



Legislative Fiscal Bureau

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January 16, 2020

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Natural Resources: Section 13.10 Request Related to Hydrologic Study -- Agenda Item II

REQUEST

On December 23, 2019, the Department of Natural Resources (DNR) submitted a request under s. 13.10 for \$487,300 from the balance of the environmental management account of the segregated (SEG) environmental fund in 2019-20 to the continuing appropriation under s. 20.370 (4)(cr) for the purpose of completing a hydrologic study required under 2017 Wisconsin Act 10.

BACKGROUND

Under 2017 Act 10, s. 281.34 (7m) of the statutes was created to require DNR to evaluate and model the hydrology of: (a) Pleasant Lake in southern Waushara County; (b) Plainfield Lake and Long Lake in a designated study area in Adams, Portage, Waushara, and Wood counties; and (c) other navigable streams or navigable lakes located in the designated study area. The studies are to determine whether existing and potential groundwater withdrawals are causing or are likely to cause a significant reduction of the rate of flow or water level below average seasonal levels. 2017 Act 10 did not provide funding for the study but authorized DNR to request, under s. 13.10, the Joint Committee on Finance to provide funding and positions for the evaluation and modeling under the provision.

2017 Wisconsin Act 59, the 2017-19 biennial budget act, created the continuing appropriation and provided \$400,000 SEG from the segregated environmental management account. At the end of 2018-19, DNR had expended \$392,562 and encumbered the remaining \$7,438 of the \$400,000 in appropriated funds.

As required by 2017 Act 10, DNR began the study in the spring of 2018. If DNR determines, through the evaluation and modeling of the designated study area, that special measures related to

existing and potential groundwater withdrawal are necessary in all or part of the area to prevent or remedy a significant reduction of a navigable stream's or navigable lake's rate of flow or water level below its average seasonal levels, DNR is required to issue a decision on whether it recommends that the Legislature adopt, by statute, special measures relating to groundwater withdrawal in all or part of that area. If DNR issues such a decision, it is required to include specified information, and hold a public informational hearing to solicit comments. DNR is required to submit a report within three years of beginning the evaluation and modeling to the Joint Committee on Finance and the legislative committees responsible for environmental issues. If DNR recommends that the Legislature adopt special measures related to groundwater withdrawal as described in its decision above, the Department is required to prepare and include an additional report specifying the special measures that DNR recommends. As required, DNR plans to submit the reports in the spring of 2021.

The segregated environmental fund consists of the environmental management account and the nonpoint account. The two accounts are statutorily designated as one fund but are tracked separately for budgetary purposes. The environmental management account provided funding for the 2017-19 expenditures for the hydrologic study. The account receives revenues primarily from several solid waste tipping fees paid by Wisconsin landfills for each ton of solid waste disposed in the landfill. Several other environmental fees and revenues are also deposited in the account. During the 2019-21 biennium, the largest expenditure budgeted from the environmental management account is \$20 million annually for recycling financial assistance to local governments. Second is \$15.4 million in 2019-20 and \$15.0 million in 2020-21 for DNR administration of contaminated land, brownfields cleanup, and recycling programs, including 103.45 staff in remediation and redevelopment, solid waste management, air management, groundwater management, and central administrative programs. The third largest expenditure area is debt service costs for general obligation bonds issued for state-funded cleanup of contaminated land and sediment, for the former point source water pollution abatement grant program that ended in 1990, and for DNR administrative facilities. Additional expenditure areas include: (a) brownfields grant programs administered by the Wisconsin Economic Development Corporation; (b) the DNR well compensation grant program; (c) state-funded cleanup of contaminated properties where there is no responsible party able or willing to pay for the cleanup; (d) certain environmental and recycling programs in the Departments of Agriculture, Trade and Consumer Protection, Health Services, Military Affairs, and the UW System; and (e) remediation of specific sites using moneys received under court-approved settlement agreements or orders, primarily for Fox River cleanup.

ANALYSIS

During the 2017-19 biennium, DNR used \$320,000 of the \$400,000 appropriated for the hydrologic study for data collection by DNR, the United States Geological Survey (USGS) and the Wisconsin Geological and Natural History Survey (WGNHS). Activities included: (a) collecting data from streamflow gauges and flow measurements, lake gauges and level measurements, and groundwater wells and level measurements; (b) making assessments of three lakes; (c) collecting lake elevation data; (d) collecting existing hydrogeologic data and research; (e) defining glacial stratigraphy and geologic cross sections; (f) developing dataset models; (g) performing pump tests; and (h) developing data storage and sharing infrastructure. The remaining \$80,000 was allocated to

setting up a groundwater model.

DNR indicates the \$487,300 requested in 2019-20 would be used for several activities related to field data collection, calibration of a groundwater flow model, lake resource evaluation for each of the three lakes, an economic impact analysis, and the drafting of reports for the public and Legislature. Involved agencies include DNR, USGS and WGNHS. The projected cost components are shown in the following table. DNR anticipates the Department would spend approximately \$362,000 of the requested funds in 2019-20 and \$125,300 in 2020-21.

DNR Estimated Costs for Hydrologic Study, 2019-20 and 2020-21

<u>Project Component</u>	<u>Agencies Involved</u>	<u>Cost</u>
Project management, technical support, and data analysis	DNR	In-kind
Collection of data regarding geology, hydrostratigraphy, groundwater, lake level monitoring	WGNHS, USGS	\$196,400
Resource evaluation of Pleasant, Plainfield, and Long Lakes	DNR	79,600
Groundwater flow modeling	USGS	184,500
Economic impact analysis	DNR	10,000
Communications, reports, presentations, public hearings	DNR, WGNHS, USGS	<u>16,800</u>
Total		\$487,300

DNR in-kind support includes allocation of DNR staff to manage the project, and provision of technical assistance by four hydrogeologists and one water supply specialist who support the high-capacity well program. The high-capacity well staff are funded from program revenue fees received from applicants for approval of high-capacity well installation (\$500) and persons who notify DNR that they are installing a well that is not a high-capacity well (\$50). In addition, DNR staff providing technical support related to lake evaluation are partially funded from federal water program administrative grants.

Under 2019 Wisconsin Act 9, the environmental management account will have an estimated available balance of \$19.3 million on June 30, 2021. Therefore, it is expected there will be sufficient funds available to fund the requested \$487,300.

DNR argues requesting funds from the environmental management account is consistent with the funding source of the \$400,000 provided in 2017 Act 59. DNR also indicates that if the request is not approved, it might reallocate funds from the water use fees program revenue (PR) appropriation to complete all or part of the requirements of the hydrologic study.

Water use fees revenues are received from any person who has a water supply system with the capacity to withdraw from the waters of the state an average of 100,000 gallons per day or more in any 30-day period. These persons are required to pay an annual \$125 base fee to DNR, with a maximum fee of \$1,000 per property. In addition, any person who withdraws from the Great Lakes basin more than 50 million gallons per year is required to pay a Great Lakes basin water use fee to

DNR. Under DNR administrative rules in Chapter NR 850, the Great Lakes basin fee increases per block of gallons withdrawn, so the total fee increases as the withdrawal amount increases. NR 850 also establishes a maximum annual Great Lakes basin fee of \$9,500. Water use fees are deposited in a DNR program revenue continuing appropriation, which can spend all moneys received from the fees.

The water use fees are used to fund several activities related to implementation of the Great Lakes Compact entered into with other Great Lakes states that establishes how the states will work together to manage and protect the Great Lakes - St. Lawrence River Basin. Water use fees are also used to document and monitor water use through registration and reporting requirements, build a statewide water conservation program, and develop and maintain a statewide water resources inventory. The appropriation funds 4.0 PR positions. DNR collected \$986,300 in water use fees in 2018-19, and spent \$790,500. The appropriation had a balance of \$1.7 million at the end of 2018-19. DNR indicates it tries to maintain a balance of approximately \$1 million in the appropriation account to fund the water use positions for one year in the event program revenue declines. Since the appropriation is continuing, and can spend all moneys received from the fees, DNR would not need legislative approval to spend funds from the water use fees appropriation balance for expenditures beyond budgeted amounts. The Department has received approval from the Department of Administration to increase expenditures from these revenues by approximately \$500,000 in 2019-20 to perform additional water resources quantity monitoring, make data and modeling improvements for analysis of high-capacity wells, and develop a groundwater atlas to make geologic and hydrogeologic data available to DNR and other agencies.

The request [Alternative 1] is consistent with the statutory authorization for DNR to request funding from the Committee to providing funding for the evaluation and modeling for the hydrologic study. Approval of the requested \$487,300 funding amount for the 2019-21 biennium and provision of funding from the environmental management account would budget funds consistent with the amount and appropriation provided for the study in the 2017-19 biennium. The environmental management account would have sufficient funds to pay for the requested funds.

If the request is denied [Alternative 2], DNR could increase expenditures from the water use fees appropriation without further legislative approval. Further, DNR could reallocate funds from other administrative activities funded from the environmental management account to accomplish the study.

ALTERNATIVES

1. Approve the DNR request to provide \$487,300 SEG in 2019-20 from the environmental management account of the environmental fund in appropriation s. 20.370 (4)(cr) for the hydrologic study required under s. 281.34 (7m).

2. Deny the request.

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