

Stream Restoration Projects Receive Duplicative State Funding and Inadequate Performance Management

A presentation to the
Joint Legislative Program Evaluation Oversight Committee

March 11, 2019

Jim Horne, Principal Program Evaluator



Our Charge

Evaluate efficiency and effectiveness of the grant application process for stream restorations administered by DEQ's Division of Water Resources under Natural Resources Conservation Service's Environmental Quality Incentives Program (NRCS-EQIP)

Team included Jake Ford and Sean Hamel

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Overview: Three Findings

1. State funding for Western Stream Initiative projects is duplicative, which challenges program transparency and has resulted in overpayment of grant funds
2. Performance of WRDG-EQIP grants is not actively monitored; available performance measures indicate diminishing results
3. WRDG-EQIP grant award calculations are imprecise and have the potential of overawarding funds



Overview: Three Recommendations

The General Assembly should

1. Consolidate grant resources for WSI projects into WRDG-EQIP or CWMTF
2. Direct WSI grant administrator to improve performance management of state grant funds
3. Direct State Auditor to perform audit of state funds for WSI projects



Background



What is Stream Restoration?

Stream restoration is the practice of restoring the natural function of the stream corridor and improving water quality by reducing sedimentation to streams from the streambank

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Stream Restoration Projects Have Four Components or Phases

1. Planning, Site Assessment, and Design
2. Permitting
3. Construction
4. Oversight and Administration

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Before Stream Restoration



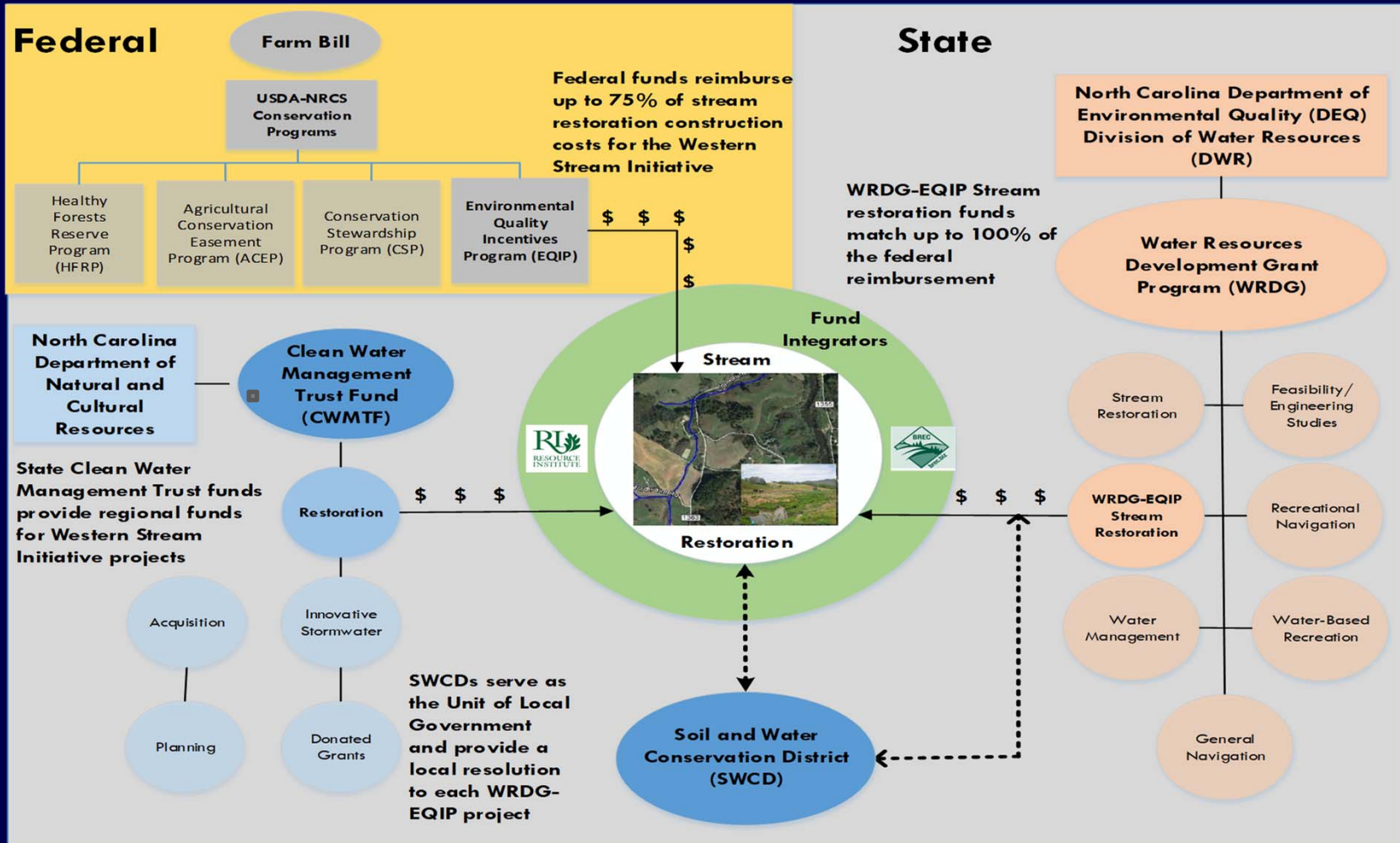
Photo Courtesy of DEQ

After Stream Restoration



Photo Courtesy of DEQ

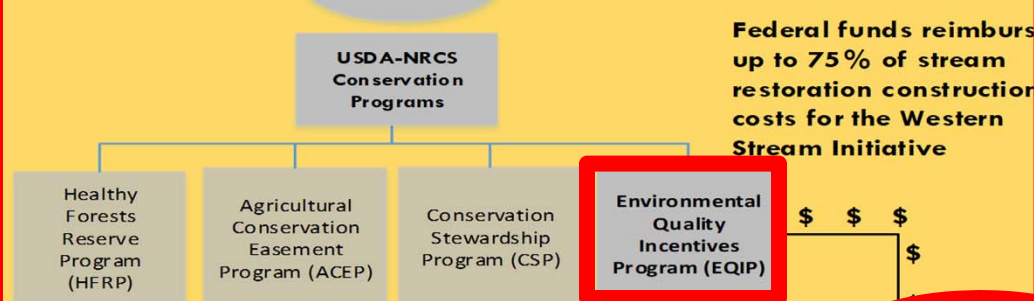
Federal and State EQIP for Stream Restoration Projects Involves Several Components and Stakeholders



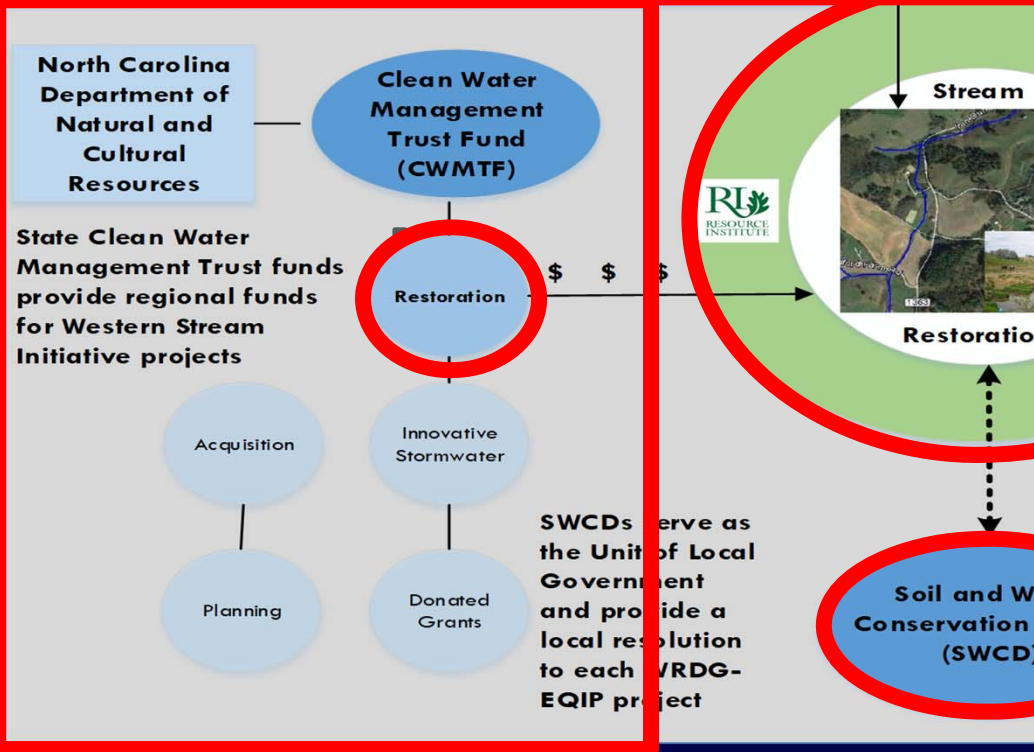
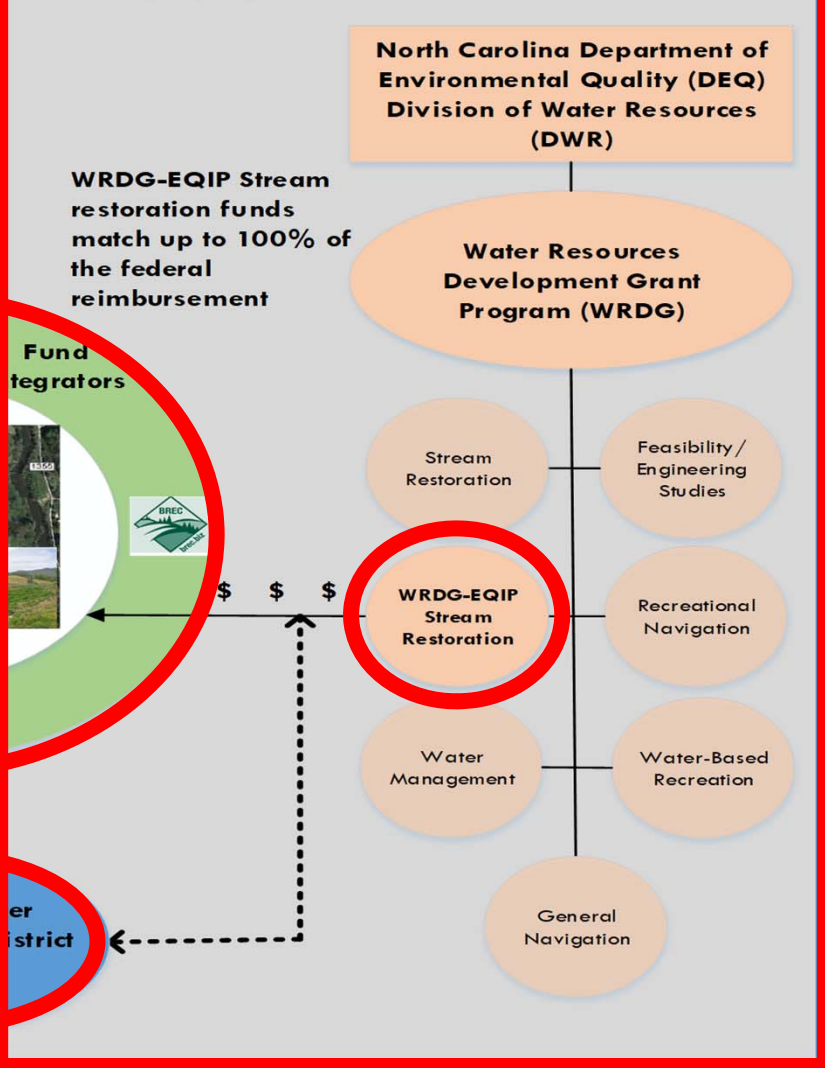
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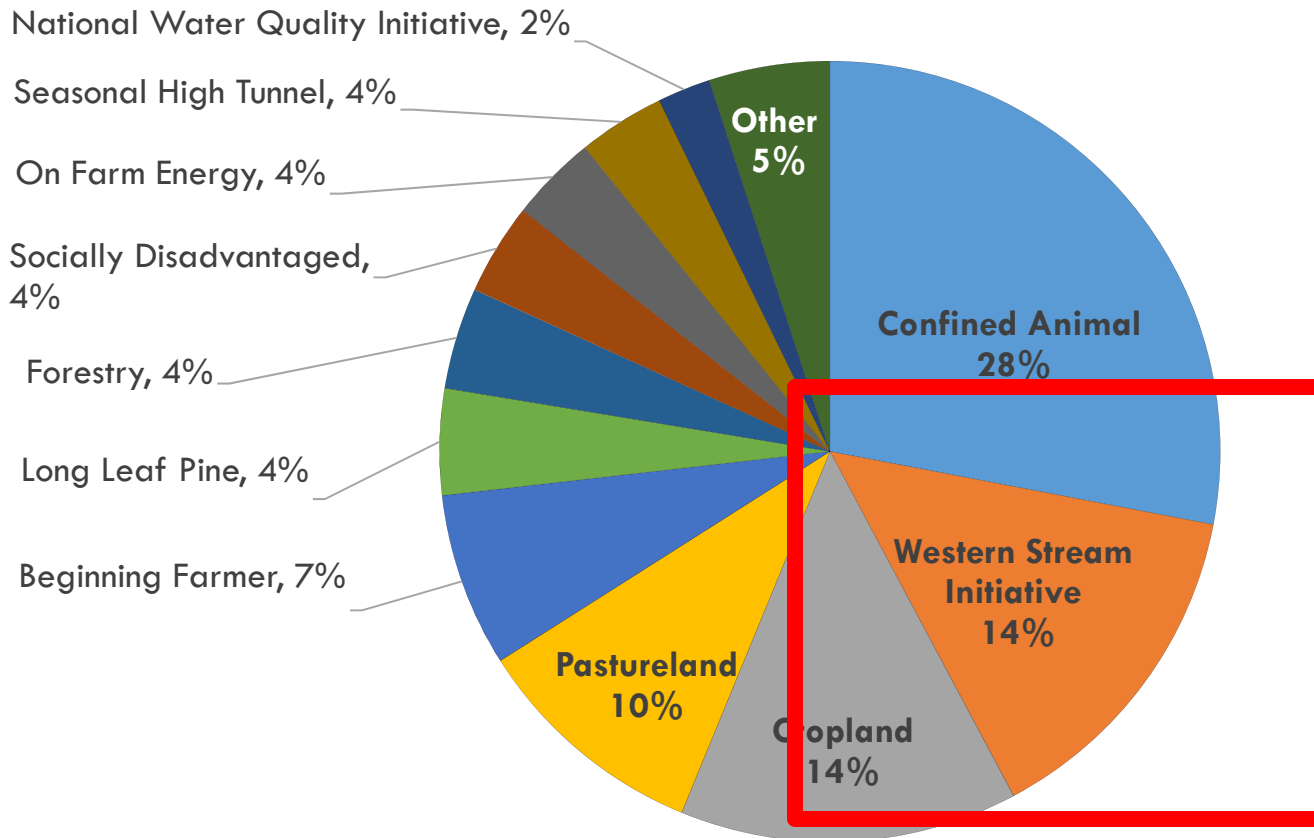
Federal



State



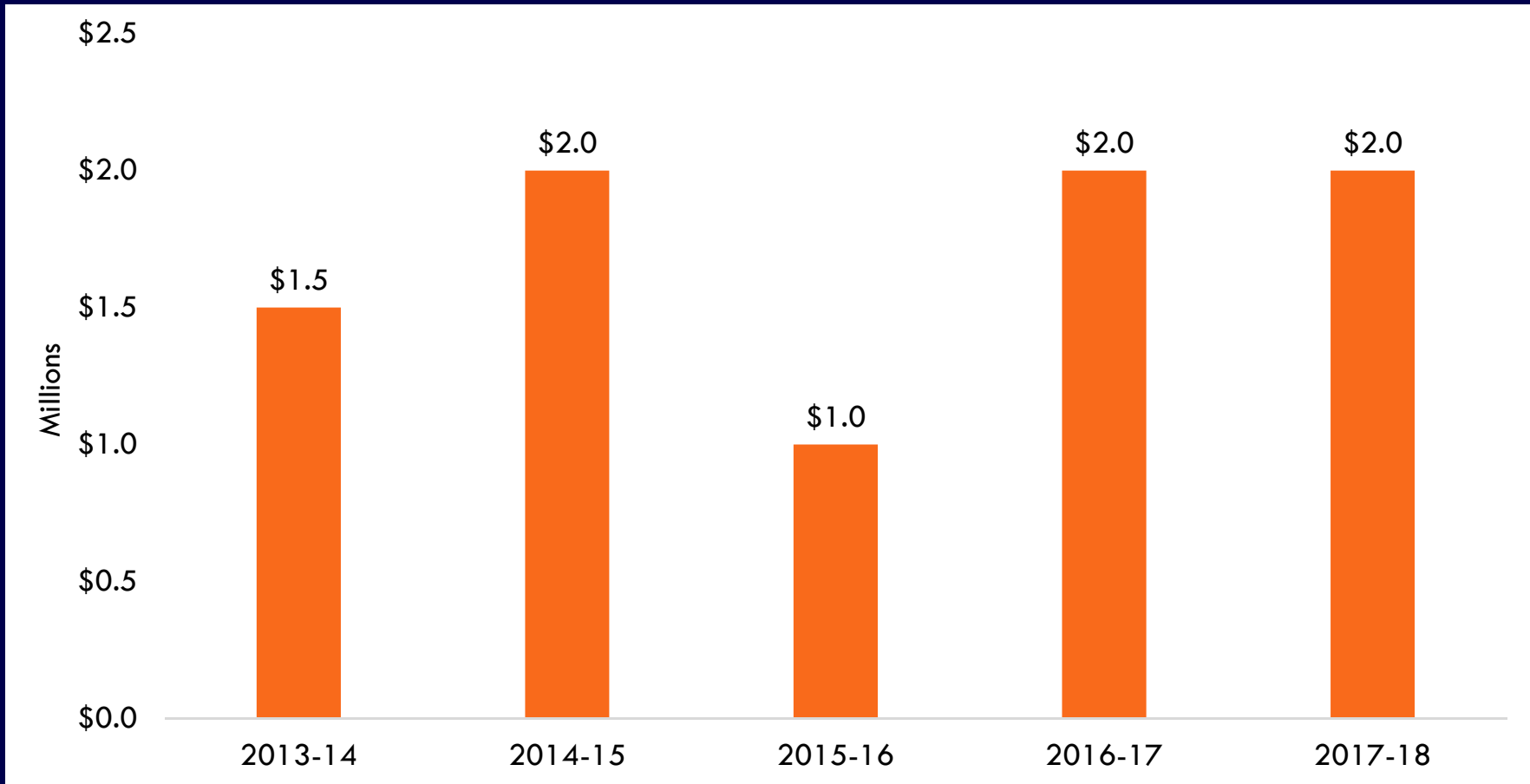
NRCS-EQIP Obligated \$21.7 Million in NC in 2017 for a Variety of Conservation Practices



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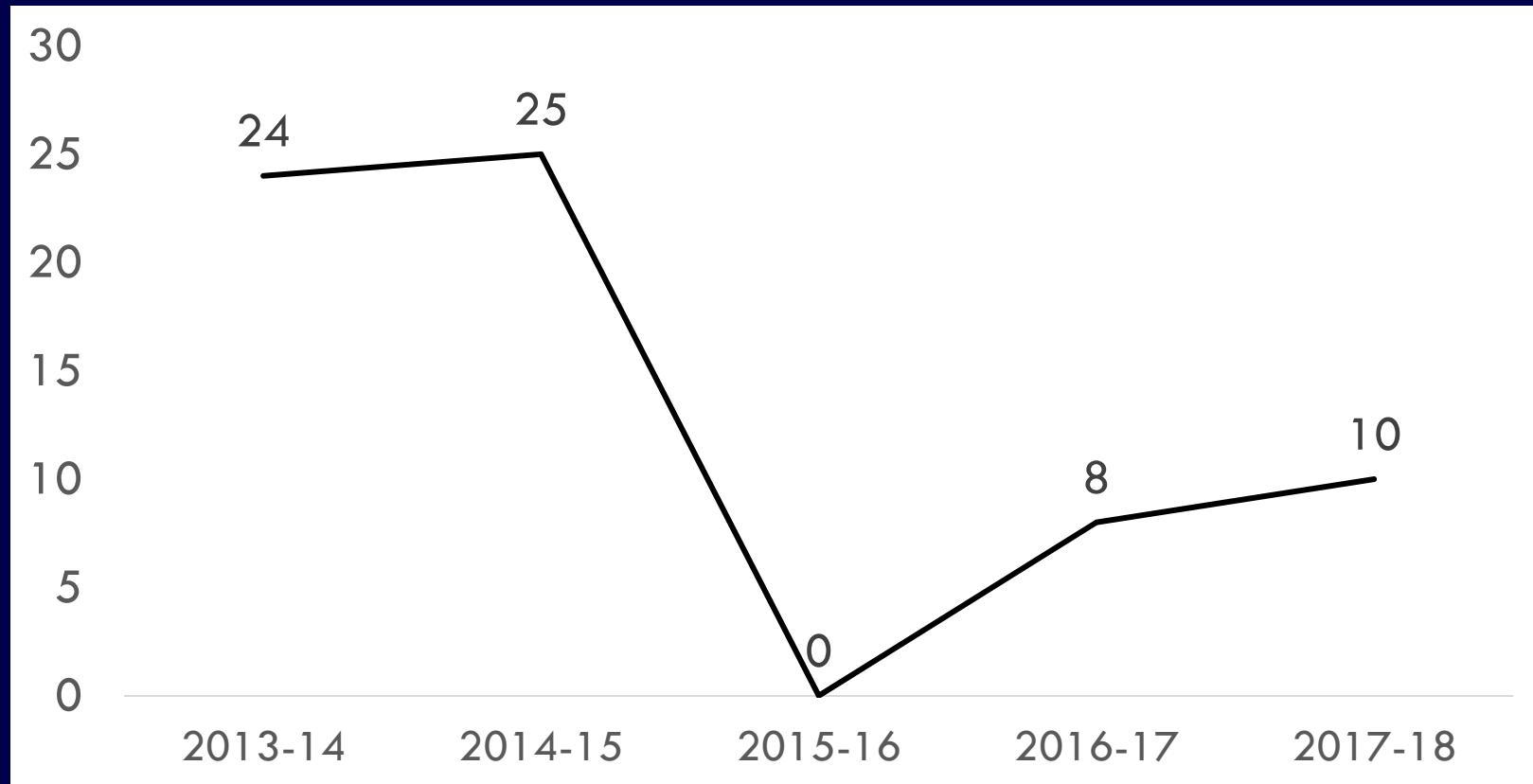
General Assembly Has Appropriated \$8.5 Million to WRDG-EQIP Program Since It Began in 2013



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67 Projects Have Been Awarded Grants Since WRDG-EQIP Began



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Resource Institute is an Integrator

- Non-profit corporation in Winston-Salem
- Petitioned NRCS-EQIP to establish federal funding for Western Stream Initiative in 2013
- Approached DEQ/NCGA in 2013 to establish a matching state fund for stream restorations
- Sole applicant for WRDG-EQIP grants prior to Fall 2016 grant cycle
- Awarded 65 of 67 WRDG-EQIP projects

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Findings

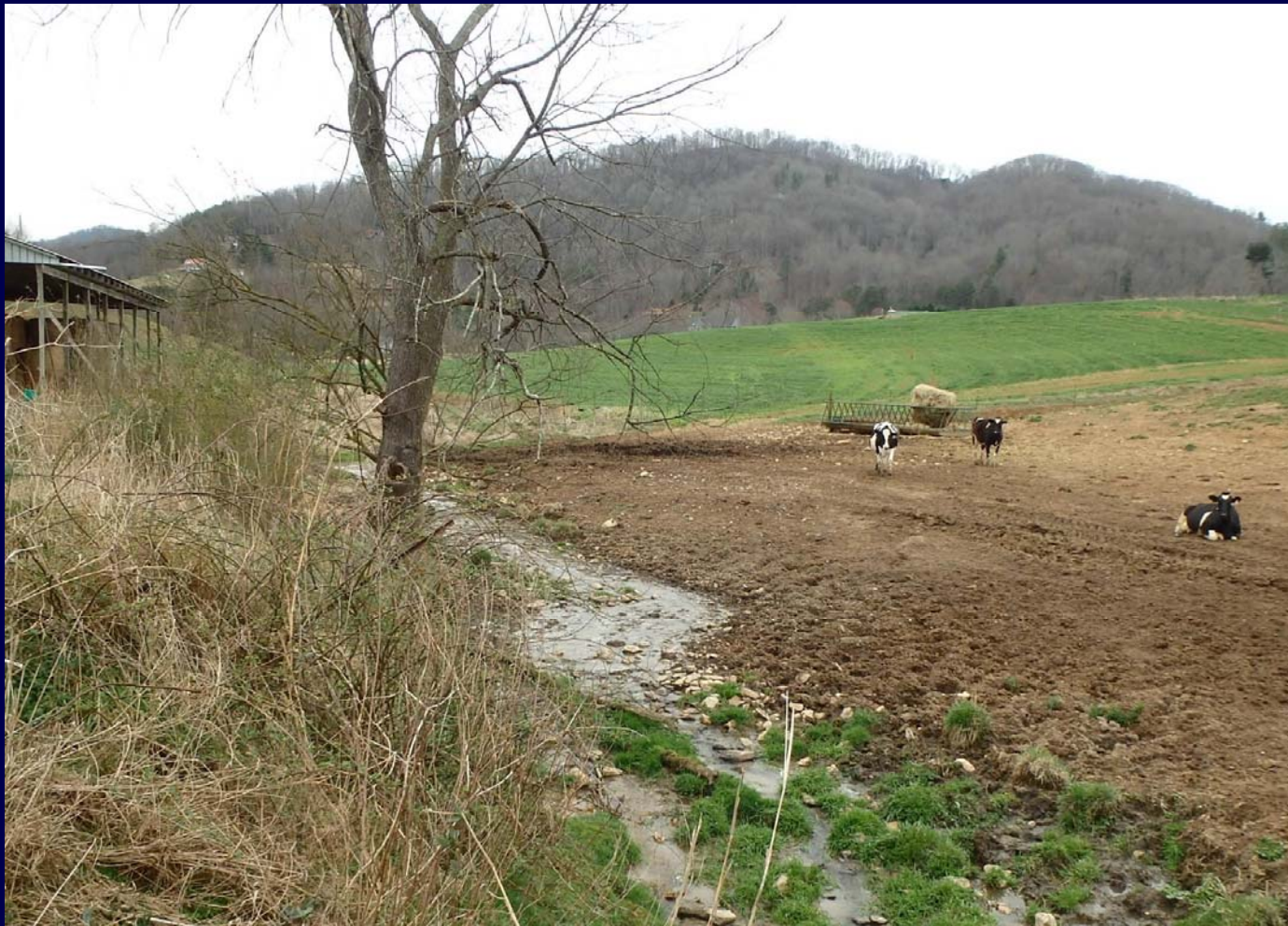


Photo Courtesy of DEQ

Finding 1

State funding for WSI projects is duplicative, which challenges program transparency and has resulted in overpayment of grant funds

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Resource Institute Has Received Over \$2.5 Million in CWMTF Regional Grants for WSI Stream Restorations

Grant Year	Project Name	Award Amount
2013	Resource Institute-Western Stream Restoration Initiative	\$ 375,000
2014	Resource Institute-Western Stream Restoration Initiative	400,000
2015	Resource Institute-Western Stream Restoration Initiative	400,000
2016	Resource Institute-Western Stream Restoration Initiative	450,000
2017	Resource Institute-Western Stream Restoration Initiative	500,000
2018	Resource Institute-Western Stream Restoration Initiative	425,000
Total		\$ 2,550,000

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WRDG-EQIP and CWMTF Both Provided Funding for 13 Projects in FY 2014–15

Project Name	Project Sponsor	WRDG-EQIP Dollars Paid	CWMTF Dollars Paid	Number of Identical Invoices Submitted
Beaver Creek	New River SWCD (Ashe)	\$ 58,762	\$ 19,000	2
North Toe River	Avery County SWCD	43,613	58,802	0
Big Sandymush Creek	Buncombe County SWCD	62,740	1,173	0
Little Brasstown Creek	Cherokee County SWCD	64,674	93,870	4
Brasstown Creek	Clay County SWCD	11,678	15,249	0
Dotson Branch	Haywood County SWCD	350,893	137,173	39
Cove & Tessentee Creeks	Macon County SWCD	50,991	54,621	2
Big Rock Creek	Mitchell County SWCD	66,301	37,500	2
Cleghorn Creek	Rutherford County SWCD	44,326	51,382	0
Big Creek	Stokes County SWCD	94,410	39,843	0
Little Fisher River	Surry County SWCD	114,728	57,557	0
Tributary of Little Fisher	Surry County SWCD	54,667	37,251	0
Swisher Creek	Yadkin County SWCD	76,981	17,000	2
Totals		\$1,094,764	\$620,421	51



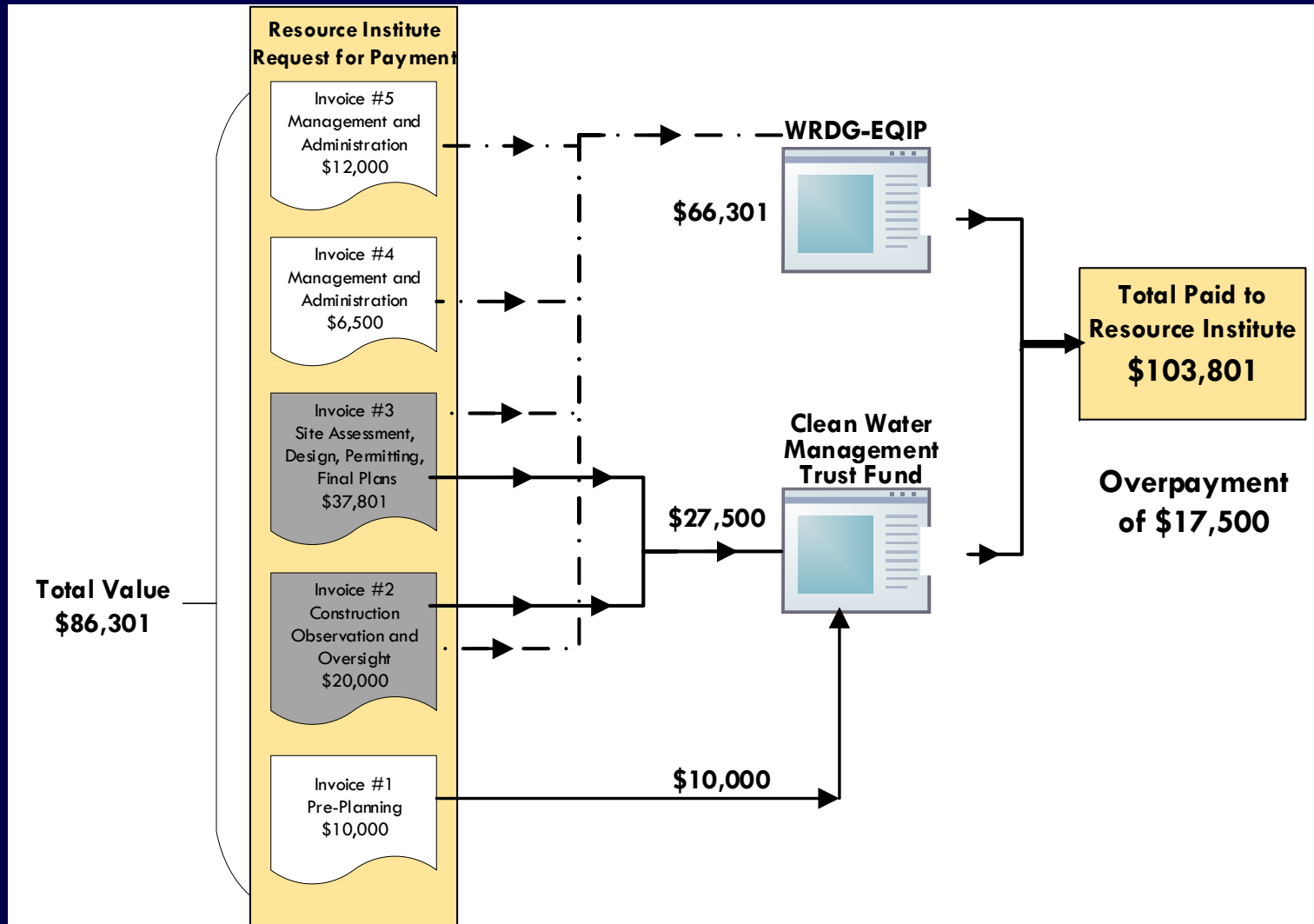
Having Two Sources of State Funding for Same Projects Has Led to \$20,816 in Overpayment

County	Project	Total Invoices	WRDG-EQIP Paid	CWMTF Paid	Total Paid	Amount Paid More Than Invoices
Macon	Cove/Tessentee	\$ 102,296	\$ 50,991	\$ 54,621	\$ 105,612	\$ 3,316
Mitchell	Big Rock Creek	86,301	66,301	37,500	103,801	17,500
Totals		\$ 188,597	\$ 117,292	\$ 92,121	\$ 209,413	\$ 20,816

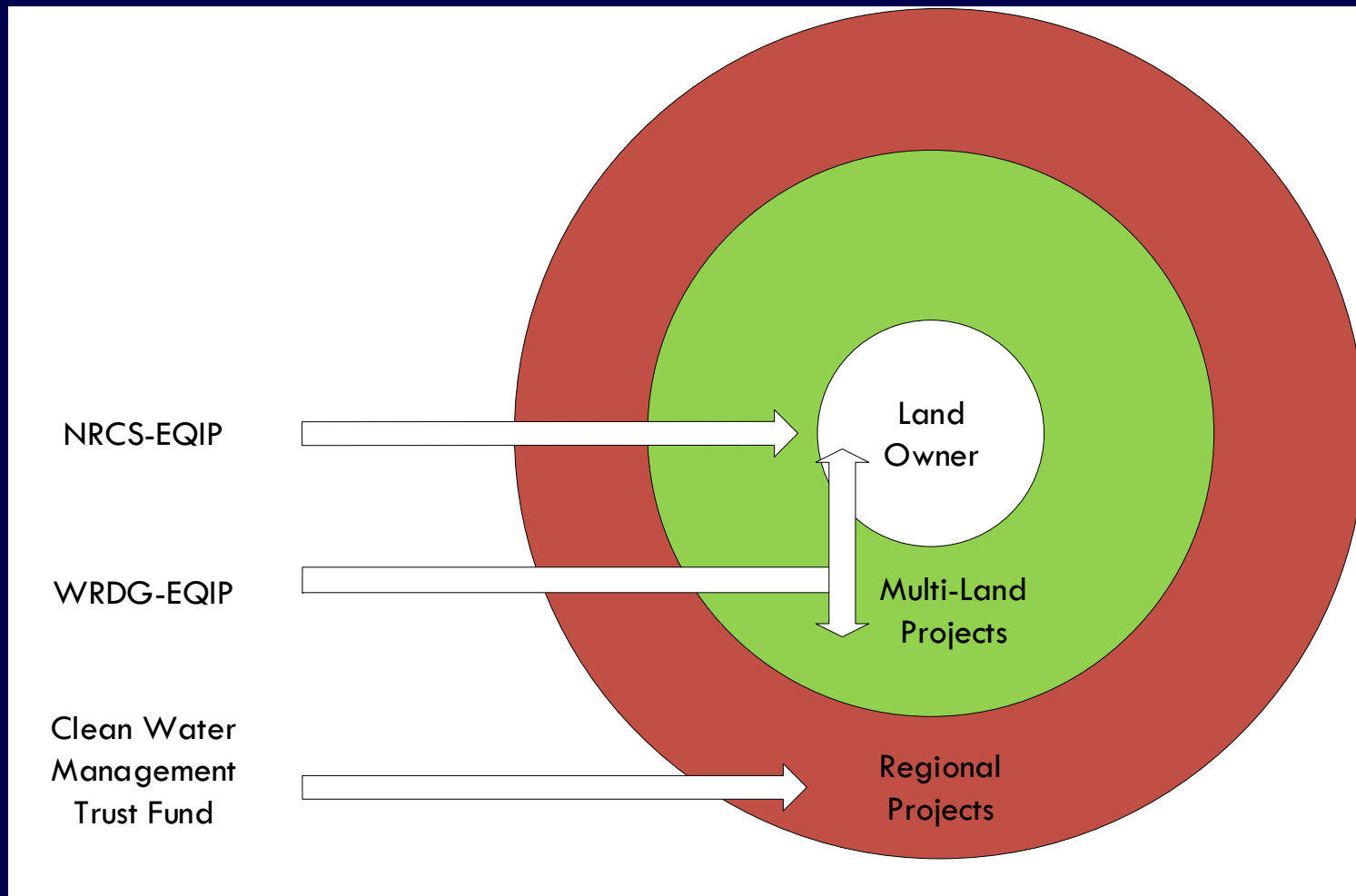
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Example of Duplicative Funding Big Rock Creek Project – Mitchell County



WSI Stream Restoration Grants Are Awarded with Different Levels of Recipient Specificity



Finding 2

DEQ's Division of Water Resources does not actively monitor the performance of WRDG-EQIP grants; available grant performance measures show diminishing results

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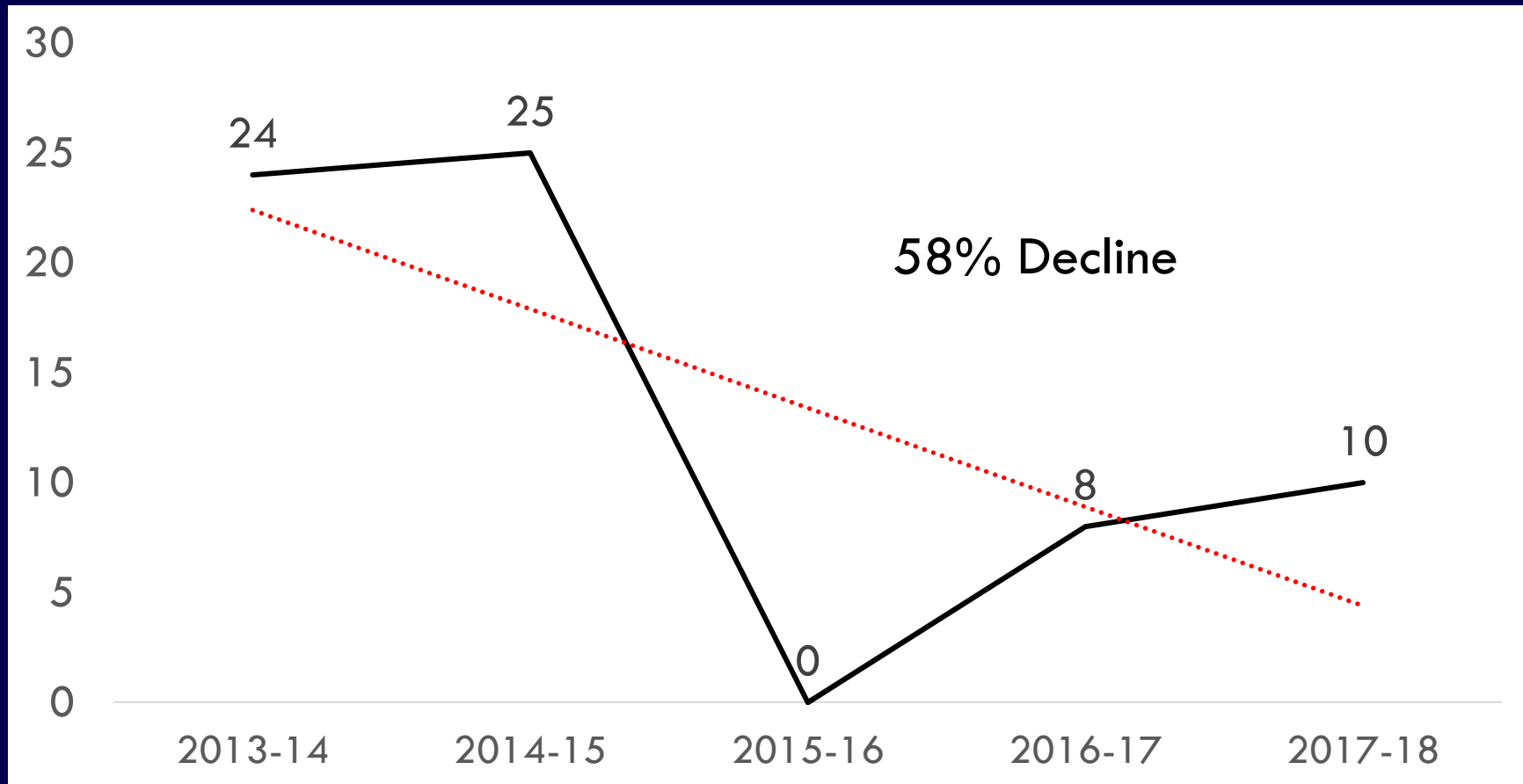
DEQ Does Not Actively Manage Key Performance Indicators of WRDG-EQIP Grants

Key Performance Indicator	Description	Actively Managed
Measures of Grant Administration Efficiency and Effectiveness		
Time to issue grant application approval/denial	Number of days it takes DEQ administrators to review and issue determinations on grant applications	○
Request for payment processing time	Number of days it takes DEQ administrators to process requests for payment from approved grant applicants	○
Cost per grant administered	Full-Time Equivalent expended to administer each grant placed in the field	○
Number of applicants reviewed and approved/denied	Ratio of applicants to approvals and to denials	○
Number of grants administered	Number of grants administered each year	●
Total WRDG-EQIP grant dollars administered	Number of grants for a given year considered alongside total grant dollars administered, which allows for a measure of the size of the average grant, enabling DEQ to determine if grants are getting larger or smaller in general over time	●
Project construction cost	Total cost of construction for a stream restoration project from all funding sources	○
Project permitting cost	Total cost of permitting for a stream restoration project from all funding sources	○
Project site assessment, design, and engineering costs	Total cost of project site assessment, design, and engineering for a stream restoration project from all funding sources	○
Project management and administration	Total cost of project management and administration for a stream restoration project from all funding sources	○
Project cost	Total cost of a stream restoration project from all sources of funding	○
Measures of Grant Implementation Efficiency and Effectiveness		
Linear feet restored	Early outcome measures of how many linear feet of stream were restored with grant dollars	◐
Cost/linear foot of restored stream	Cost of the restoration (per grant dollar expended) divided by linear feet of stream restored; this calculation translates the grant project into a per-unit cost that can be compared across projects	◐
Sediment reduction	A measure of the extent to which a project has reduced sediment load along and just below the restored portion	○
● = Actively Managed ◐ = Partially Managed ○ = Not Managed		

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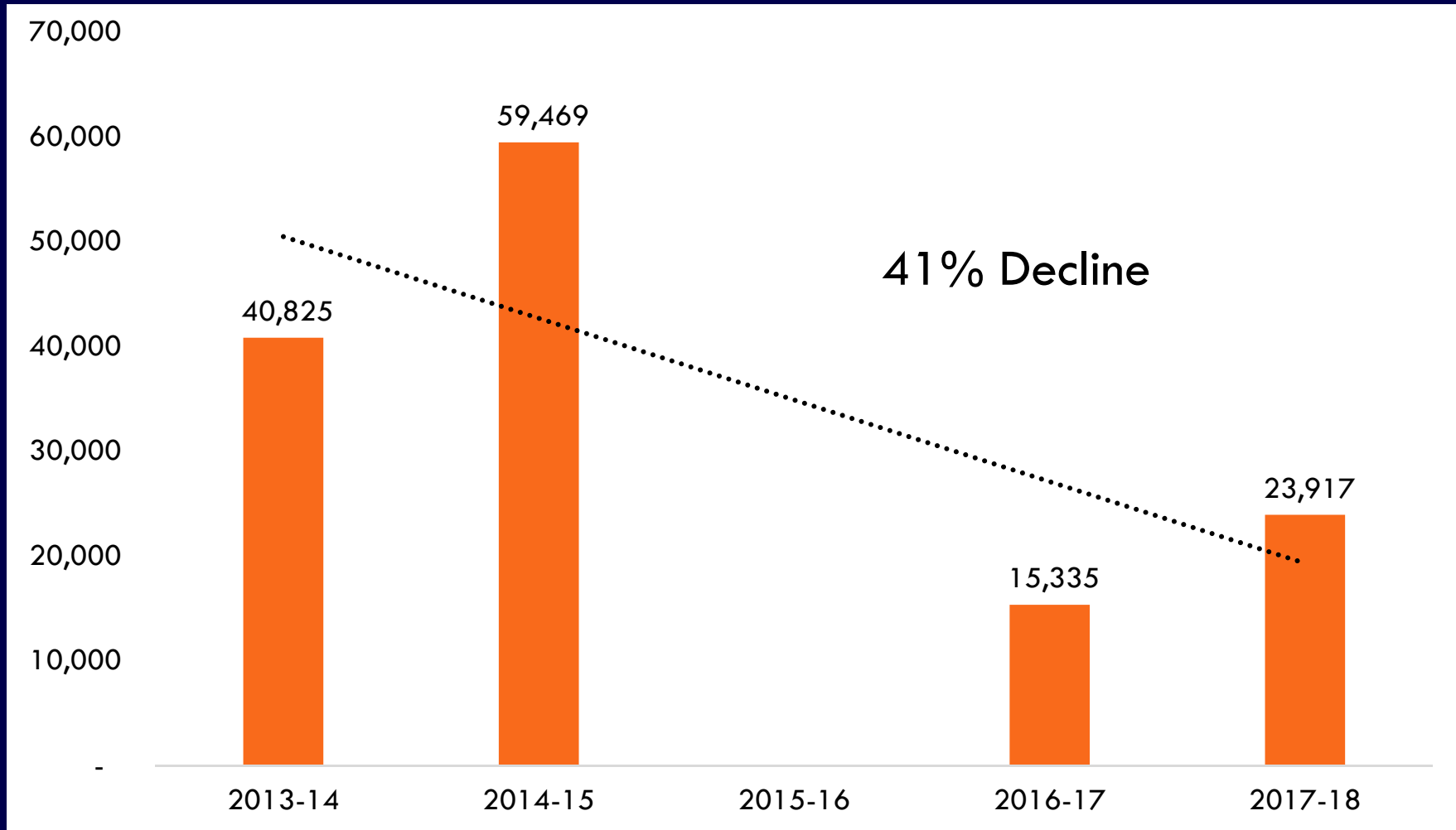
Number of Grants Has Declined Since WRDG-EQIP Began in 2013



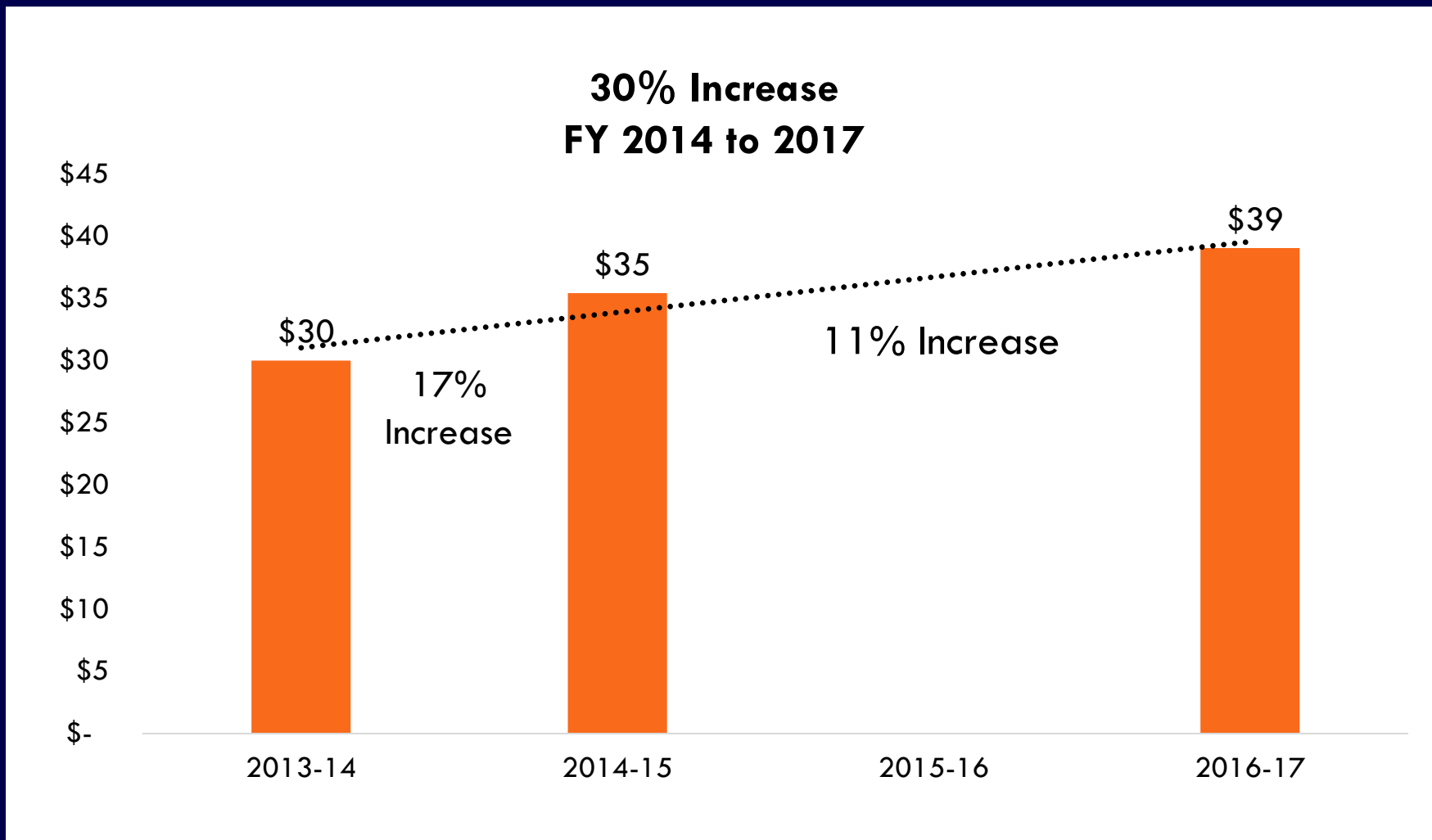
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Number of Planned Linear Feet of Restoration Has Declined Since WRDG-EQIP Began in 2013



Average Cost Per Linear Foot for WRDG-EQIP Grants Has Increased by 30% Since 2013



Finding 3

WRDG-EQIP grant award calculations do not rely on historical project cost data, which results in imprecise awards and potential overawarding of funding for stream restoration

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Since Its Inception, Cost-Share Structure of WRDG-EQIP Program Has Changed

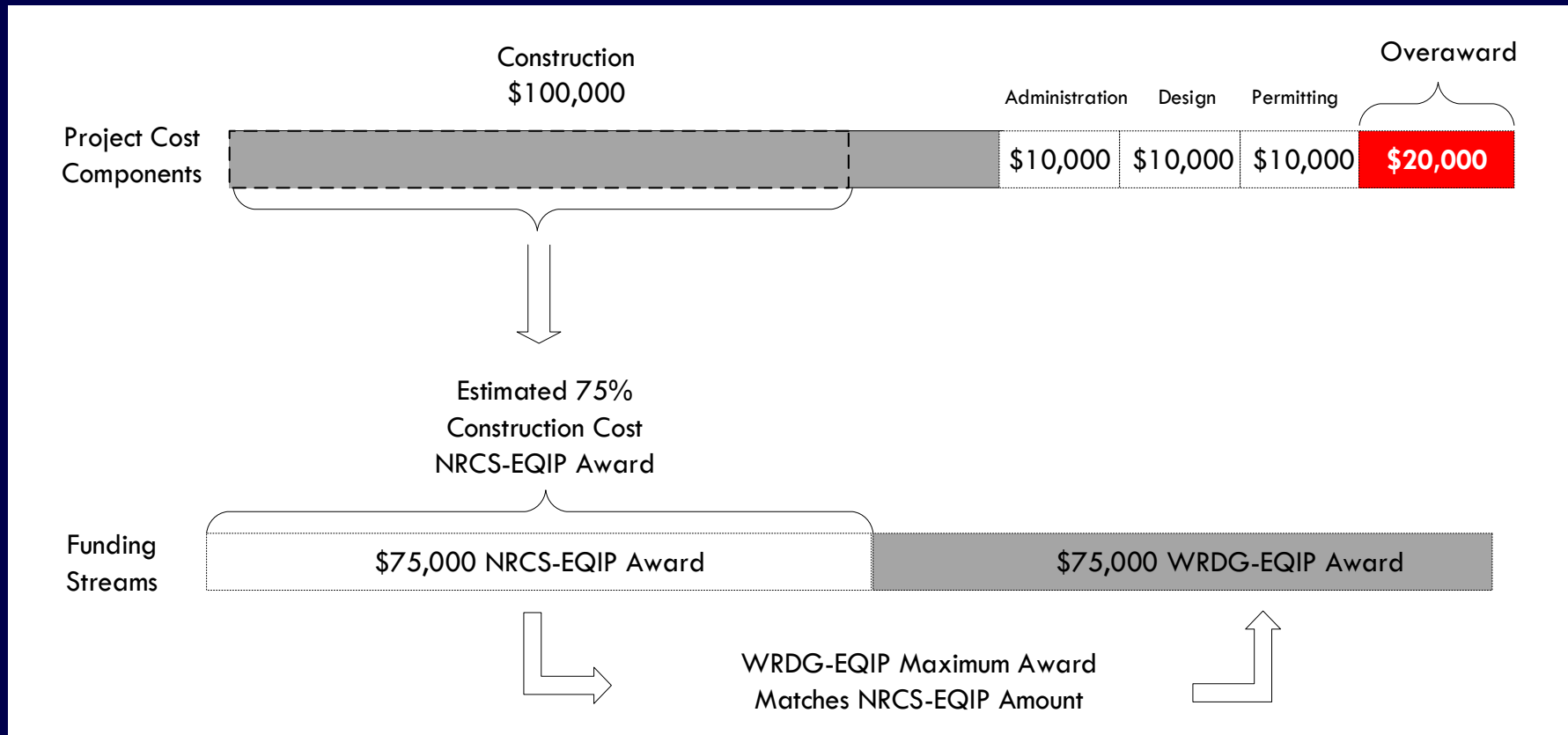
Cost Share (Federal/State)

- FY 2013–14 and 2014–15 75-25
- FY 2016–17 and 2017–18 65-35
- FY 2018–19 50-50

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Example of How \$130,000 Stream Restoration Project Can Be Awarded \$150,000 in State/Federal Funding



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Recommendations



Recommendation 1

The General Assembly should minimize the risks of grant duplication by consolidating grant resources for the Western Stream Initiative into either the Water Resources Development Grant (WRDG-EQIP) program or the Clean Water Management Trust Fund

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Recommendation 1 (Cont'd.)

- All efforts to eliminate duplication and to improve administration of state grants should be reported to the Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources

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Recommendation 2

The General Assembly should direct the grant administrator for the Western Stream Initiative to improve performance management of state grant funds

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Recommendation 2 (Cont'd.)

- Grant administrator should collect and report all data listed in Exhibit 11 of this report
- First report for FY 2019–20 data should be submitted to the Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources by November 1, 2020

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Recommendation 3

The General Assembly should direct the State Auditor to perform an audit of state funds for projects managed by Resource Institute for the Western Stream Initiative

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Recommendation 3 (Cont'd.)

The General Assembly should

- Direct the State Auditor to identify any additional overpayment of state funds
- Direct the appropriate state agency to recoup any overpayment identified in this report and by the State Auditor

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Summary: Findings

1. State funding for WSI projects is duplicative, which challenges program transparency and has resulted in overpayment of grant funds
2. Performance of WRDG-EQIP grants is not actively monitored; diminishing results
3. WRDG-EQIP grant award calculations are imprecise and have the potential of overawarding funds



Summary: Recommendations

The General Assembly should

1. Consolidate grant resources for WSI projects into WRDG-EQIP or CWMTF
2. Direct WSI grant administrator to improve performance management of state grant funds
3. Direct State Auditor to perform audit of state funds for WSI projects



Report available online at
www.ncleg.net/PED/Reports/reports.html

