

Virginia Association of Soil & Water Conservation Districts Position Paper on Agricultural BMPs, Cost Share Programs, and Tax Incentives

Issue – Voluntary actions on the part of farmers is the primary way that Virginia attempts to deal with non-point source pollution (NPS) resulting from agricultural activities. Tax incentives are a powerful motivating factor in order to encourage implementation of best management practices (BMPs). Cost Share is a direct sharing between the landowner and the Commonwealth of the costs involved with installing BMPs. Soil and Water Conservation Districts (SWCDs) are the primary vehicle for encouraging and implementing these practices.

Currently, the major programs in the Commonwealth of Virginia to promote conservation practices are the Virginia Agricultural BMP Cost Share Program, USDA Environmental Quality Incentive Program (EQIP), and the Conservation Reserve Enhancement Program (CREP). Individual SWCDs are allocated specific amounts to be administered during the fiscal year (July to June) and accept applications from landowners and managers. EQIP and CREP follow guidelines and regulations of USDA. District staff and its partner agencies provide technical assistance to ensure BMPs are planned and implemented according to program needs. Program participants can receive 75% of the cost of projects up to \$50,000.00 per program year. Each district is able to set different limits or caps under those amounts if they choose to.

The main source of state funding for the Virginia Agricultural BMP Cost Share Program is the Water Quality Improvement Act (WQIA), which is 10% of the previous years state surplus (or as appropriated by the General Assembly). Of course this amount varies from year to year and is split in some arrangement between the Cost Share Program and water quality projects. While in recent years WQIA has been a significant source of funding, there is no assurance it will be in the future. Due to the current budget problems in Virginia, there may be no funds available from WQIA.

In addition to state funding from WQIA, for many years DCR has made use of federal funds that originate from contracts with EPA to further support the Cost Share program. During the 2000 program year, combined state and federal funding for this statewide program totaled \$13 million. During the 2001 program year, the combined total funding was \$7.7 million. Districts could use up to 20% of their program allocations during 2001 to support their technical and administrative costs that are associated with program implementation. There are also a few other sources that could be accessed, but those are either tied to the fact that the property is located on an officially recognized impaired section with a developed strategy (TMDL), or is located within the Chesapeake Bay Basin.

A primary purpose of these voluntary programs is to implement the developed Tributary Strategies for the James, York, Rappahannock, and Lower Coastal basins. Also these programs will assist to maintain the 40% cap on reductions made in connection with the Shenandoah and Potomac Tributary Strategies.

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There are several other programs that rely on incentives to encourage voluntary participation:

Virginia BMP Tax Credit Program – This program allows individuals to take a credit on their state taxes of 25% of their out of pocket expenses for the cost of the BMP that is being implemented.

Equipment Tax Credit – This allows for a state tax credit of 25% of the purchase cost of a piece of no till equipment (or \$2500 whichever is less). Under a similar program covering pesticide and fertilizer application equipment, the same is true except that the dollar amount of the exception is increased to \$3750.

Revolving Loan Fund for Structural BMPs – DEQ administers a fund that can provide low interest loans (3%) for structural BMPs such as litter sheds or manure tanks. District administration is still an integral part of this program as well.

Small Business Environmental Assistance Fund – DEQ and the Department of Business Assistance jointly administer a fund that provides low interest loans (3%) for the implementation or purchase of structural BMPs. Conservation plans approved by the district are very important to this program.

Why is it important –

- Technical assistance for BMPs is the primary role of SWCDs in the state. Without these programs Districts would be without the primary tool that we have to solicit support for conservation practices in our regions.
- Our staff would not be able to aggressively market these practices without adequate levels of funding from year to year.
- It is entirely possible that if the pollutant reductions were unable to be achieved with these voluntary programs, that the alternative that would be imposed or chosen would be of a regulatory nature.
- Consistency is critical to conservation remediation programs and Cost Share Programs are not an exception. Twenty percent of the allocation may be used by the district to implement the practices. Therefore, staff availability is dependant on consistent size of allocations.

Rationale –

Districts are the infrastructure through which the voluntary, incentive based programs are achieving progress to prevent agricultural non-point source water pollution. Public investment in these programs has been shown to be an efficient and effective way of solving this problem. The alternative of unfunded mandates is a possibility that is not worthy of serious consideration. We must maintain and hopefully increase the levels of support currently being used. The current sources of support are only dependable with the existence of a state surplus and that is far from a certainty. As the surplus is reduced, so will be the resources of these voluntary programs.

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Policy

- This is a budgetary consideration. The VASWCD will continue to seek support for Agricultural BMPs and Cost Share Programs - Funding and Tax Incentives both at the state level through the General Assembly and at the federal level through Congress.

- We need to begin the process of finding a more dependable source of support for these programs. This will involve finding interested and supportive legislators and persuading them to help us find those sources.

ADOPTED: December 10, 2002

EXPIRES: December 31, 2006