

REPORT OF THE SECRETARY OF NATURAL RESOURCES

**2013 VIRGINIA SOIL AND WATER
CONSERVATION DISTRICTS
FUNDING STUDY**

**TO THE GOVERNOR AND
THE CHAIRMAN OF THE SENATE FINANCE AND HOUSE
APPROPRIATIONS COMMITTEES**



**COMMONWEALTH OF VIRGINIA
RICHMOND
DECEMBER 2013**

PREFACE

This report has been prepared in accordance with and fulfills the requirements of Item 360 A. 2. of Chapter 806 of the 2013 Virginia Acts of Assembly, which requests the Secretary of Natural Resources to “convene a continuing Stakeholder Advisory Group (SAG) consisting of representatives including, but not limited to, the Secretary of Agriculture and Forestry, the Department of Agriculture and Consumer Services, the Department of Conservation and Recreation, the Soil and Water Conservation Districts, the Virginia Association of Soil and Water Conservation Districts, the Virginia Farm Bureau Federation, the Virginia Agribusiness Council, the Chesapeake Bay Commission, and the Chesapeake Bay Foundation to examine funding needs for administration and operation of the Soil and Water Conservation Districts and the technical assistance they provide for implementation of agricultural best management practices needed to meet Virginia’s Watershed Implementation Plan as well as the Southern Rivers Total Maximum Daily Load limits.

The SAG was directed to conduct a review of the following and publish a report making recommendations to the Governor and the Chairmen of the Senate Finance and the House Appropriations Committees no later than October 1 of each year:

- a. The historical distribution of funding for administration and operations of all Soil and Water Conservation Districts and a projection of future funding needs and any recommended changes to the methodology for distribution of these funds;
- b. The historical distribution of funding for technical assistance for agricultural best management practices and a projection of the future funding and staffing needs necessary for Districts to provide efficient and effective technical assistance to farmers;
- c. Operational and technical assistance needs in relation to the amount of agricultural best management practices cost-share dollars allocated to the Districts; and,
- d. The process, timing and methodology for distribution of agricultural best management practices cost-share funds to be provided to farmers by the Department of Conservation and Recreation through the Districts.”

The following pages will outline the recommendations of the SAG. These recommendations are a product of SAG discussions. They do not represent recommendations of the Department of Conservation and Recreation (DCR) or the Office of the Secretary of Natural Resources. Nor were all recommendations unanimously recommended by the SAG. These recommendations are a list of ideas proposed for further consideration by the General Assembly, DCR, and the Secretary of Natural Resources as appropriate.

2013 STAKEHOLDER ADVISORY GROUP

We recognize the 2013 SAG's participants for their dedicated service to the Commonwealth and their continued commitment to Virginia's water quality goals. SAG members included:

Secretary of Natural Resources' Office

Anthony Moore, Deputy Secretary of Natural Resources

Secretary of Agriculture and Forestry's Office

Travis Hill, Deputy Secretary of Agriculture and Forestry

David A. Johnson, Department of Conservation and Recreation

Darrell Marshall, Virginia Department of Agriculture and Consumer Services

Martha Moore, Virginia Farm Bureau Federation

Katie Frazier, Virginia Agribusiness Council

Jack Frye, Chesapeake Bay Commission

Ann Jennings, Chesapeake Bay Foundation

William Street and Adrienne Kotula, James River Association

Larry Land, Virginia Association of Counties

Joe Lerch, Virginia Municipal League

Jack Bricker, U.S. Natural Resources Conservation Service (NRCS)

Herb Dunford, Virginia Soil and Water Conservation Board (Chairman) and Henricopolis
Soil and Water Conservation District (SWCD)

Jerry L. Ingle, Virginia Soil and Water Conservation Board and Daniel Boone SWCD

Gary Hornbaker, Virginia Soil and Water Conservation Board and Loudoun SWCD

Lou Ann Wallace, Virginia Association of Soil and Water Conservation Districts
(VASWCD) (President) and Clinch Valley SWCD

Don Wells, VASWCD and Hanover-Caroline SWCD

Kendall Tyree, VASWCD (Executive Director)

Megen Dalton, Shenandoah Valley SWCD

Alyson Sappington, Thomas Jefferson SWCD

Kathy Clarke, Northern Neck SWCD

Deanna Fehrer, Piedmont SWCD

Carmie Duer, Eastern Shore SWCD

In addition to the SAG, several individuals actively participated in the meetings and contributed to this report. They included:

Clyde Cristman, Legislative Analyst, Senate Finance Committee
Paul Van Lenten, Jr., Legislative Fiscal Analyst, House Appropriations Committee
Chad Wentz and Wade Biddix, NRCS
Greg Wichens, Culpeper SWCD
Jacob Powell, Virginia Conservation Network
Julie Morris and Toni Walker, Department of Planning and Budget
Katie Hellebush, Virginia Grain Producers Association

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2013 STAKEHOLDER ADVISORY GROUP

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EXECUTIVE SUMMARY

Overview

This report details the results of the study requested pursuant to Item 360 A. 2. Chapter 806 of the 2013 Virginia Acts of Assembly.

The Stakeholder Advisory Group (SAG) held two meetings on May 31, 2013 and July 19, 2013 and developed a work list for study continuation, pulling from the recommendations for continuing work those included in the 2012 report. Areas of study for the 2013 SAG included:

- Cost Reduction and Efficiency Improvement Strategies
- District and Programmatic Performance Measures and Standards
- Process for Distribution of Cost-Share Implementation Funds

To evaluate these topics, the SAG divided into three subcommittees, one focusing on each of these topics. These subcommittees met several times and developed and presented ideas to the full SAG for consideration as recommendations. The Department of Conservation and Recreation (DCR) provided staff coordination for the SAG and the subcommittees. The following is a summary of all of the recommendations generated by the subcommittees and accepted by the full SAG.

Summary of Recommendations

1. Cost Reduction and Efficiency Improvement Strategies

- Develop and maintain a District Employee Skills Database at the VASWCD.
- Support inclusion of “Best Practices” elements in the VASWCD web tools.
- Use 2014 funding to hire a professional engineer as a DCR employee or contractor to replace lost NRCS assistance.
- Consider legislative action to make Districts eligible to participate in state health insurance programs.

- Support increased funding to facilitate District participation in VRS.
- Conduct a survey of Districts to help identify inefficiencies in the delivery of the Cost-Share Program and administrative functions.
- Integrate the tracking database and QuickBooks to minimize duplicative data entry and facilitate financial reporting.
- Improve the Conservation Efficiency Factor (CEF) or develop an alternative tool to prioritize BMP implementation.
- Reassess the cost effectiveness of BMPs given technological advancements, new BMPs, and the revisions to the Chesapeake Bay Watershed Model.
- Consider changes to Cost-Share Program caps.
- Reconsider the decision to make "Nutrient Management Plan Writing and Revisions" (NM-1) a one-year practice.
- Actions to modify current District boundaries should be initiated by the Districts involved.

2. District and Programmatic Performance Measures and Standards

- Include the performance measures developed through this study in the 2015 District Grant Agreements.
- Consider more efficient methods by which information could be collected regarding the workload of Districts.
- Collect additional information regarding the possibility of market saturation in certain Districts for current Agricultural BMP Cost-Share Practices.

3. Process for Distribution of Cost-Share Implementation Funds

- Consider modifications to practice reimbursement rates through the Agricultural BMP Cost-Share Technical Advisory Committee (TAC).
- During the 2013 Agricultural Needs Assessment, the committee should re-evaluate the 60/40 split between the Chesapeake Bay and Southern Rivers/Outside-the-Chesapeake Bay.

- Establish a general fund allocation to the Cost-Share Program to supplement the current surplus based contributions to the Water Quality Improvement Fund.
- Establish a stable source of Technical Assistance so the Districts' staff can be hired and retained.

Budget Template Submission Results

The 2012 Virginia Soil and Water Conservation Districts Funding Study developed a Budget Template with the participation of staff from House Appropriations, Senate Finance, and Department of Planning and Budget. DCR received completed budget templates from all 47 Districts. After considerable review by DCR and staff of several Districts (template review committee), the Districts generally agree that the numbers are a fair representation of the funding needs of the Districts in aggregate. The analysis of the District budgets shows a need for additional operational funding. The operational funding for the current State Fiscal Year totals \$6,941,091. The difference between current funding and the need indicated in the budget template submissions is approximately \$2 million dollars. In discussions with the template review committee, the need for a basic program to provide general operational support, without regard to the amount of Cost-Share and related Technical Assistance funding allocated to each District, was the most critical need.

FUNDING STUDY DISCUSSION AND RECOMMENDATIONS

Study Background

In accordance with Item 360 A. 2. of Chapter 3 of the 2012 Virginia Acts of Assembly, Special Session I, the Stakeholder Advisory Group (SAG) in 2012 examined funding needs for administration and operation of the Soil and Water Conservation Districts (Districts) and the technical assistance they provide for implementation of agricultural best management practices needed to meet Virginia's Chesapeake Bay Watershed Implementation Plan (WIP) as well as Southern Rivers' local Total Maximum Daily Load (TMDL) limits. Further, the SAG, as directed by the General Assembly, developed District funding recommendations in a report to the Governor and the Chairmen of the Senate Finance and the House Appropriations Committees. A summary of the recommendations from the 2012 Study report with a brief status update is included in Appendix A.

Item 360 A. 2. of Chapter 806 of the 2013 Virginia Acts of Assembly requested the Secretary of Natural Resources to continue the work of the SAG.

The SAG held two meetings on May 31, 2013 and July 19, 2013 and developed a work list for study continuation, pulling from the recommendations for continuing work those included in the 2012 report. Areas of study for the 2013 SAG included:

- **Cost Reduction and Efficiency Improvement Strategies** - The goal of this effort was to recommend strategies that would improve the efficiency of Cost-Share Program delivery, thereby reducing the costs of achieving the Commonwealth's water quality goals.
- **District and Programmatic Performance Measures and Standards** - The goal of this effort was to identify specific measures and standards for Districts to aid in evaluating the delivery of Virginia's programs related to administration and operations, technical assistance, and cost-share.
- **Process for Distribution of Cost-Share Implementation Funds to Districts** - The goal of this effort was to recommend changes to the current process for distributing

cost-share funds among the 47 Districts and to better align these allocations with state water quality goals and commitments.

To evaluate these topics, the SAG divided into three subcommittees, one focusing on each of these topics. These subcommittees met several times and developed and presented ideas to the full SAG for consideration as recommendations. The Department of Conservation and Recreation (DCR) provided staff coordination for the SAG and the subcommittees.

A. Cost Reduction and Efficiency Improvement Strategies

This subcommittee focused on five major areas:

- Regional Coordination
- State and Federal Coordination
- Cost Reduction
- Efficient Practice Implementation
- District Boundaries

1. Regional Coordination

The subcommittee discussed several topics. The first was the concept of workforce sharing to maximize productivity and leverage special expertise. This concept includes the identification of Districts with sufficient staff capacity that may be willing to enter an arrangement with a proximal District that has a capacity shortfall in the short-term. By sharing the employee resource, the Districts would maximize the productivity of their employees and increase the efficiency of program delivery. While this concept was supported by the subcommittee, there was general consensus that most Districts currently have capacity shortfalls. The second concept was focused more on sharing of employees with specific expertise or engineering job approval authority. If a District rarely has the need for a particular practice, it may be inefficient to train their staff to gain and maintain the necessary job approval authority for that practice. A more efficient approach would be to borrow a qualified employee with the necessary expertise from a

District that routinely uses that practice. District members of the subcommittee said that such sharing is already happening in some places and the practice could be expanded.

The subcommittee also discussed the regional coordination of marketing efforts. While much of the state wide marketing focus is developed by DCR and implemented by the Districts to achieve common messaging regionally, there was recognition that sharing successful local marketing strategies among Districts could be useful. Much of the work of the Districts is promoting the Cost-Share Program with outreach and marketing efforts tailored to their individual District needs and local relationships with farmers which creates the necessary trust and service reliance to make the Cost-Share contracts happen.

Recommendations:

- **Develop and maintain a District Employee Skills Database.** This system would allow Districts needing a specific proficiency to find resources with the necessary skills. The system could facilitate workforce sharing among Districts, track the qualifications of District employees, and facilitate the targeting of employee training to close gaps. The system should track the qualifications and expertise of both technical and administrative employees. General consensus was that this system would be best if provided and maintained by the VASWCD.
- **Support inclusion of “Best Practices” elements in the VASWCD web tools.** The VASWCD is currently working on improvements to enhance their web functionality to better serve Districts. These improvements include the addition of the following functionality:
 - CMS (content management system) - Server-based software that holds and publishes all types of content.
 - Wiki - A visitor-edited resource such as an encyclopedia.
 - Blog - A diary or news column type of page display, normally with a comments section for readers' opinion.

- Forum - A notice board program that allows people to start new topics or respond to existing ones.

Supporting these systems as a means to collect and share best practices will improve communications among Districts and facilitate adoption of efficient business practices by the 47 unique and independent Districts.

2. State and Federal Coordination

The subcommittee spent a significant amount of time discussing the need to develop internal State engineering and training capacity to augment or replace the support from NRCS in these areas. This engineering gap was identified as a concern in the 2012 study. To reduce this gap, funding was provided for in the 2014 District Administration and Operations funding allocations to begin building this capacity. The subcommittee discussed the advantages and disadvantages of using these funds to pay private sector engineers, contracting a professional engineer through the VASWCD, and hiring the position as a DCR employee or contractor. The group concluded that hiring a professional engineer as a DCR employee or contractor was the best approach. The principal reason was the recognition that this is only the first step in building the necessary engineering and training capacity. There was recognition that some reduction in the engineering/job approval backlog may be realized through the encouragement of the regional coordination recommendations above, but the consensus of the group was that additional capacity was still needed.

Recommendation:

- **Use 2014 funding to hire a professional engineer as DCR employee or contractor.** The Fiscal Year (FY) 2014 Operations and Administration budget approved by the Virginia Soil and Water Conservation Board provides for up to \$125,000 for engineering support. The subcommittee suggested that the engineer train with and be mentored by NRCS in order to assist with District engineering demand in a well coordinated way and to gain an understanding of the services NRCS

provides to Districts. In addition to providing engineering site design, the engineer could also work to improve District internal capacity by offering training to District staff working to gain job approval authority. Finally, the engineer could evaluate the NRCS design standards and look for opportunities to reduce implementation costs of engineered practices by using more site specific or regionally modified design standards, without sacrificing lifespan or effectiveness. On September 5, 2013 the Districts were notified by the NRCS State Conservation Engineer that effective October 1, 2013, District staff could no longer operate under the Conservation Engineer's delegation for the review of engineered practices. This action has significantly increased the urgency for the State to develop the capacity to assist the Districts with engineered practices. DCR should explore the feasibility of the Districts operating under a delegation for a State engineer.

3. Cost Reduction

The subcommittee discussed several specific areas for cost reductions in operations and administration budgets. These included funding for vehicles and other equipment, personnel benefits, staff training, and insurance. Additionally, the group discussed the administrative burden associated with data entry into multiple data systems, Agricultural Best Management Practices (BMP) Tracking, Quick Books, and ToolKit. Several best practices were identified in the discussion, such as purchasing vehicle liability insurance through the State Risk Management Program and comparing vehicle procurement costs through state contracts with off-the-lot pricing. The subcommittee was supportive of capturing and sharing such "Best Practices" on the VASWCD website. While District employees are eligible for participation in the Virginia Supplemental Retirement System (VSRS), they are not eligible for State health care plans. Districts are political subdivisions so they are eligible for VSRS as local government employees, but are not eligible for the health care offered to State employees. Further, efforts by the VASWCD to pool Districts to improve health care options and reduce costs have been unsuccessful. The health care insurers viewed the Districts as individual entities. These types of personnel benefits were identified as particularly problematic for smaller Districts. In some cases, the inability to affordably offer health insurance and retirement benefits contributes to

high staff turnover rates, which drive costs up. The subcommittee recognized that some of the best gains in efficiency and productivity come from better employee retention.

Recommendations:

- **Support inclusion of “Best Practices” elements in the VASWCD web tools.** As described above, the VASWCD is currently working on improvements to enhance their web functionality to better serve Districts. Supporting these systems as a means to collect and share best practices will improve communications among Districts and facilitate adoption of efficient business practices by the 47 unique and independent Districts.
- **Consider legislative action to make SWCDs eligible to participate in state health insurance programs.** Affordable health insurance is one key to employee retention. Improving coverage options for District employees will improve employee retention and help hold down program implementation costs.
- **Support increased funding to facilitate District participation in VRS.** Some Districts have not historically participated in VRS. Districts should be encouraged to develop future budget requests to local governing bodies to include VRS participation for their employees. Improving retirement program options for District employees will improve employee retention and drive down program implementation costs.
- **Conduct a survey of Districts to help identify inefficiencies in the delivery of the Cost-Share Program.** A survey of SWCD staff and Directors was discussed as a way to identify, prioritize and seek suggested solutions to identified inefficiencies. The inefficiencies may include bureaucratic, administrative, data management, paperwork, or field work related issues.
- **Integrate Tracking database and QuickBooks to minimize duplicative data entry and facilitate financial reporting.** This recommendation would first require

adoption of QuickBooks with a common chart of accounts by all Districts. Once in place, common reports could be developed in the tracking database and QuickBooks that export/import data between the two systems. Additionally, custom reports should be developed to replace current financial reporting requirements and facilitate District budget development.

4. Efficient Practice Implementation

The subcommittee discussed ways to prioritize practices for implementation to gain the greatest water quality benefit for the money spent. The discussions included the idea of targeting larger farms, the impact of program caps, and decision support tools. The group also discussed some specific practices and programmatic incentives and their impact on District technical assistance and administrative workloads.

Recommendations:

- **Improve CEF or develop an alternative tool to prioritize BMP implementation.** The Conservation Efficiency Factor (CEF) is calculated by the tracking program for many BMPs as a tool to help Districts prioritize practices for funding. The CEF uses nine different components, including soil loss data that is inputted by the Districts, as well as the environmental information associated with the geographic location of the practice, to generate a factor used to rank the proposed practice with other BMPs. The tool is effective for comparing like practices, but is not accurate when comparing dissimilar BMPs. The tool should be improved to calculate for all BMPs and allow for comparison across all practices. If CEF cannot be adapted in this way, an alternative tool should be developed.
- **Reassess the cost effectiveness of BMPs given technological advancements, new BMPs, and the revisions to the Chesapeake Bay Watershed Model.** In December 2004, the Chesapeake Bay Commission published a report titled *Cost-Effective Strategies for the Bay: Smart Investments for Nutrient and Sediment Reduction*. This

report became known as the “Dollar Bill Study” because the cover of the report was designed to look like a dollar bill. The study evaluated BMPs available in the Bay Model and calculated the cost per pound of nutrient reduction for the practices. The result was a list of the most cost efficient practices available. This work should be updated to account for the many changes in the program since 2005. The results could help guide DCR and the Districts as they make decisions on programmatic incentives and project selection.

- **Consider changes to Cost-Share Program caps.** The subcommittee suggests that the BMP Cost-Share Technical Advisory Committee (TAC) explore alternative cap options in their deliberations for the 2015 program year. The caps limit the total amount of funds an individual farmer can receive in Cost-Share. The caps allow the Districts to more widely distribute funding among the farmers, but also may be seen as penalizing large farmers. Specific suggestions to consider include:
 - No cap
 - Cap only non-structural practices [such as SL-8B (Small Grain Cover Crop for Nutrient Management), NM-1 (Nutrient Management Plan Writing and Revisions), and SL-15A (Continuous No-till System)]
 - Apply a cap to a single Tax ID number, an individual participant, or a controlling entity
 - Modify caps to encourage certain BMPs such as those needed for Animal Feeding Operations/small dairies or to implement Resource Management Plans (RMPs)

- **Reconsider decision to make NM-1 (Nutrient Management Plan Writing and Revisions) a one-year practice.** This BMP was previously a 3-year contractual practice with three annual payments. Due to the complexities of tracking out-year obligations and the perception that funds were not being expeditiously spent, the practice was changed to a one-year practice in 2012. The unintended consequence was that Districts had to process three times the paperwork and do three times the data entry when producers came in each year to sign up instead of every third year.

The subcommittee recommends returning to a 3-year practice where DCR makes full payment to the District the first year. The District would then make annual payments to the farmer which would incentivize the producer to keep the plan up-to-date.

5. District Boundaries

The subcommittee was unable to identify any specific boundary change recommendations.

Recommendation:

- **Any actions to modify current District boundaries should be initiated by the Districts involved.** Districts who see opportunities to gain efficiency through changing their service area should initiate discussions with the other District(s) that would be impacted by the boundary change. If there is agreement between the affected Districts that the change would be mutually beneficial, the recommended boundary change and projected benefits should be jointly presented to DCR, the Virginia Soil and Water Conservation Board, and the General Assembly for consideration.

B. District and Programmatic Performance Measures and Standards

The subcommittee focused on developing Operations and Cost-Share performance measures and standards to replace the current deliverables contained in the District Grant Agreements. The products of the subcommittee's efforts are included as Appendix B and Appendix C of this report. Both sets of performance measures would allow for Districts to be graded on an "A", "B", and "C" grading scale, a system that has been used for the Grant Agreements related to administration and operations.

The subcommittee discussed issues related to assessing District workload factors that impact the resources needed to deliver the Cost-Share Program. For instance, it is not known how the agricultural BMP tax credit program affects the overall workload of the District. There was also a recognition that technical assistance dollars are only provided with the Cost-Share Program and

not with other incentives, such as the tax credit program. The subcommittee also discussed the effect of paying cost-share at 100% for stream exclusion practices (identified as SL-6), as approved for FY 2014. They also discussed how the increase in applications for Conservation Reserve Enhancement Program (CREP) funding could affect overall District workload.

There was also a discussion of possible market saturation, and subcommittee members recognized that more research was needed on this topic to determine how it might affect the delivery of the Cost-Share Program.

Recommendations:

- **Include the performance measures developed through this study in the 2015 District Grant Agreements.** Recommended performance measures for Operations and Administration are included in Appendix B of this report. Recommended performance measures for Cost-Share are included in Appendix C of this report. DCR will need to develop a new District self-assessment form for FY15 based on both sets of performance measures. It will be formatted to allow for District comments on their individual deliverables in a given program year, which is the current practice for assessing Cost-Share deliverables.
- **Consider methods by which information could be collected on overall workload of Districts.** Accurate workload measurements would enhance the Districts' ability to seek additional funding as well as provide for the fair and equitable distribution of funding by the VSWCB.
- **Collect additional information on possible market saturation.** If additional resources are provided for such purpose, DCR should undertake an effort to study this issue to determine how possible market saturation could affect Districts and Cost-Share Program delivery.

C. Process for Distribution of Cost-Share Implementation Funds to Districts

The subcommittee considered changes to the current process for distributing Cost-Share funds among the 47 Districts, to better align these allocations with state water quality goals and commitments. A key element of the discussions involved identifying funding strategies to provide stable Technical Assistance support for the Districts. Significant time was spent updating the SAG on the 2014 allocation methodology and associated Policy.

Recommendations:

- **Agricultural BMP Cost–Share TAC should consider modifications to practice reimbursement rates.** The subcommittee agreed that the level of Cost-Share payments for BMPs should be reviewed to ensure that the Cost-Share Program is meeting the goals of the Chesapeake Bay WIP and local TMDL goals in a cost effective manner. The TAC, a committee of scientist and stakeholders that meets annually to consider and propose changes to BMP practices and Cost-Share percentages, should try to identify practices where a reduction in Cost-Share reimbursement would not cause a reduction in the use of that BMP by farmers; as well as identify those BMPs that are underutilized and may need more Cost-Share to more effectively promote them. Some practices might be funded for only a set number of years at a specific farm. The Program should maintain enough Cost-Share to provide an incentive to report on practices that are beyond the lifespan of the Cost-Share.
- **During the 2013 Agricultural Needs Assessment, the committee should consider the 60/40 split between the Bay and Southern Rivers/Outside-the Chesapeake Bay.** The committee discussed the concept of capping Cost-Share at a certain level in the Southern Rivers/Outside-the-Chesapeake Bay watershed, if funding increases and until the Chesapeake Bay WIP commitments are met. If such a cap is to be implemented, it should be at the level determined by the Agriculture Needs Assessment process. The Agriculture Needs Assessment process includes a group of

stakeholders that meet annually with DCR staff to update estimates of the cost to implement the Agricultural BMPs needed to meet water quality goals. There was no consensus that this should be done but there was a general consensus that this is a workable approach and the issue should be referred to the Needs Assessment stakeholder group.

- **Explore a general fund allocation to the Cost-Share Program to supplement the current surplus based contributions to the Water Quality Improvement Fund.**

A general fund appropriation at a fixed level, or increasing level as a phase-in, is needed in addition to the current funding sources for Cost-Share. The State needs a stable and orderly process for changes to the Cost-Share funding to the Districts. The State should review the alignment of the Cost-Share allocation process with the Chesapeake Bay WIP and the Agricultural Needs Assessment.

- **Explore a stable source of Technical Assistance funding so the Districts' staff can be hired and retained.** Fluctuating Technical Assistance funding makes the Districts reluctant to hire new staff. Funding Technical Assistance at eight percent of the Cost-Share, results in Technical Assistance fluctuating with variations in the annual surplus which partially funds the Water Quality Improvement Fund (WQIF) and its subfund, the Virginia Natural Resources Commitment Fund (VNRFCF). An increase in technical staff is needed to adequately track and document the potential need and interest in Cost-Share on the part of farmers. In addition, extensive work needs to be done with the farmers prior to getting to the stage where they are ready to apply for Cost-Share. A recommended approach was to move Technical Assistance to the Operation and Administration funding with an increase in General Funds; or by establishing a floor on the VNRFCF funding of Technical Assistance similar to that for the Recordation Fee funding. It was recognized that a base level of stable funding was needed for Districts to administer and deliver the Cost-Share Program and to properly manage their Districts. Legislative and/or Appropriation Act changes would be needed to implement either of these changes.

Budget Template Submission Results

The 2012 Virginia Soil and Water Conservation Districts Funding Study developed a Budget Template with the participation of staff from House Appropriations, Senate Finance, and Department of Planning and Budget. The Funding Study recommended that the Districts complete this budget template for FY 2015. The information from the budget templates would then be used as a basis for recommending funding for the FY 2015 - 2016 Biennial Budget. The Districts were required as part of their contract for Operations and Administration Funding to complete and submit the template to DCR by July 15, 2013. DCR received completed budget templates from all 47 Districts. The District budgets turned out to be more complex than anticipated and consequently it was realized the template instructions were not as specific as needed. It will likely take another iteration of the template and guidance before the numbers are accurate and consistent at the program level for each District. However, after considerable review by DCR and staff of several Districts (template review committee), the Districts generally agree that the numbers are a fair representation of the funding needs of the Districts in aggregate.

Soil and Water Conservation Districts FY 2015 Budget Template Summary

Expense Category	Budget Template Totals
Personnel and Fringe Benefits (FICA, retirement, etc)	\$5,994,791
Staff Travel, Training, and Meetings	\$305,884
Vehicles and Mileage	\$243,957
Rent and Utilities	\$458,136
Support Expenses (inform. systems, office supplies)	\$449,670
Equipment (field gear, computers, copiers)	\$269,786
Directors' Travel, Training, and Meetings	\$234,777
Dams	\$497,753
Other Expenses	\$503,112
GRAND TOTALS	\$8,957,866

The stakeholders and the template review committee understand that the Administration's budget process is separate from this budget template process. The analysis of the 47 District budgets

shows a need for additional operational funding. The operational funding for the current State Fiscal Year totals \$6,941,091. The difference between current funding and the need indicated in the budget template submissions is approximately \$2 million dollars. In discussions with the template review committee, the need for a basic program to provide general operational support, without regard to the amount of Cost-Share and related Technical Assistance funding allocated to each District, was the most critical need. Additionally, the current allocation for director travel and training does not reflect the actual needs and a case was made that this should be re-benchmarked. In addition to the amounts identified above, \$170,000 in funding must also be provided for District Administrative Support (audits, bonding, Association contract, and training).

As we work to refine this process for the development of future State budget submittals, several enhancements to the template and supporting information are needed to make this process as meaningful as it needs to be. First, there is information included in the template that while informative, did not add to the process of determining the State funding needs of the Districts. We will work with the template review committee to simplify the template. Second, there are a number of budget categories in the administration of the Districts that may need to be standardized, at least in how these categories receive financial support from the State. These categories include for example, the funding of vehicle expenses and employee benefits. It needs to be determined whether the State should fund vehicle replacements and mileage reimbursements or health insurance for some Districts and not for others as appears to be the case now, or develop standardized methods of determining equitable payments to all the Districts in these categories. A third category includes developing sound measures of work load and potential differences in costs based geographic location, in an effort to help differentiate the funding needs of the Districts with a better reflection of the work load and work area.

APPENDICES

Appendix A: Progress on 2012 Summer Study Activities

Appendix B: Operations and Administration Performance Measures

Appendix C: Cost-Share Performance Measures

Appendix A: Progress on 2012 Summer Study Activities

Status	2012 Summer Study Recommendation	Progress
Complete	Modify Appropriation Act language to include three service areas for District Funding: <ul style="list-style-type: none"> • District Technical Assistance • District Financial Assistance • Cost-Share Program Funding 	Budget language for 2014 includes: <ul style="list-style-type: none"> • Financial Assistance - 50320 • Technical Assistance - 50322 • Cost-Share Program Funding – 50323
Considered	2014 State Funding Recommendations.	<ul style="list-style-type: none"> • Overall funding levels for 2014 higher than previous year
Underway	Initiate use of District budget forecasting for operations and technical assistance to inform FY2015-16 Biennial budget. Budget submissions to DCR by July 15, 2013 (June 15 th in subsequent years).	<ul style="list-style-type: none"> • 2014 Grant Agreement modified • Guidance and template distributed to Districts • User training <ul style="list-style-type: none"> ○ 5/22 @ 2pm ○ 5/27 @ 9am ○ 6/19 @ VASWCD Training • Peer review process underway
Underway	Identify solution to expanding demand for engineering support to Districts.	<ul style="list-style-type: none"> • Survey to quantify engineering backlog • Up to \$125,000 approved for additional engineering support in 2014
Underway	Identify solution for information technology needs at Districts.	<ul style="list-style-type: none"> • \$300,000 in additional funding provided for IT procurement in 2013
Considered, Not Adopted	2014 Ag BMP Cost-Share dollars should be allocated to Districts using the same methodology utilized in 2013.	The final allocation methodology for 2014 was presented to the SAG on July 19, 2013 and documented in DCR Policy available at http://www.dcr.virginia.gov/laws_and_regulations/lr8b.shtml
Under Consideration	Develop an internal training and certification program for District staff to replace or augment the current NRCS Conservation Planning Certification training agreement. This initiative overlaps with work for RMP conservation planner certification.	<ul style="list-style-type: none"> • Alternatives analysis is being developed for consideration in 2015-2016 budget process

Appendix B: Operations and Administration Performance Measures

Grant Agreement Performance Deliverable	Fully Satisfied “A”	Partially Fulfilled “B”*	Did Not Fulfill “C”*
<p>1. Demonstrates leadership by promoting nonpoint source pollution reduction and related conservation efforts through support of, reporting for, and/or implementation of the following programs:</p> <ul style="list-style-type: none"> • The Virginia Agricultural BMP Cost-Share Program • The Virginia Agricultural BMPs Tax Credit Program • BMP Revolving Loan Program • Conservation Reserve Enhancement Program (CREP) • Voluntary BMP installation • Agricultural Stewardship Act • Nutrient management plans • Support for Resource Management Plans (RMPs) 	<p>Demonstrates implementation of all listed programs applicable to the District. Demonstrates leadership in the conservation of soil and water resources.</p>	<p>Implements and supports conservation programs and initiatives applicable to the District but fails to effectively carry out or support one program.</p>	<p>Fails to deliver and/or support programs and initiatives applicable to the District with multiple deficiencies demonstrated. Leadership in the conservation of soil and water resources is lacking or nonexistent.</p>
<p>2. Wherever applicable, actively participate in the local development and implementation of the following programs and initiatives:</p> <ul style="list-style-type: none"> • The Water Quality Improvement Act • Chesapeake Bay and Virginia Waters Clean-Up Plan (§62.1-44.117 of the Code of Virginia) actions • The Chesapeake Bay Total Maximum Daily Load (TMDL) • The Chesapeake Bay Preservation Act • Virginia’s Healthy Waters initiatives • Local TMDL development and implementation processes • Land conservation initiatives consistent with any state-identified priorities • Sound land use and watershed planning approaches • Environmental Education programs 	<p>Demonstrates implementation of all listed programs and initiatives applicable to the District.</p>	<p>Implements and supports programs and initiatives applicable to the District but fails to effectively carry out or support one program.</p>	<p>Fails to deliver and/or support programs and initiatives applicable to the District when funding is made available, with multiple deficiencies demonstrated by the District.</p>
<p>3. Actively support and foster partnerships to deliver natural resource conservation programs with consideration to resource needs and issues with local governments, the agricultural community, agencies, organizations, councils, roundtables and others to protect soil resources, improve water quality, and further natural resource conservation. Consideration shall be given to watersheds within the District, and watersheds that flow beyond District boundaries.</p>	<p>District is proactive and provides leadership in accomplishment of this goal.</p>	<p>District responsive to crisis situations after problem has developed.</p>	<p>District passive and reluctant or lacks commitment in forming relationships with other conservation groups. Fails to keep abreast of current events that impact soil and water resources locally.</p>
<p>4. Hold monthly meetings with a quorum of District board members present.</p>	<p>10 or more meetings.</p>	<p>8 or 9 meetings.</p>	<p>7 meetings and fewer.</p>

<p>5. Develop and maintain a long-term plan that enhances District capabilities, on a 4-year cycle through a facilitated process with participation by District stakeholders. Review of the plan is expected at least annually during a scheduled meeting of the District Board. This plan should contain, at a minimum, a discussion of District goals and/or objectives and include strategies or action items to achieve each of those goals in order to implement the applicable programs covered in this agreement.</p>	<p>A current plan exists that addresses all applicable District goals, objectives, strategies, and/or action items.</p>	<p>Where a lapsed plan exists, a new plan is under development and District goals, objectives, strategies, and/or action items are also being addressed.</p>	<p>The current plan has lapsed, and no action underway for plan development. District has not addressed any goals, objectives, strategies, and/or actions items.</p>
<p>6. Prepare and follow an annual plan of work that demonstrates how the District will implement specific strategies or action items in support of its long-term plan.</p>	<p>An annual plan was completed and substantially followed, with quarterly Board progress review.</p>	<p>Annual plan of work prepared, but not used or referred to or only partially completed.</p>	<p>An annual plan of work was not prepared, is substantially incomplete or was not followed.</p>
<p>7. Submit meeting minutes from all routine and special meetings of the District Board and a copy of District publications (including an annual plan of work, an annual report, and the long-term 4-year plan) to the District's assigned Conservation District Coordinator (CDC).</p>	<p>Received all minutes and a copy of an Annual Plan and Annual Report.</p>	<p>Received some portion of minutes and other documents.</p>	<p>CDC received no minutes or documents.</p>
<p>8. Submit a completed <u>Attachment D (Itemized District Budget Request Form)</u> for Fiscal Year 2016 to the Department by the latter of June 15, 2014, or 60 days after receipt of a final budget package from DCR.</p>	<p>District budget request received by due dates and was substantially complete.</p>	<p>Some portion of required budget request was late and/or incomplete.</p>	<p>The entire District budget request is late and/or incomplete.</p>
<p>9. Submit quarterly financial reports to the District's assigned CDC utilizing the Fiscal Year 2015 electronic copy of the <u>Attachment E (Project Financial Report)</u>.</p>	<p>All reports received by due dates.</p>	<p>Some portions of required reports are late.</p>	<p>Every report is late.</p>
<p>10. Annually review and maintain employee position descriptions, performance expectations, and the District personnel policy; also conduct annual employee evaluations. Provide the District's assigned CDC with a copy of employee position descriptions and the District personnel policy once updated documents are resolved.</p>	<p>All personnel documents and annual review/evaluation processes are current and/or complete.</p>	<p>Some portion of personnel documents and annual review/evaluation processes are current and/or complete.</p>	<p>No personnel documents and review/evaluation processes are current and/or complete. Annual reviews and evaluations not occurring.</p>
<p>11. Provide data and other information needed for preparation of legislative studies and reports that pertain to programs and services delivered by Districts, as requested by the Department to support nonpoint source pollution reduction initiatives that improve water quality including information necessary to fulfill reporting specified within the Virginia Natural Resources Commitment Fund [§ 10.1-2128.1 of the Code of Virginia.]</p>	<p>All Department and/or the Virginia Soil and Water Conservation Board requests for information/assistance were fully addressed.</p>	<p>The Department's and/or the Virginia Soil and Water Conservation Board's requests were partially addressed with shortcomings that could include incomplete information; response delays and other factors.</p>	<p>No cooperation and/or assistance provided when requested by the Department and/or the Virginia Soil and Water Conservation Board.</p>

<p>12. Ensure staff implementing the Virginia Agricultural BMP Cost-Share Program, and other agricultural related programs, obtain the USDA Virginia Natural Resource Conservation Service (NRCS) conservation planning certification within 24 months of employment with a District (dependent upon availability of all required courses with a demonstration of good progress if 24 months is exceeded) and engineering job approval authority for appropriate BMPs within the service area of the District. Conservation planning certification and engineering job approval authority should be maintained thereafter. Depending on BMPs implemented by the District, higher levels of conservation planning certification may be required.</p>	<p>Affected technical staff has achieved and are maintaining appropriate levels of certification and job approval.</p>	<p>Affected technical staff has not achieved all appropriate levels of certification and job approval authority but activity is in progress towards achievement of appropriate levels.</p>	<p>Affected technical staff has not achieved the appropriate levels of certification and job approval authority and progress towards achievement is not underway or planned.</p>
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* The basis for the ratings that are scored “Partially Fulfilled” or “Did Not Fulfill” will be documented through written comments by the CDC and discussed during a meeting of the District Board and staff. Such results will be shared with the Virginia Soil and Water Conservation Board for their review and consideration.

Appendix C: Cost-Share Performance Measures

Department/District Grant Agreement No. «AgreementN»

JULY 24, 2013

ATTACHMENT C (Evaluation Guidance for Department/District Fiscal Year 20xx Grant Agreement Performance Deliverables)

Grant Agreement Performance Deliverable	Fully Satisfied “A”	Partially Fulfilled “B”*	Did Not Fulfill “C”*
1. Did the District submit secondary considerations by June 30, or by a later date determined by DCR, and receive DCR approval prior to the District approving cost share applications?	Yes	Score of Partially Fulfilled N/A	No
2. Did the District follow its primary and secondary considerations, and/or act consistently with other DCR policies, in ranking every cost share application?	Yes	Score of Partially Fulfilled N/A	No
3. What percentage of the District’s VACS (cost-share) allocation for this fiscal year was obligated to a producer?	≥90%	< 90% >75%	≤75%
4. Did the District take appropriate action within 180 days to address all spot check issues once identified?	100%	<100% >75%	≤75%

<p>5. Did the District maintain the Ag BMP tracking program within two weeks of payments being rendered and other records no less than quarterly throughout the program year? Does the District continue to maintain, complete case files, as evidenced by the prior year's spot checks and case file check lists? (Note: checklist to be developed prior to FY15)</p>	<p>Yes</p>	<p>Score of Partially Fulfilled N/A</p>	<p>No</p>
<p>6. Did the District meet quarterly and end of year reporting deadlines for submission of quarterly reports?</p>	<p>100%</p>	<p><100% >75%</p>	<p>≤75%</p>
<p>7. Quarterly reports were complete and accurate, and did not require more than minimal CDC involvement to balance and report on all cost-share data.</p>	<p>100%</p>	<p><100% >75%</p>	<p>≤75%</p>
<p>8. Did Districts act consistently with both primary and secondary considerations while also demonstrating the following priorities during the program year:</p> <p>for Districts within the Chesapeake Bay basin, Districts shall give priority to BMPs addressed within the Virginia Chesapeake Bay Watershed Implementation Plan and;</p> <p>for Districts in non-Chesapeake Bay basins, priority shall be given to BMPs in the highest priority agricultural TMDL watersheds (as ranked by the Department; high, medium, and low).</p>	<p>100%</p> <p>District ranked all cost share applications consistent with primary and secondary considerations and other applicable program priorities</p>	<p><100% >75%</p> <p>District ranked all cost share applications consistent with primary and secondary considerations and was generally consistent with other applicable program priorities</p>	<p>≤75%</p> <p>District ranked some cost share applications inconsistent with primary and/or secondary considerations and/or was generally inconsistent with other applicable program priorities</p>

<p>9. Did the District actively identify farm operations that are generating NPS pollution problems and focus recruitment on those owners and/or operators for participation in agricultural BMP incentive programs? From those agricultural producers whose farms are contributing NPS loads, did the District strive to engage as many new program participants as is possible (agricultural producers that have not received program funds within the past 5 years)? (Note: this recommendation will be implemented when the Ag BMP Tracking Program can calculate the percentage of new participant producers)</p>	<p>≥ 20% of cost share allocation to new signups</p>	<p><20% ≥10% of cost share allocation to new signups</p>	<p>< 10% of cost share allocation to new signups</p>
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Does the District have documentation to explain any measures in their grant agreements there were not fully met? If so, please provide to CDC.