only way to determine need in some places.

Ms. Frazier said that the current year should not be included in the historical data. She said that the results would be skewed because of extra funds that became available in December.

Mr. Moore said a look at FY10 through FY12 would give an indication of the percentages of practices that were implemented.

Mr. Stoneman said that it would be important to track practices applied for but that were denied.

Ms. Frazier asked if there could be snapshots of districts in each region to determine the percentages. She said that the data could be extrapolated based on those who gathered the information vs. those that did not.

Mr. Moore said that it there should be a recommendation to modify the tracking program to allow that.

Ms. Tyree said that districts have been told not to capture that data or to oversell the program.

Mr. Weeks said that perhaps the issue was that there isn't enough information. He said a different approach might be to identify what data was needed.

Ms. Dalton said that the Ag BMP TAC would be interested in providing information on general percentages. She said that would be an excellent group that could provide feedback on whether some practices should be modified. She said that she was not sure what the goal was. She said it needs to be clarified whether the goal is to modify practices that were no longer needed or whether the goal is to increase participation across the board.

Mr. Weeks said that the goal should be to use the available dollars as efficiently as possible. He said that he would not want to see a decline in practices.

Ms. Frazier said it would be helpful to identify practices that currently or within two or three years could be performed where a reduced cost-share rate would not cause a decrease in the amount of implementation.

Ms. Frazier said the other consideration was which practices need more funding.

Ms. Frazier noted that another important consideration for the TAC is to provide a rate for the cap per producer and per district. She said that things like structural practices sometimes have to be placed in some of the smallest areas. She said that there may need to be an adjustment because of looking at comprehensive planning approach.

Mr. Stoneman said that if the group was sending suggestions to the TAC that rather than send several different rates that the group look at a percentage such as 75% of whatever practices are in the program.

Ms. Frazier said that a problem with not tracking someone who continues a practice is that credit is not given for that.

Mr. Stoneman said that the practice still has to meet the specification of the program.

Ms. Frazier asked if districts would be willing to work with producers who were not getting cost-share. She noted that some producers have voluntary practices, but also receive cost-share for other practices.

Ms. Frazier asked if the 75% of the estimated costs was based on a statewide guideline.

Ms. Dalton said that it was based on local guidelines. Each district can determine the cost specific to the project. She said that costs vary around the state.

Ms. Frazier said that with the original group one of the ideas about varied cost-share is that the BMP TAC would be a good place to consider the proposals since there are a variety of participants. She said those recommendations could be shared with the Virginia Soil and Water Conservation Board as part of the strategy.

Mr. Weeks said that between this meeting and the upcoming meeting of the full committee that this concept could be developed into key points for the subcommittee to review.

Mr. Weeks said that it appeared that the group was consistent in thinking that that the Ag BMP TAC should review this information. He noted that the next meeting of the Ag BMP TAC was scheduled for August 29.

Mr. Stoneman asked if the group was asking the BMP TAC to review the percentage of cost-share for individual practices.

Mr. Moore said that from the conversation he had noted that the group should look at the percentage of reimbursements. Should there be a limit on repeat practices either in funding or time. The group should also look the \$50,000 or \$75,000 cap and the impact of resource management planning.

Ms. Frazier said that there needs to be a consideration of the historical data regarding implementation and demand from the representative districts.

Mr. Moore said that the data was needed, but that the TAC would not collect data on programs that were not implemented.

Ms. Frazier asked how NRCS collected the data.

Mr. Moore said that NRCS has the applicants submit and the applications are prioritized. With DCR the funds are allocated and then participants are signed up for the program.

Mr. Weeks said that there needed to be a review of the 60/40 split between the Chesapeake Bay area and the Southern Rivers. He asked if there was a level at which the funding to non-Bay areas should be capped as the funding increases in order to keep a focus on the WIP and the associated time frames. He said that there seemed to be a strong consensus at the first meeting that the non-Bay cost-share should continue to be funded.

Mr. Johnson said that the issue was to make sure that the split of the funding is the correct one. He said it was previously done on acreage. He asked if this could be done in a more logical manner and whether there was a better rationale for the distribution of the funding.

Mr. Stoneman asked if there was a problem with the current distribution.

Mr. Johnson said that the Bay area was unique in that there was a schedule for implanting practices. He said that the small TMDLs in the Southern Rivers region do not have a schedule.

Ms. Kotula said that MS4s have to show incremental progress that will be determined by DEQ.

Ms. Frazier said that with regard to the needs in the Bay and in the Southern Rivers that the estimates with regard to the needs in the Southern Rivers are not as clearly defined as within the Bay areas.

Mr. Johnson said that there was no current needs assessment of the Southern Rivers.

Ms. Frazier said that the Southern Rivers amounts were based on the total TMDL implementation for the Southern Rivers. The number is driven by the need to meet the individual TMDLs.

Ms. Frazier said that estimates were contained in the December 2013 study report.

Mr. Johnson said that the issue was not that there wasn't a need. He said that the need is recognized. He said that the question was a matter of prioritization. He said that he was not advocating a change, but to meet the TMDL practices for the Bay the funds could run out.

Mr. Stoneman asked about the current cap on Southern Rivers.

Mr. Moore said that the current distribution was 55% to the Bay, 37% to Southern Rivers and 8% to cost-share.

Mr. Moore said that DCR was under a mandate to meet the WIP and that the WIP focuses on the Bay.

Mr. Stoneman asked if there was a minimum amount of funding that would work to keep the Southern Rivers healthy. He said that if that number could be determined he would be comfortable with some sort of cap in funding.

Ms. Frazier said that information would be contained in the spreadsheet provided during the needs assessment.

Mr. Moore said that there was no discussion of reducing funding levels for the Southern Rivers, but the question was when a certain level of funding is reached is there a cap?

Ms. Wallace asked if there was a timeline to see all the money needed in the Bay and whether that would be adjusted to bring Southern Rivers back to necessary levels.

Mr. Glover said that given that the needs of the WIP are so large and funding is limited adjusting the goal may not make a difference.

Mr. Johnson said that it would make a difference at current funding levels.

Mr. Ingle asked about the difference between the Bay vs. the Southern Rivers in the reallocation of funding from the past year.

Mr. Moore said that the percentages were maintained. He said that he did not have the actual numbers with him at the meeting.

Mr. Weeks said that the funding was redistributed on the same 60/40 basis but that he was not certain where the funds came from. He said that staff could have that information for the Friday meeting.

Mr. Stoneman asked if there was a way to put together a proposal for consideration that would list the actual numbers. He said that was the only way there could be a discussion of making a change. He said

that his inclination would be to not move forward until there was a clear indication of what was happening in the Southern Rivers.

Mr. Glover said that one solution would be to designate any future increase in funding to the Bay and to leave the Southern Rivers at the current level of funding. He said that future funding was unknown.

Ms. Wallace said that she could support that in general but would want to hear districts in the Southern Rivers to make sure they were comfortable with that approach.

Mr. Stoneman suggested there should be a marginal cost of living increase included.

Mr. Ingle asked about a deadline with the TMDL. He said that this was the first time he had heard there was no deadline for the TMDLs in the Southern Rivers.

Mr. Weeks said that there was no enforcement component to non-source TMDLs.

Mr. Weeks moved to a general discussion regarding a consistent and reliable funding source.

Mr. Johnson said that it was not debatable that the amount of cost-share funding needed to increase. He said that his preference would be to apportion funding based on what actually needed to be done. He said that would be a monumental shift in how funding was distributed.

Ms. Frazier said that industry groups have asked for a dedicated fund.

Mr. Johnson said that it would need to be in the general fund.

Mr. Stoneman said that it was a matter of what the administration was willing to put into the biennial budget. He said that if the base amount did not have general fund dollars the amount would be difficult to reach.

Mr. Johnson said that now was the time to discuss it with the development of the biennial budget.

Ms. Frazier said that this had been an industry priority for 8-9 years.

Mr. Stoneman asked what the amount should be.

Mr. Moore said that currently there was about \$21 million total.

Mr. Stoneman said the need could be \$43 million each year for ten years. He suggested asking the governor to consider adding funding to match the difference between that amount and what is available from the surplus.

Ms. Frazier said that the \$43 million number was putting the Bay and the non-Bay together. She said that she would like to see the needs assessment before settling on an amount.

Mr. Stoneman said that regardless of the actual amount, a general fund appropriation for the base of the program is desired.

Mr. Moore noted that there was not always a surplus available.

Ms. Frazier said that was why the needs assessment was important.

Ms. Tyree asked about operational dollars. She noted that there was a lag time between the hiring and training of staff and the actual receipt of cost-share funds.

Ms. Frazier asked when the discussion on the needs assessment would begin.

Mr. Weeks said that it would make the most sense immediately after the work of the Summer Study group is completed.

Mr. Moore said that any input into the budget had to be submitted by the end of August.

Mr. Weeks thanked members for attending. He said that he would present a summary of the discussion at the full meeting of the Summer Study committee meeting on July 19.