



Legislative Fiscal Bureau

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March 8, 2004

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Assembly Bill 926: Regulation of High Capacity Wells

Assembly Bill 926 (and the companion bill, Senate Bill 524) would create a regulatory structure for constructing high-capacity wells, expand the Department of Natural Resources (DNR) authority to regulate certain wells, create three program revenue appropriations in DNR for the purpose of administering the activities included in the bill, and establish one-time fees for high-capacity well construction and for required notification of the construction of wells in the state that are not high-capacity.

AB 926 was introduced on March 4, 2004, and referred to the Assembly Committee on Natural Resources. On March 5, 2004, the Committee adopted Assembly Amendment 1 by a vote of 10-0, and recommended passage, as amended, by a vote of 10-0. SB 524 was introduced on March 3, 2004, and referred to the Senate Committee on Environment and Natural Resources. On March 1, 2004, the two Committees held a joint public hearing on LRB 4302/1, before the bills were introduced. Subsequently, the companion bills were introduced in a form identical to the LRB draft.

SUMMARY OF BILL

See the attached memo from the Legislative Council staff for a summary of AB 926 and SB 524.

SUMMARY OF AMENDMENT

See the attached memo from the Legislative Council staff for a summary of LRBa2580/1, the amendment adopted by the Assembly Committee on Natural Resources.

FISCAL ESTIMATE

In a fiscal note to AB 926, DNR indicates costs incurred to administer the program could total \$2,916,400 annually and require 15.0 positions. Costs are associated with (a) tracking well construction notifications and high-capacity well annual pumping reports, (b) reviewing high-capacity well permits, (c) collecting associated notification and application fees, (d) conducting environmental reviews of certain high-capacity well proposals, (e) stream flow and water level monitoring and research, (f) groundwater use research and data collection, (g) administering and providing groundwater mitigation grants, (h) inspecting well construction, and (i) staffing and supporting a groundwater advisory committee. DNR expects revenues under the bill to total approximately \$1 million annually (based on an estimated 17,000 well construction location notifications at \$50 each and 300 high capacity well construction permit applications at \$500 each).

The bill would create three program revenue appropriations. A PR annual appropriation with 5.0 PR positions would support DNR costs to administer the programs created under the bill relating to notification and tracking of wells and to permitting high capacity well construction (a high capacity well can withdraw over 100,000 gallons of water daily). Secondly, a PR biennial appropriation would support groundwater research and monitoring. Third, a PR continuing appropriation would be created for groundwater mitigation grants (generally, DNR could order mitigation at existing wells in groundwater mitigation areas only if full-funding of the mitigation costs was available). As a continuing appropriation, all monies received from well permit and notification fees under the bill, and not appropriated to the first two appropriations, would be deposited in the continuing appropriation and could be spent for mitigation grants with the Department of Administration's approval. As a result, no additional funding needs to be approved for DNR from this appropriation. An annual appropriation has the effect of annually limiting expenditures from the appropriation to the amount listed in Chapter 20 of the statutes, unless legislative approval for additional expenditures were to be granted. Similarly, a biennial appropriation is limited to amounts specified in the schedule for the current biennium, unless increased by legislative action. Since the bill would appropriate no funding to the annual or biennial appropriation, all revenues (about \$1 million annually) would be available for mitigation grants. Under the bill, DNR would have no new resources to administer the program, fund the 5.0 staff authorized, or perform required monitoring and research.

If, for example, the annual appropriation were set at \$301,200 in 2004-05 to reflect funding for the five staff provided under the bill (and for the costs of the advisory committee); and (b) \$195,000 in 2004-05 were provided for research and monitoring; then, (c) approximately \$500,000 annually would be anticipated to remain for mitigation grants. These figures are based on the DNR

estimate of 17,000 well construction notifications and 300 high capacity well permit applications annually. If actual notifications and applications vary significantly from estimates, associated revenue would also vary. If actual workload exceeded available resources under the bill, DNR would need to seek modifications to the fees, streamlined review procedures, or other measures to address adequate funding through future budget bills or other legislation.

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Attachments