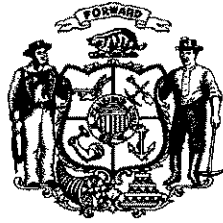


THE STATE OF WISCONSIN

SENATE CHAIR
BRIAN BURKE

316-S Capitol
P.O. Box 7882
Madison, WI 53707-7882
Phone: (608) 266-8535



ASSEMBLY CHAIR
JOHN GARD

315-N Capitol
P.O. Box 8952
Madison, WI 53708-8952
Phone: (608) 266-2343

JOINT COMMITTEE ON FINANCE

MEMORANDUM

To: Members
Joint Committee on Finance

From: Senator Brian Burke
Representative John Gard

Date: March 18, 1999

Attached is a copy of a report from the Department of Natural Resources and the Department of Administration, pursuant to s. 281.59(3)(bm), Stats. The report provides information regarding the Wisconsin Environmental Improvement Fund Biennial Finance Plan.

The report is being provided for your information only. No formal action is required by the Committee. Please feel free to contact us if you have any questions.

Attachment

BB:JG:dh



March 12, 1999

The Honorable Brian Burke
Co-Chairperson Joint Committee on Finance
Room LL 1
119 Martin Luther King Jr. Blvd.

SUBJECT: Environmental Improvement Fund Biennial Finance Plan for 1999-2001

Dear Senator Burke:

The attached information regarding the Wisconsin Environmental Improvement Fund Biennial Finance Plan is submitted in accordance with subsection 281.59(3)(bm) of the Wisconsin statutes. That subsection requires the Department of Natural Resources and the Department of Administration to submit to the legislature and the Building Commission any amendments to the Biennial Finance Plan which are necessary to reflect material approved by the Governor for inclusion in the biennial budget.

After the biennial budget bill is enacted a revised version of the Biennial Finance Plan will be distributed with changes that reflect actions taken in the budget.

If you have any questions regarding the Biennial Finance Plan, please contact Kathryn A. Curtner at 266-0860 or Frank Hoadley at 266-2305.

Sincerely,

Handwritten signature of Kathryn A. Curtner.

Kathryn A. Curtner, Director
Bureau of Community Financial Assistance
Department of Natural Resources

Handwritten signature of Frank R. Hoadley.

Frank R. Hoadley
Capital Finance Director
Department of Administration

Attach.

cc: George E. Meyer - AD/5
Mark D. Bugher - DOA



March 12, 1999

The Honorable John Gard
Co-Chairperson Joint Committee on Finance
Room 316 North
State Capitol

SUBJECT: Environmental Improvement Fund Biennial Finance Plan for 1999-2001

Dear Representative Gard:

The attached information regarding the Wisconsin Environmental Improvement Fund Biennial Finance Plan is submitted in accordance with subsection 281.59(3)(bm) of the Wisconsin statutes. That subsection requires the Department of Natural Resources and the Department of Administration to submit to the legislature and the Building Commission any amendments to the Biennial Finance Plan which are necessary to reflect material approved by the Governor for inclusion in the biennial budget.

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Sincerely,

Handwritten signature of Kathryn A. Curtner in black ink.

Kathryn A. Curtner, Director
Bureau of Community Financial Assistance
Department of Natural Resources

Handwritten signature of Frank R. Hoadley in black ink.

Frank R. Hoadley
Capital Finance Director
Department of Administration

Attach.

cc: George E. Meyer - AD/5
Mark D. Bugher - DOA



March 12, 1999

Mr. Robert Brandherm, Administrator
Division of State Facilities Development, DOA
7th Floor - 101 E. Wilson St.
Madison WI 53707

SUBJECT: Environmental Improvement Fund Biennial Finance Plan for 1999-2001

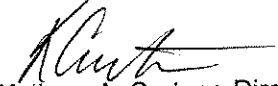
Dear Mr. Brandherm:

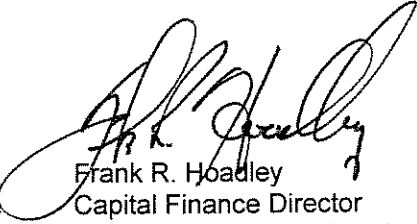
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Sincerely,


Kathryn A. Curtner, Director
Bureau of Community Financial Assistance
Department of Natural Resources


Frank R. Hoadley
Capital Finance Director
Department of Administration

Attach.

cc: George E. Meyer - AD/5
Mark D. Bugher - DOA



March 12, 1999

Mr. Donald J. Schneider
Senate Chief Clerk
Room 402, 1 East Main
Madison WI 53707

SUBJECT: Environmental Improvement Fund Biennial Finance Plan for 1999-2001

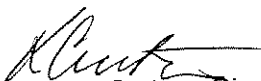
Dear Mr. Schneider:

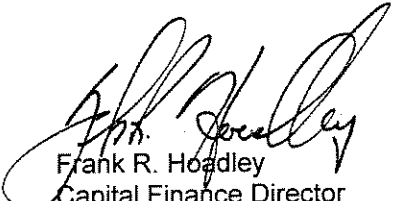
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Sincerely,


Kathryn A. Curtner, Director
Bureau of Community Financial Assistance
Department of Natural Resources


Frank R. Hoadley
Capital Finance Director
Department of Administration

Attach.

cc: George E. Meyer - AD/5
Mark D. Bugher - DOA



March 12, 1999

Mr. Charles Sanders
Assembly Chief Clerk
Room 402, 1 East Main
Madison WI 53707

SUBJECT: Environmental Improvement Fund Biennial Finance Plan for 1999-2001

Dear Mr. Sanders:

The attached information regarding the Wisconsin Environmental Improvement Fund Biennial Finance Plan is submitted in accordance with subsection 281.59(3)(bm) of the Wisconsin statutes. That subsection requires the Department of Natural Resources and the Department of Administration to submit to the legislature and the Building Commission any amendments to the Biennial Finance Plan which are necessary to reflect material approved by the Governor for inclusion in the biennial budget.

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Sincerely,

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Kathryn A. Curtner, Director
Bureau of Community Financial Assistance
Department of Natural Resources

Handwritten signature of Frank R. Hoadley.

Frank R. Hoadley
Capital Finance Director
Department of Administration

Attach.

cc: George E. Meyer - AD/5
Mark D. Bugher - DOA

**BIENNIAL FINANCE PLAN
ENVIRONMENTAL IMPROVEMENT FUND
MARCH 1999**

Prepared by:

Department of Natural Resources
Bureau of Community Financial Assistance

Department of Administration
Capital Finance Office

**ENVIRONMENTAL IMPROVEMENT FUND
BIENNIAL FINANCE PLAN
MARCH 1999**

EXECUTIVE SUMMARY

PROPOSED FUNDING LEVELS FOR THE ENVIRONMENTAL IMPROVEMENT FUND

**BONDING AUTHORITY AND PRESENT VALUE SUBSIDY LIMIT
(in millions of \$s)**

	REQUESTED AMOUNT	CUMULATIVE
A. CLEAN WATER FUND PROGRAM		
General Obligation Bonding	0.0	552.7
Revenue Bonding	0.0	1,297.0
Present Value Subsidy	87.4	87.4
B. SAFE DRINKING WATER		
General Obligation Bonding	3.87	16.0
Present Value Subsidy	5.2	5.2
C. LAND RECYCLING LOAN PROGRAM		
Present Value Subsidy*	9.4	9.4

Bonding and present value subsidy levels are expected to be sufficient to meet all of the estimated nonhardship requests.

*NOTE: \$4,500,000 was authorized in 1997-99 but was unused. This represents a request to carry that authority forward to the 1999-01 biennium and increase it by \$4.9 million to reflect a change in interest rate subsidies.

PROPOSED CHANGES IN GOVERNOR'S BUDGET

- The Governor's budget proposal provides \$3 million in loans to counties for the purpose of making grants to individuals for the replacement or rehabilitation of private sewage systems. Funding for this initiative would come from existing funds or bonding authority in the Environmental Improvement Fund. Eligible participants would issue 20-year notes or bonds to secure their loans.
- The Land Recycling Loan Program interest rate would be set at 0% rather than the present level of 55% of market rate. The PV subsidy limit is set at \$9.4 million. Housing and redevelopment authorities are added as eligible borrowers; municipalities may also borrow to remediate land owned by the their authorities.
- A technical correction is made to delete the language concerning \$120M of capital cost (FLOW) loans. The 20-year municipal promissory note authority is expanded to included drinking water and contaminated lands loans.

PROPOSED FEDERAL CHANGES POTENTIALLY AFFECTING PROGRAM'S OPERATIONS

The President's proposed budget for fiscal year 2000 reduces the amount for state revolving funds like the Clean Water Fund Program from \$1.35 billion to \$800 million. The \$550 million reduction, if enacted, would result in Wisconsin receiving \$15 million less for at least the first year of the next biennium, and possibly subsequent years as well. A \$30 million shortfall over the next two years would result in an inability to fund many of the projects expected to be funded during the '99-'01 budget cycle.

**STATE OF WISCONSIN
ENVIRONMENTAL IMPROVEMENT FUND
SUMMARY OF PROGRAM AUTHORITY AND FINANCIAL ASSUMPTIONS
ATTACHMENT A to 1999-2001 BIENNIAL FINANCE PLAN**

Clean Water Fund Program Authority

GENERAL OBLIGATION BONDS

Subsidy Reserve Requirements	\$ 64,400,000
Capitalization Grant Match	14,000,000
Credit Reserve	29,900,000
Direct Loans (2% of non-SRF)	5,300,000
Hardship Grants	13,100,000
Subtotal:	\$ 126,700,000
Less: Carryover General Obligation Bond Authority (from '89 to '99)	(125,400,000)
Needed '99-'01 (a shortfall of this magnitude would not occur until FY01-03 biennium)	1,300,000
Existing General Obligation Bond Authority	552,743,200
Cumulative General Obligation Bond Authority	\$ 552,743,200

REVENUE BONDS

Projects to be Funded	\$ 229,600,000
Allowance for Project Cost Increases	36,200,000
Total:	265,800,000
Less: Carryover Projected from 1989-1999	292,400,000
New Revenue Bonding Needed	-0-
Existing Revenue Bond Authority	\$ 1,297,755,000

PRESENT VALUE SUBSIDY

Recommended Present Value Subsidy Biennial Limit	\$ 87,400,000
--	---------------

Financial Assumptions

PROJECTS TO BE FUNDED (from May 1, 1998 needs summary as adjusted)

Compliance Maintenance + New and Changed Limits	299,700,000
Nonpoint + Urban Stormwater Pollution Abatement	11,000,000
Unsewered	67,000,000
Market Rate Projects	18,800,000
Total Project Costs	\$ 396,500,000

CAPITALIZATION GRANT FROM THE US EPA	\$ 70,000,000
---	----------------------

INTEREST RATES (at 7.0% estimated market rate)

Compliance Maint. and New/Changed Limits (55% of market)	3.850%
Urban Storm and Nonpoint Source (65% of market)	4.550%
Unsewered (70% of market)	4.900%

STATE OF WISCONSIN
 ENVIRONMENTAL IMPROVEMENT FUND
 SUMMARY OF PROGRAM AUTHORITY AND FINANCIAL ASSUMPTIONS
 PAGE 2 of ATTACHMENT A to 1999-2001 BIENNIAL FINANCE PLAN

Safe Drinking Water Program Authority

GENERAL OBLIGATION BONDS

Capitalization Grant Match	3,819,360
Less: Shortfall in General Obligation Bond Authority from '97-'99	48,640
Needed '99-'01 (rounded to nearest \$10,000)	3,870,000

PRESENT VALUE SUBSIDY

Recommended Present Value Subsidy Biennial Limit	\$	5,200,000
--	----	-----------

Financial Assumptions

PROJECTS TO BE FUNDED

Projects for communities receiving 55% or market rate	19,061,233
Projects for communities receiving 33% or market rate	2,117,915
Project costs financed at market rate	1,114,692
Total Project Costs	\$ 22,293,840

EPA CAP. GRANT + MATCH AVAILABLE FOR LOANS	\$	22,293,840
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INTEREST RATES (at 7.0% estimated market rate)

55% of market	3.850%
33% of market	2.310%

Land Recycling Loan Program Authority

GENERAL OBLIGATION BONDS

None authorized nor requested

PRESENT VALUE SUBSIDY

Recommended Present Value Subsidy Biennial Limit	\$	9,400,000
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Financial Assumptions

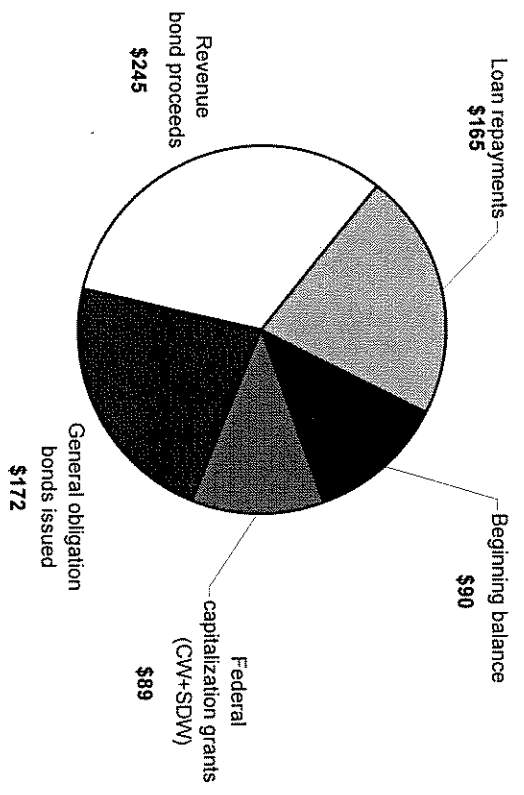
PROJECTS TO BE FUNDED

Total Project Costs	20,000,000
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INTEREST RATE	0%
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STATE OF WISCONSIN
 ENVIRONMENTAL IMPROVEMENT FUND
 ESTIMATED SOURCES AND USES FOR '99-01 BIENNIIUM
 ATTACHMENT B TO THE BIENNIAL FINANCE PLAN

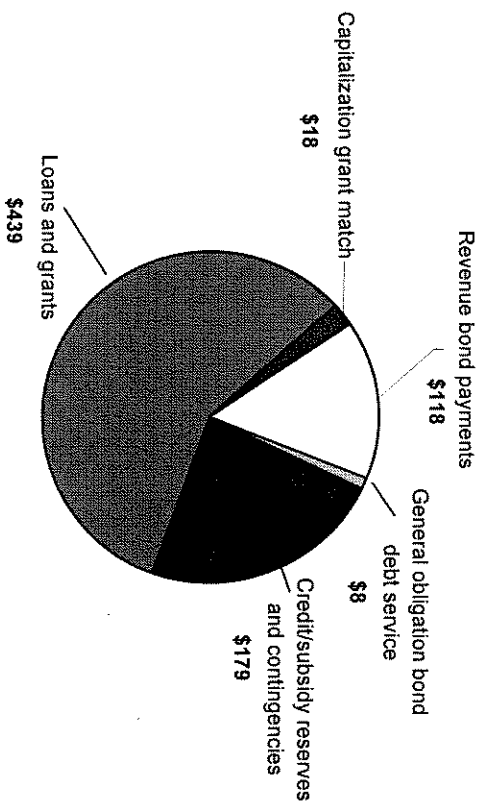
Sources of Funds



SOURCES OF FUNDS

Federal capitalization grants (CW+SDW)	\$89
General obligation bonds issued	\$172
Revenue bond proceeds	\$245
Loan repayments	\$165
Beginning balance	\$90
TOTAL SOURCES	\$761

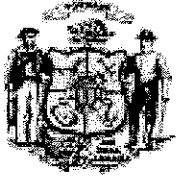
Uses of Funds



USES OF FUNDS

Loans and grants	\$439
Capitalization grant match	\$18
Revenue bond payments	\$118
General obligation bond debt service	\$8
Credit/subsidy reserves and contingencies	\$179
TOTAL USES	\$761

Notes:
 All numbers rounded to millions of dollars
 Loans and grants include projects originated during period indicated to end of funding cycle
 Assumptions regarding future interest rates for tax exempt bonds affect projections
 Starting balances derived primarily from repayments
 Does not include accruals or unapplied fund balances



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

September 16, 1999

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Natural Resources: Section 13.10 Requests Related to Project Forester Positions--
Agenda Item I-A

REQUEST

The Department of Natural Resources (DNR) requests \$232,700 in 1999-00 and \$291,500 in 2000-01 and 5.0, four-year project forester positions from the forestry account of the conservation fund for work related to storm damage and private forestry.

BACKGROUND

The main source of revenue to the forestry account of the conservation fund is the forestry mill tax. Article VIII, Section 10, of the Wisconsin Constitution allows the state to appropriate moneys for the purpose of acquiring, preserving and developing the forests of the state through a tax on property not to exceed 0.2 mill (20¢ per \$1,000 of property value). The rate of the mill tax, which is established in statute, was set at 0.2 mill in 1937 and has not been changed since. The tax is collected with other property taxes on a calendar-year basis and is calculated by using each county's total equalized property value, as determined by the Department of Revenue, for the previous year. For 1998-99, the tax generated \$46.6 million.

Other sources of revenue to the forestry account include: (a) revenues from the sale of timber on state forest lands; (b) revenues from the sale of stock from the state's tree nurseries; (c) camping and entrance fees at state forests; (d) severance and withdrawal payments from timber harvests on cooperatively-managed county forests and on privately-owned land entered under the forest crop land and managed forest land programs; and (e) a portion of the revenue from the sale of

the conservation patron licenses, to reflect the fact that license holders are granted admission to state forests at no additional charge as part of the license.

Forestry account revenues are used to fund several forestry programs and related administrative activities in DNR. These include: (a) operation of state forest and nursery properties; (b) forest management assistance for private landowners and county foresters; (c) aid payments under forest tax law programs; (d) county forest acreage payments and loans; and (e) forest fire control activities. Forestry account revenues are also used to fund programs in other state agencies, such as the gypsy moth program in the Department of Agriculture, Trade and Consumer Protection and some administrative and worker salary costs of the Wisconsin Conservation Corps.

Currently, the Department has approximately 165 permanent forester positions.

ANALYSIS

Under the actions to date of the Committee of Conference on Assembly Bill 133 (the 1999-01 biennial budget), the balance of the forestry account is estimated to be between approximately \$1.0 to \$3.0 million at the end of the 1999-01 biennium. The only issue related to expenditures from the forestry account that has not yet been addressed by the conference committee is the level of stewardship debt service to be paid from the account. The Joint Finance version of the budget would appropriate \$2 million annually on an ongoing basis from the account for stewardship debt service. The Assembly version of the budget would appropriate an additional \$1.0 million annually from the account for these purposes, resulting in a balance of \$1.0 million at the end of the biennium. The Senate version would appropriate no additional funding for these purposes and specify that the funding appropriated by Joint Finance would be on a one-time basis only. The Joint Finance or Senate provisions would result in a \$3.0 million June 30, 2001, balance.

In June of 1998, a windstorm damaged approximately 100,000 acres of forest in Jackson, LaCrosse, Monroe and Trempealeau Counties. The estimated value of the damaged timber, which was mostly in private, non-industrial ownership, was approximately \$45 million. In July of 1999, a severe windstorm hit Bayfield, Douglas, Oneida and Vilas Counties, damaging approximately 115,000 acres of forest land. The damage in Bayfield and Douglas Counties affected approximately \$15 million worth of timber, which was in a mix of public, private and industrial ownership. In Oneida and Vilas Counties, about \$2.5 million in timber was damaged, most of which was publicly-owned.

The Department identified three main concerns with the forest resources as a result of the storm damage: (a) the loss of the timber value, which generally cannot be salvaged more than one year after a storm; (b) increased fire hazard from downed timber; and (c) increased risk of harmful insects, fungi and other pathogens. Part of the proposed workload of the requested project forester positions is related to these issues. To deal with the potential loss of timber value, the additional foresters would perform such tasks as providing technical assistance to landowners relating to

salvaging damaged timber, working with the forest industry to respond to salvage needs and identifying markets for the salvaged products. The foresters would also work with federal and local agencies responsible for fire suppression in areas of high fire hazard and with private landowners to minimize the risk of forest fires. Surveys of insects and disease in damaged and adjacent areas would also be conducted, and assistance would be given to landowners to assess whether and how to treat any infestations that do occur.

DNR indicates that once the workload from the storm damage has been addressed, the project positions would undertake other activities related to private forestry assistance. The Department indicates that there is a growing backlog of requests for assistance from private landowners, which has been exacerbated in those areas affected by the recent storms. However, the Department was unable to provide any indicators of the magnitude of any backlog.

Neither the Department nor the Governor included any additional forester positions in the 1999-01 budget requests to address the ongoing backlog related to private forestry activities identified by the Department as part of this request. Thus, it could be argued that any additional private forestry staffing not related to the recent storms could not appropriately be considered an emergency. To reflect this, the Committee could choose to authorize two-year, rather than four-year, project positions. This would give the Department only the additional staffing needed within the time frame they would most effectively be able to deal with storm-related damage and any private forestry assistance related to the storms.

Since the storm that affected western Wisconsin happened over one year ago, it may be inappropriate to consider that as an emergency at this time. Given that the storm occurred at the time the Department was preparing its 1999-01 biennial budget request, the Department could have requested the necessary positions there, or alternatively recommended to the Governor that additional staffing be included in the Governor's budget. The Committee could thus choose to approve only three project positions to focus on the storm damage in northern Wisconsin, where there is more opportunity to recover the marketable value of the timber. The Committee would again have the option of approving two-year or four-year project positions.

The 1999-01 biennial budget, through the actions of the Committee of Conference to date, contains \$161,300 in 1999-00 and \$215,000 in 2000-01 and 5.0 permanent forester positions. Further, \$150,000 in each year of the biennium is provided for contracts with private foresters to prepare management plans for entry of private forest land into the Managed Forest Land program. While additional foresters were not identified in DNR's budget request or the Governor's recommendations, the Joint Committee on Finance added the five staff and the contract funding to address forestry workload. It could be argued that these resources would be a sufficient addition to the forestry program to be able to handle the damage from both storms in the short-term and then focus on the private forestry workload in the future. The Department, however, indicates that the private forestry workload is such that the five permanent foresters alone would not be sufficient to cover the backlog and handle storm damage issues as well.

The positions provided in the budget are specified as entry-level foresters. The Department intends to put them through a standard training and mentoring program before they are assigned to a permanent station. DNR requested that the project positions in this request be senior forester positions, so that they would hire experienced foresters to undertake the forestry workload avoiding the initial training period. The Department anticipates filling the project positions from a standard announcement, which could expedite the hiring process. As an alternative, the Committee could choose to provide the project positions as entry-level, in which case the Department could assign existing senior forester staff to handle the immediate storm damage issues (a savings of \$147,900 for the biennium if 5.0 positions were approved).

ALTERNATIVES

1. Approve the Department's request to provide \$232,700 in 1999-00 and \$291,500 in 2000-01 and 5.0 project forester-senior positions from the forestry account of the conservation fund. Specify that the positions be:
 - a. four-year project positions.
 - b. two-year project positions.

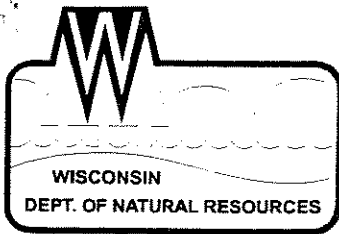
2. Provide \$139,600 in 1999-00 and \$174,900 in 2000-01 and 3.0 project forester-senior positions from the forestry account. Specify that the positions be:
 - a. four-year project positions.
 - b. two-year project positions.

3. Provide \$161,300 in 1999-00 and \$215,000 in 2000-01 and 5.0 project forester (entry-level) positions from the forestry account. Specify that the positions be:
 - a. four-year project positions.
 - b. two-year project positions.

4. Provide \$96,800 in 1999-00 and \$129,000 in 2000-01 and 3.0 project forester (entry-level) positions from the forestry account. Specify that the positions be:
 - a. four-year project positions.
 - b. two-year project positions.

5. Deny the request.

Prepared by: Russ Kava



State of Wisconsin \ DEPARTMENT OF NATURAL RESOURCES

Tommy G. Thompson, Governor
George E. Meyer, Secretary

101 S. Webster St.
Box 7921
Madison, Wisconsin 53707-7921
Telephone 608-266-2621
FAX 608-267-3579
TDD 608-267-6897

September 2, 1999

The Honorable Brian Burke, Co-Chair
Joint Committee on Finance
Room 316 South
State Capitol

Honorable John Gard, Co-Chair
Joint Committee on Finance
Room 315 North
State Capitol

Attn: Committee Secretary, Daniel Caucutt
Division of Executive Budget and Finance, 10th Floor
Administration Building
101 E. Wilson Street

Dear Senator *Brian* Burke and Representative *John* Gard:

REQUEST

The Department of Natural Resources requests a supplement to appropriation s. 20.370 (1)(mu) from the Forestry Account of the Conservation Fund of \$232,700 SEG and 5.0 FTE project positions in FY 00, and \$291,500 and 5.0 FTE project positions in FY 01. This funding will address critical forestry needs in response to two major natural disturbances over the last 15 months in the West Central and Northern parts of Wisconsin. The project positions are requested for a four year period, and would be classified as Forester - Senior (Pay Range 15-25). The Department feels this request meets the criteria under s. 13.10 because of the unanticipated nature of the natural disasters. Without resources now we will diminish the amount of timber that will be salvaged in the North, increase the risk of damaging forest fires and insect and disease infestations, and limit the amount of land that is reforested in both Northern and West Central Wisconsin. Without additional resources we will also continue to fall further behind in meeting the needs of private forest landowners in these areas.

BACKGROUND

On June 27, 1998 a severe windstorm hit Monroe, Trempealeau, Jackson and LaCrosse Counties, damaging approximately 100,000 acres of forestland. On July 30, 1999 a windstorm damaged approximately 115,000 acres in Douglas, Bayfield, Oneida and Vilas Counties. The acreage, timber value and land ownership affected by the storms is summarized below:

Counties Affected	Estimated Acres Affected by Storms	Estimated Value of Timber Damaged	Ownership of heavily damaged areas (NIPF = private non-industrial forestland)
Monroe, Jackson Trempealeau, LaCrosse	100,000	\$45,000,000	98% NIPF 0% Industrial 2% Public
Douglas, Bayfield	100,000	\$15,000,000	22% NIPF 41% Industrial 37% Public
Oneida, Vilas	15,000	\$ 2,500,000	20% NIPF 0% Industrial 80% Public
TOTALS	215,000	\$62,500,000	57% NIPF 19% Industrial 24% Public

IMPACTS

The Department has estimated that the two storms damaged in excess of \$62 million worth of timber, primarily involving red oak, red pine, jack pine, white pine and aspen. Most of the timber value will be lost if it is not salvaged within one year of being damaged. Therefore, action must be taken quickly to salvage timber in the storm that occurred this summer in Northern Wisconsin.

Furthermore, the damage from severe storms can be exacerbated by the increased potential for both forest fires and insect and disease infestations. Areas with a significant amount of damage that are not salvaged prior to April 2000 will pose an increased forest fire hazard next spring. In addition, slash (tree tops and limbs) remaining following salvage operations will also contribute to an increased fire hazard. Areas with drier and less nutrient rich soils, dominated by jack and red pine, are at a particularly high risk for forest fires.

These same areas pose the greatest risk for damaging outbreaks of harmful insects and pathogens. Damaged pines attract beetles that breed in them and spread to adjacent undamaged areas in future years, effectively increasing the area and amount of damage caused by the original events. Damaged pines also are susceptible to wood-decaying fungi that quickly eliminate the commercial value of the timber. Damaged stands of aspen are susceptible to infection by two destructive pathogens that can also spread to adjacent, undamaged areas.

The storm that occurred in 1998 damaged a significant amount of oak during a time of year in which injured trees are highly susceptible to the fungus that causes oak wilt. The oaks damaged in the storm are also susceptible to a second harmful fungus and an insect. The extent to which these pathogens have invaded the damaged areas is not yet known, however, the potential exists for the storm to cause on-going damage to the oak resource of West Central Wisconsin.

WORKLOAD IMPLICATIONS

In response to natural disturbances such as these storms, the Department shifts resources from other priority work to mitigate the adverse impacts of such events. However, resources are not sufficient to effectively reach the myriad landowners affected by such events, and the shift of resources exacerbates the already significant and growing backlog of work associated with the private forestry program.

Timber damaged on private industrial lands is being salvaged and reforested by the industrial owners. The USDA Forest Service is working to address areas impacted on the National Forest. DNR staff are working in partnership with the affected County Forests to salvage timber on county-owned lands. The DNR is also responding to the need to salvage timber on state-owned lands and is working to identify, contact and provide guidance to non-industrial private forest (NIPF) landowners.

It is estimated that an additional 5-7 FTE-equivalents are needed to effectively implement workload items associated with the storms that occurred in West Central and Northern Wisconsin. Priority workload items include:

- identifying and notifying NIPF landowners with storm damage that have not already been reached;
- providing landowners with technical assistance regarding salvaging damaged timber;
- linking landowners with private forestry consultants who can provide additional assistance;
- collaborating with the logging community to respond effectively to salvage needs;
- identifying potential markets for salvaged wood;
- writing stewardship plans for landowners interested in cost-sharing practices due to storm damage;
- working with landowners to reforest damaged areas;
- working with landowners to identify and obtain applicable cost-share funding, and administering that cost-share funding;
- establishing and administering salvage sales on state lands and working in partnership with the counties to do so on county forest land;
- working with all land ownerships to intensify salvage operations in fire prone areas;
- mapping fuels that are expected to remain after salvage operations in the fall and winter of 1999-2000;
- testing large dozers that, if conditions warrant, will be contracted for use in areas with heavy fuels to identify appropriate tactics for use should a fire occur;
- intensifying training of fire departments in areas with significant damage and high fire hazard;
- working with the USDA Forest Service in the development of joint suppression plans;
- working with home and cabin owners to develop fire protection strategies for their buildings;
- site preparation for reforestation;
- conducting insect and disease surveys, both within damaged areas and in adjacent stands;
- working with landowners to assess whether and how to treat insect and disease infestations that do occur.

RECOMMENDATION

Five, four-year project positions are requested. The positions will be placed in locations in which they can most efficiently address immediate workload associated with the storms. Positions may be moved over time if an increase in efficiency can be obtained by such a move.

As the five project positions complete work directly associated with the storm damage, they will take on additional activities associated with the private forestry program. A recent study of the DNR's private

forestry program determined that the Department and private sector are collectively not capable of meeting the need for private forestry assistance. The shift of resources necessary to effectively respond to the storms has and will continue to exacerbate the growing backlog of requests for assistance from private landowners. The five project positions will mitigate the backlog both by reducing the amount of time permanent foresters need to divert to working on activities associated with the storm damage, and by directly working with other private landowners to address a small portion of the unmet private forestry needs.

COST

Five foresters hired at the Forester-Senior level will require the funding as follows:

2000fy = \$232,722 (seven months salary & fringe, supplies & services; one-time equipment)

2001fy = \$291,511 (salary & fringe, supplies & services)

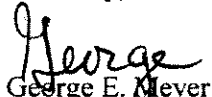
2002fy = \$296,671 (salary & fringe, supplies & services)

2003fy = \$301,934 (salary & fringe, supplies & services)

2004fy = \$128,043 (five months salary & fringe, supplies & services)

Thank you for your consideration of this request.

Sincerely,


George E. Meyer
Secretary

C: Darrell Bazzell - AD/5
Joe Polasek - MB/5
Herb Zimmerman - FN/1
Steve Miller - AD/5
Gene Francisco - FR/4

Wisconsin Private Forestry Workload

Issue Statement:

The demand and need for private forestry assistance has grown over the last few decades. The capacity of natural resource agencies to provide guidance to private landowners, however, has not. Budget reductions and reallocation of positions have actually reduced the staff at DNR, the public's primary source of initial forestry guidance. A large workload backlog for forestry assistance has resulted.

Background:

In August, the Department of Natural Resources completed a study titled *Improving Wisconsin's Private Forestry Assistance Program*. The study makes it clear that private forest lands produce environmental, economic and social benefits important to everyone in the state. Helping private landowners practice sustainable forestry is in the public's interest. Among the factors that have caused an increase in the demand and need for assistance are:

- The number of people owning woodland has roughly doubled in the last fifty years.
- The value of forested land has skyrocketed, making woods more valuable than agricultural land in many parts of Wisconsin.
- Today's landowners request more comprehensive ecosystem considerations in forestry plans, which take more time to address.
- Wisconsin's forest resource has matured since extensive cutting early in the century, requiring more complex care as forests age.
- The average annual timber harvest from private lands, which increased 90% between the 1983 and 1996 forest inventories, continues to grow and require more forestry services.
- Real prices for timber have also increased, making timber management a more attractive and feasible option for many landowners.

Currently, about 94 full-time equivalent DNR foresters provide individual guidance to about 9,000 landowners per year. In addition, there are approximately 80 private cooperating consulting foresters who we rely on to provide a range of services to private landowners. Around 40% of the DNR foresters' calls are new contacts (about 3,600 new landowners assisted per year).

Estimates indicate that the likely demand for assistance is two to three times that level.

Wisconsin would need about 500 public and private foresters to assist each private forest landowner just once every fifteen years.

Based on annual accomplishment reports, **the Department estimates that fewer than 18% of the people harvesting timber in Wisconsin use the services of a professional forester and that less than 20% of landowners have written forest management plans.** Although many of the remaining woodland owners in the state want guidance from a professional forester, the services are not available from either the public or private sectors.

The shortage in DNR forestry assistance is also problematic for existing incentive programs. An attached example shows the backlog that has developed for completion of mandatory forestry practices under forest tax law programs. As shown in the following table, an average of over 7,300 mandatory forestry practices covering 120,000 acres would need to be completed annually to catch up over the next five years. Assuming that 60% of those practices have been or will be completed willingly by landowners with the help of the existing complement of foresters, assuring completion of the 40% remainder would require an estimated 27 full time equivalent positions above current staffing.

To address the growing workload for private forestry assistance, the Department of Natural Resources is initiating a process, working with others, to define:

1. An appropriate base level of service from DNR to private forest landowners;
2. Adequate DNR staffing to assure follow-through from landowners with obligations in their forest tax law or cost-sharing agreements; and
3. Incentives for initiatives by other agencies, conservation and environmental organizations, and private enterprises upon whom we are placing an increased reliance to help private forest landowners.

FOREST TAX LAW BACKLOG MANDATORY PRACTICES AND TIME NEEDS

County	5 Year Average		Additional Hours Needed Annually to Catch Up by the end of 2003	Average Additional Annual FTEs Needed (based on 1825 hours/FTE)
	Mandatory Practices Number	Acres		
Adams	114	1696	788	0.432
Ashland	43	1344	295	0.162
Barron	73	1762	506	0.278
Bayfield	77	1477	533	0.292
Brown & Kewaunee	61	661	421	0.231
Buffalo	68	1131	468	0.256
Burnett	106	1671	731	0.401
Calumet & Outagamie	127	1779	878	0.481
Chippewa	49	716	338	0.185
Clark	137	2374	945	0.518
Columbia	54	778	375	0.206
Crawford	56	1360	385	0.211
Dane	41	490	280	0.154
Dodge	25	188	174	0.095
Door	178	2728	1,231	0.674
Douglas	173	3002	1,191	0.653
Dunn	79	1781	545	0.299
Eau Claire	45	669	308	0.169
Florence	143	2762	989	0.542
Fond du Lac & Winnebago	21	299	142	0.078
Forest	153	3623	1,058	0.580
Grant	56	1360	385	0.211
Green	99	1234	683	0.374
Green Lake & Marquette	124	2462	854	0.468
Iowa	111	1874	765	0.419
Iron	43	1007	297	0.163
Jackson	102	2049	707	0.387
Jefferson & Rock	76	799	524	0.287
Juneau	228	2782	1,575	0.863
Kenosha, Racine & Walworth	65	804	449	0.246
La Crosse	35	524	244	0.134
La Fayette	39	614	269	0.147
Langlade	282	5452	1,949	1.068
Lincoln	266	4876	1,838	1.007
Manitowoc	92	1071	633	0.347
Marathon	349	5316	2,408	1.320
Marinette	157	3045	1,081	0.592
Monroe	136	1679	941	0.516
Oconto	117	1886	805	0.441

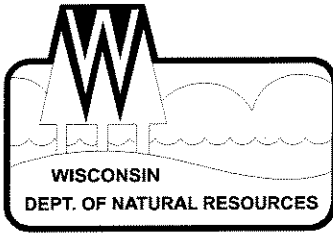
County	5 Year Average Mandatory Practices Number	5 Year Average Mandatory Practices Acres	Additional Hours Needed Annually to Catch Up by the end of 2003	Average Additional Annual FTEs Needed (based on 1825 hours/FTE)
Oneida	108	1851	744	0.408
Ozaukee & Washington	73	725	502	0.275
Pepin	39	674	268	0.147
Pierce	58	1018	399	0.219
Polk	104	2796	716	0.392
Portage	313	3196	2,161	1.184
Price	103	2041	711	0.389
Richland	169	2196	1,166	0.639
Rusk	158	5025	1,087	0.596
Sauk	35	698	240	0.132
Sawyer	116	3387	799	0.438
Shawano	179	3078	1,234	0.676
Sheboygan	43	465	294	0.161
St. Croix	68	896	471	0.258
Taylor	88	2809	609	0.333
Trempealeau	163	2372	1,122	0.615
Vernon	138	1490	951	0.521
Vilas	80	1689	552	0.302
Washburn	157	2971	1,085	0.594
Waukesha	60	951	415	0.228
Waupaca	394	5198	2,719	1.490
Waushara	313	4429	2,160	1.183
Wood	154	1612	1,065	0.584
TOTALS	7,313	122,691	50,457	27.648

*The additional time needs are based on an assumption that 40% of the mandatory practices will require an additional 16 hours each to resolve. The formulas that calculate the time needs shown above also include ½ hour for each scheduled practice for collecting information and updating the computer records. About 60% of mandatory practices are being completed annually with the existing DNR forestry staff.

Bayfield County

West Road 229 & North of Hwy N





State of Wisconsin \ DEPARTMENT OF NATURAL RESOURCES

Tommy G. Thompson, Governor
George E. Meyer, Secretary

101 S. Webster St.
Box 7921
Madison, Wisconsin 53707-7921
Telephone 608-266-2621
FAX 608-267-3579
TDD 608-267-6897

November 10, 1999

Honorable Brian Burke, Co-Chair
Joint Committee on Finance
Room 316 South
State Capitol

Honorable John Gard, Co-Chair
Joint Committee on Finance
Room 315 North
State Capitol

Subject: DNR and DOA Memorandum Of Agreement On GIS Database Accuracy

Dear Senator *Brian* Burke and Representative *John* Gard:

At the September 16, 1999 regular 13.10 meeting of the Joint Committee On Finance, a motion by Representative Albers and seconded by Representative Gard was passed which directed the Department of Natural Resources and the Department of Administration to develop a written memorandum of agreement (MOA). The MOA, to be developed by November 15, 1999, is for G.I.S. and digital maps that addresses: (a) which department controls the information that gets released; and (b) a policy for correcting errors when information is released and errors are found.

Accordingly, the Department of Natural Resources and the Department of Administration have jointly developed the attached Memorandum of Agreement to address the points identified in the motion. We hope this satisfies the concerns of the Committee raised at the September 16 meeting, and provides a working procedure to address those concerns.

Sincerely,

George
George E. Meyer,
Secretary, Department of Natural Resources

George F. Lightbourn
George F. Lightbourn,
Secretary, Department of Administration

- c. Governor Tommy G. Thompson
Representative Sheryl Albers
Dan Caucutt, Committee Secretary
Bob Lang, Legislative Fiscal Bureau

Memorandum of Agreement

Whereas the Joint Finance Committee has directed the Department of Administration (DOA) and Department of Natural Resources (DNR) to develop an inter-agency Memorandum of Agreement to ensure optimal accuracy of Geographic Information Systems (GIS) data and to develop procedures for resolving errors in data;

Whereas the DOA Office of Land Information Services (OLIS) GIS Services group acquires, formats and distributes GIS data;

Whereas the DNR Geographic Services Section (GEO) develops and maintains GIS databases to support DNR policy evaluation, decision-making, and program operations, and distributes GIS data as required;

Whereas DOA and DNR have a history of sharing geographic data and participating in inter-agency forums for the development, distribution and appropriate use of GIS information;

Whereas the roles of Data Producers, Data Custodians, and Data Distributors are generally understood among the Wisconsin Land Information community to encompass responsibility for producing, maintaining, and sharing geographic data; and

Whereas the responsibility for data management and maintenance is held by Data Producers or Data Custodians, including the correction of errors in the data,

Therefore, for and in consideration of the mutual covenants hereinafter set forth by and between DOA and DNR, it is agreed that when errors are detected in GIS data for which DNR or DOA is a Data Distributor, the following review process shall apply:

1. The person or organization that detected the error shall provide written notification to the DNR Geographic Services Section Chief or the Director of the DOA Office of Land Information Services, identifying the data set, the DNR or DOA program from which the data were obtained, the approximate date when the data were obtained, and the specific nature of the error.
2. The Chief of the DNR Geographic Services Section (GEO) or the Director of the DOA Office of Land Information Services (OLIS) or their designees shall coordinate a timely process for reviewing the reported error. If the review determines that the error is in need of correction, then DNR/GEO or DOA/OLIS will take the following actions:
 - When DNR/GEO or DOA/OLIS is the Data Custodian for the affected data, then the error shall be corrected and the affected database(s) at DNR and DOA updated so that the correction is present in the data distributed henceforth by DNR and DOA. If the affected data are derived from other data originally produced by a government agency other than DNR or DOA, then whenever appropriate the Data Producer shall also be notified of the error.
 - When a Bureau or Program in DNR or DOA other than DNR/GEO or DOA/OLIS is the Data Custodian for the affected data, then the Bureau or Program shall be notified of the error, and of the Data Custodian's responsibility for correcting the error and for updating the affected database(s) so that corrections are present in the data distributed henceforth. If the affected data are derived from other data originally produced by an organization other than DNR or DOA, then whenever appropriate the Data Custodian shall be responsible for notifying the Data Producer of the error.
 - When neither the DNR nor DOA are the Data Custodian for the affected data, the Data Producer shall be notified of the error whenever appropriate.


3. This Memorandum of Agreement may be terminated, modified or amended only by mutual agreement of DOA and DNR.

4. This Memorandum of Agreement shall not be construed as creating a public debt on the part of DOA or DNR in contravention of Article VIII, Wisconsin Constitution, and all obligations are subject to the availability of future legislative appropriations.

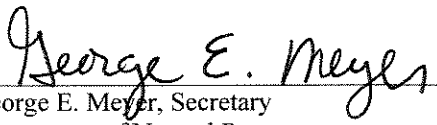
5. In this Memorandum of Agreement, the terms DOA, DNR, OLIS and GEO include their respective managers, supervisors, employees, agents, contractors and representatives, whether acting individually or collectively.

IN WITNESS WHEREOF, the Department of Administration and the Department of Natural Resources have caused this Memorandum of Agreement to be executed in their respective names by their respective authorized representatives on the dates shown below.

Date: 11/3/99


George F. Lighthorn, Secretary
Department of Administration

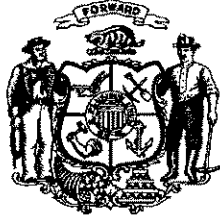
Date: 11/15/99


George E. Meyer, Secretary
Department of Natural Resources

THE STATE OF WISCONSIN

SENATE CHAIR
BRIAN BURKE

316-S Capitol
P.O. Box 7882
Madison, WI 53707-7882
Phone: (608) 266-8535



ASSEMBLY CHAIR
JOHN GARD

315-N Capitol
P.O. Box 8952
Madison, WI 53708-8952
Phone: (608) 266-2343

JOINT COMMITTEE ON FINANCE

MEMORANDUM

To: Members
Joint Committee on Finance

From: Senator Brian Burke
Representative John Gard

Date: May 23, 2000

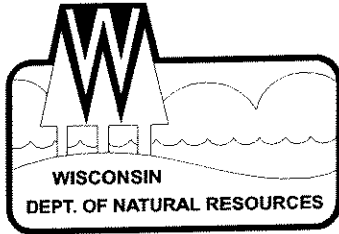
Re: Report on Wastewater Discharge Fees

Attached is a copy of a report from the Department of Natural Resources, as required by Section 9136 (3x) (a) of 1999 Wisconsin Act 9. It provides information on draft rule changes proposed for the wastewater fee program and the Department's recommendation for a statutory change needed to implement the new requirements.

The report is being provided for your information only. No formal action is required by the Committee. Please feel free to contact us if you have any questions.

Attachment

BB:JG:dh



State of Wisconsin \ DEPARTMENT OF NATURAL RESOURCES

Tommy G. Thompson, Governor
George E. Meyer, Secretary

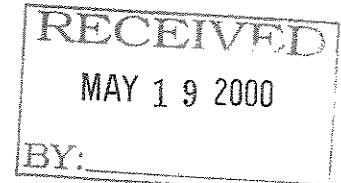
101 S. Webster St.
Box 7921
Madison, Wisconsin 53707-7921
Telephone 608-266-2621
FAX 608-267-3579
TTY 608-267-6897

May 2, 2000

The Honorable Brian Burke, Co-Chair
Joint Committee on Finance

The Honorable John Gard, Co-Chair
Joint Committee on Finance

Dear Sirs: *Brian, John*



Sections 2680v., 2681, and 2681e. of 1999 Wisconsin Act 9 made changes to s. 299.15, Stats., which is the enabling legislation for the wastewater fee program under Ch. NR101, Wis. Admin. Code. The changes do the following: 1) after FY 2000 raise the revenue ceiling to \$7.925M; and 2) add five additional fee program requirements. Section 9136 (3x) (a), (non-statutory provisions); of 1999 Wisconsin Act 9 requires the Department to prepare a report on wastewater discharge fees under section 299.15 (3) (am), Stats., related to the new requirements.

Attachment one is the Natural Resources Board Agenda Item - Request for Public Hearing approved by the Board during their April meeting. The package contains draft rule changes proposed for the wastewater fee program. The rules have been submitted to the Legislative Council Staff pursuant to s. 9136 (3x) (b) of the non-statutory provisions. The Department intends to seek Board approval of the final rule package at the August Natural Resources Board Meeting in order to meet the January 1, 2001 deadline of s. 9136 (3x)(b), 1999 Wis. Act 9.

Attachment two is the Department's recommendation for a change needed to s. 299.15, Stats., in order to implement the new requirements. With the exception of this change, the new requirements appear to fit within the wastewater fee program without major revisions. The draft rule package is supported by an external advisory committee, although there is a difference of opinion regarding the 5-year rolling average, and the Department is seeking input on the two options. See Attachment One for more information on the difference of opinion. The new requirements are also compatible with the data system that supports the fee program, although the Department has had to delay important customer service features of the System for Wastewater Applications, Monitoring and Permits in order to implement the solutions.

Thank you for your consideration of this report. Feel free to contact me or my staff for additional information.

Sincerely,

George E. Meyer, Secretary

CC: Donald J. Schneider, Senate Chief Clerk
Charles R. Sanders, Assembly Chief Clerk
Kirsten Grinde, DOA Exec. Budget Office

NATURAL RESOURCES BOARD AGENDA ITEM

Item No. _____

Form 1100-1
(R 12/98)

SUBJECT: Authorization for hearing on revision of Chapter NR 101, Wis. Adm. Code, pertaining to changes in the wastewater fee program pursuant to 1999 Wisconsin Act 9.

FOR: April 2000 **BOARD MEETING**

TO BE PRESENTED BY: Tom Aten, Bureau of Integrated Science Services

SUMMARY:

1999 Wisconsin Act 9 contained changes to Section 299.15, Stats., that must be addressed in the wastewater fee rule, Chapter NR 101, Wis. Admin. Code. The changes require that the wastewater fee program implement a performance-based system for calendar year 2000 and beyond, and that fees are based on a five-year rolling average of discharge data. The statutory note to 1999 Wisconsin Act 9 requires that we provide draft rules to implement the new requirements by May 1, 2000 and submit promulgate new rules by January 1, 2001.

The NR 101 External Advisory Committee, or EAC (member list attached) and agency staff agreed that fixing the annual adjustment factor at the 1999 values, for fees assessed for calendar year 2000 and beyond, would result in a performance-based fee system. Increases in discharges would result in higher fees, while decreased in discharges would result in lower fees. We did not reach agreement on the five-year rolling average requirement. The proposed rule language contains two options for meeting the rolling average requirement which we are seeking input on. The first initiates the rolling average in calendar year 2000 but would not have five years of data until calendar year 2004. The second would use 1996 to 2000 data in calendar year 2000.

In addition, the department has proposed a fee rate for phosphorus that more accurately addresses its environmental impact. This rate will apply to all facilities whose WPDES permit contains phosphorus limits in calendar year 2000. We also intend to hold a hearing under S. 255.15(5) to gather information toward applying this fee rate to calendar year 1999 discharges.

RECOMMENDATION:

The Natural Resources Board approves this request for public hearing.

LIST OF ATTACHED MATERIALS:

- | | | | | | |
|----|-------------------------------------|---|-----|-------------------------------------|----------|
| No | <input type="checkbox"/> | Fiscal Estimate Required | Yes | <input checked="" type="checkbox"/> | Attached |
| No | <input checked="" type="checkbox"/> | Environmental Assessment or Impact Statement Required | Yes | <input type="checkbox"/> | Attached |
| No | <input type="checkbox"/> | Background Memo | Yes | <input checked="" type="checkbox"/> | Attached |

APPROVED:

Roger Larson for Al Shea
Bureau Director,

3/28/00
Date

Susan Sylvestre
Administrator,

3/29/00
Date

George E. Meyer
Secretary, George E. Meyer

4/2/00
Date

- cc: Judy Scullion - AD/5
- Al Shea - WT/2
- Tom Aten - SS/6
- James Addis - SS/6
- Robin Nyffeler - LS/5
- Carol Turner - LS/5

DATE: April 3, 2000

FILE REF: 3400

TO: Natural Resources Board

FROM: George E. Meyer, Secretary

George

SUBJECT: Green Sheet: Performance based discharge fee system for WPDES permitted facilities - ch. NR 101, Wis. Adm. Code

The Bureau of Watershed Management is proposing to modify ch. NR 101, Wis. Adm. Code to reflect the provisions of s.299.15 Stats, as modified in 1999 Wisconsin Act 9, mandating a performance-based system for fees generated by the WPDES program. The intent of the new provision is to reward entities with lower fees when they reduce the amount of pollutants discharged.

In the existing fee system, the rates charged to permitted facilities are adjusted to meet a revenue target. This has created a situation where industries and municipalities may be assessed higher fees than the previous year even if they have implemented pollution minimization or pollution reduction programs. In order to implement the new system, the Department is proposing to modify ch. NR 101, Wis. Adm. Code and promulgate the new rules by January 1, 2001. The legislation also requires that by May 1, 2000, the Department is to prepare a report for the Legislature on the wastewater discharge fees. This report is to include any recommendations for statutory changes needed to implement section 299.15(3)(e) of Act 9.

The Natural Resources Board was notified at its January, 2000 meeting of the Department's intent to form an External Advisory Committee to obtain input from impacted entities and concerned groups. The External Advisory Committee was comprised of representatives from the Wisconsin Paper Council, the Midwest Food Processors, the Wisconsin electric utilities, major municipalities in Wisconsin, environmental groups, and municipal organizations.

The External Advisory Committee met three times to evaluate the requirements of the changes to the statute, discuss the options available, and to provide input to the Department on the revisions to the code. One of the issues discussed at length was the impact of a five-year rolling average to calculate fees and the date from which the average will be calculated. It was the intent of the legislature to use a five-year rolling average to dampen the impact of fluctuations in annual loading on the fees. Two areas of concern have arisen related to this issue:

1. Historically, each year the facilities in Wisconsin have reduced the quantity of pollution discharged. If this trend continues in the future, the use of a rolling average will result in entities paying higher fees as the larger loads discharged in previous years are factored into the average. Additionally, a facility will be penalized by the five year rolling average if they are required to expand to meet a lower limit. The facility would pay higher fees for five years before the impact of the rolling average is removed.

2. The second area of concern was the date at which the five-year rolling average cycle would begin. The committee recommended calculations for the five-year rolling average begin using the year 2000 data as the starting point. This approach would not impose additional fees on entities based on a system not in place during the term of the discharge. Under this approach, although the pollutant loads would be averaged over the subsequent years, a full five-year rolling average could not be calculated until 2004.

The draft language before the Board includes both options for initiating the five-year cycle. We will present the two options at the public hearings and will modify the final rule package based on the input.

A member of the committee brought to the committee's attention that under the current NR 101 formula, there is substantial variability in the amount of fees paid per pound, particularly for heavy metals. The committee noted this information, but concluded that this disparity stems from existing statutory language and its current charge did not include altering that language.

An additional item in this packet is related to the fees assessed to phosphorus discharges to be implemented for the initial time in the calendar year 1999 billing. Ch. NR 217 establishes an effluent limit for phosphorus at 1 mg/l. The code also provides for an opportunity for a permitted facility to apply for a variance from the 1 mg/l limit if it can meet established criteria. The initial procedure used to set a rate for phosphorus has resulted in a situation where there is a wide variation in fees charged to entities with a standard limit and those who have received a variance. To address this inequity, we are proposing to establish a flat rate similar to the system used for other categorical limits. We intend to hold a special hearing under Section 299.15(5) Stats to gather information to allow us to apply the flat rate for the 1999 fees. The External Advisory Committee did not address this issue since the final meeting was held before the inequity was discovered.

The Department will ask the Board at its April, 2000 meeting for the authorization to conduct one public hearing in June 2000. We recommend one hearing since a direct mailing will be made to all entities impacted by the changes and they will have the opportunity to submit written comments as well as to attend the public hearing. It is anticipated that the Department will seek the adoption of modifications to ch. NR 101, Wis. Adm. Code at the August, 2000 Board meeting.

cc: Susan Sylvester – Adm/5
Al Shea – WT/2

ORIGINAL UPDATED
 CORRECTED SUPPLEMENTAL

FISCAL ESTIMATE

DA-2048 N(R10/94)

subject
 NR 101 Wastewater Discharge Fee Changes

Fiscal Effect

State: No State Fiscal Effect

Check columns below only if bill makes a direct appropriation or affects a sum sufficient appropriation.

- Increase Existing Appropriation Increase Existing Revenues
 Decrease Existing Appropriation Decrease Existing Revenues
 Create New Appropriation

- Increase Costs - May be possible to Absorb Within Agency's Budget Yes No
 Decrease Costs

Local: No local government costs

1. Increase Costs
 Permissive Mandatory
 2. Decrease Costs
 Permissive Mandatory

3. Increase Revenues
 Permissive Mandatory
 4. Decrease Revenues
 Permissive Mandatory

5. Types of Local Government Units Affected:
 Towns Villages Cities
 Counties WTCS Districts
 School Districts Others _____

Fund Sources Affected

- GPR FED PRO PRS SEG SEG-S

Affected Ch. 20 Appropriations

Assumptions Used in Arriving at Fiscal Estimate

SUMMARY OF RULE - The Legislature, in 1999 Wisconsin Act 9, required that the wastewater fee program implement a performance-based fee system for calendar year 2000 and beyond, and that fees be based on a five-year rolling average of discharge data. The changes to NR 101 proposed by the Department are designed to implement Act 9's statutory directive.

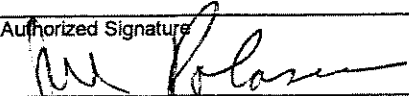
FISCAL IMPACT - The fiscal impact associated with going to a performance-based system is that the actual revenue collected will fluctuate based on the amount of pollutants discharged and WPDES limits. Historically, the Department has seen a consistent reduction in the total amount of pollutants discharged, both from industries and from municipalities. The amount of decline is roughly 26% for municipalities and 34% for industries between 1994 and 1998. Should this trend continue, over time the amount of fee revenue generated would decline accordingly, although, as discussed below, there may be some temporary fluctuations in fee revenue through 2003, depending on which five-year averaging method is chosen.

In this rule package, the Department is proposing two different solutions for the public hearing phase for Act 9's five-year rolling averaging requirement. One proposed solution would start the averaging in the year 2000 and would use calendar year 1996 through 2000. The second would build up to a five year average by 2004 where calendar year 2001 would be a to year average, 2002 a three year average, 2003 a four year average, and 2004 a five year average. In both cases the rule would average available data for the period of time that such data are available. For example, most facilities will have BOD and TSS data available for the full five years, but may have received a revised permit only two years ago that includes a phosphorus limit - thus the BOD and TSS would be averaged over five years and the phosphorus averaged over two years. Phosphorus will be included in the fee program for fees assessed on calendar year 1999 discharges. Even under the proposed flat rate for phosphorus, this pollutant has a significant impact on the fee base. For 1999 this effect is dampened out by the adjustment factors, but the impact on the five year rolling average aspect becomes important.

The fiscal impact of the five-year rolling average is that year to year fluctuations will be smoothed out on a facility by facility basis. The difference between the two options presented in this rule package is that the revenue collected in the first option, where the calendar year 2000 fees are based on averages from 1996 - 2000, is initially higher than the second option, where calendar year 2000 represents year one of the averaged period. In fact, given the assumption that total discharges will continue to decline, revenue related to calendar years 2000 and 2001 discharges may be greater than the current revenue, before declining in 2002. This is because discharge levels were generally higher in the period 1996 - 1998. In calendar year 2004 the revenue levels would be the same since both options would use calendar years 2000 - 2004 for the averaging period. Overall, regardless of which 5-year averaging method is chosen, assuming that the trend toward decreased discharges continues, the Department projects that fees related to calendar year 2004 discharges--and thus revenue to the state's general fund--will be less than the fee revenue generated under the current system.

Long-Range Fiscal Implications
 See above.

3

Agency	Prepared By	Phone No.	Authorized Signature	Phone No.	Date
DNR	Joe Polasek	(608) 266-2794		(608) 266-2794	04/06/2000

FISCAL ESTIMATE WORKSHEET

1999 Session

Detailed Estimate of Annual Fiscal Effect
DOA-2047 (R10/94)

ORIGINAL UPDATED
 CORRECTED SUPPLEMENTAL

LRB or Bill No./Adm. Rule No. NR 101	Amendment No.
---	---------------

Subject
NR 101 Wastewater Discharge Fee Changes

I. One-Time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):

II. Annualized Costs:	Annualized Fiscal impact on State funds from:	
A. State Costs by Category	Increased Costs	Decreased Costs
State Operations - Salaries and Fringes (FTE Position Changes)		
State Operations - Other Costs		
Local Assistance		
Aids to Individuals or Organizations		
TOTAL State Costs by Category		
B. State Costs by Source of Funds	Increased Costs	Decreased Costs
GPR		
FED		
PRO/PRS		
SEG/SEG-S		
III. State Revenues:	Increased Rev.	Decreased Rev.
<small>Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)</small>		
GPR Taxes		
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
TOTAL State Revenues		

NET ANNUALIZED IMPACT

NET CHANGE IN COSTS

STATE _____ LOCAL \$0

NET CHANGE IN REVENUES

STATE H LOCAL \$0

Agency DNR	Prepared By Joe Polasek	Phone No. (608) 266-2794	Authorized Signature 	Phone No. (608) 266-2794	Date 04/06/2000
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ORDER OF THE STATE OF WISCONSIN NATURAL RESOURCES BOARD
REPEALING, AMENDING, REPEALING AND RECREATING AND CREATING
RULES

The State of Wisconsin Natural Resources Board proposes an order to repeal NR 101.31; to amend NR 101.03(4) and (5), 101.13(intro.), (1), (3), (5)(c), (8)(intro.), (b) and (c); to repeal and recreate NR 101.13(9); and to create NR 101.03(2m) and 101.13(4)(e) and (12) relating to the wastewater fee program

WT-24-00

Analysis Prepared by the Department of Natural Resources

Statutory authority: s. 299.15, Stats.
Statutes interpreted: s. 299.15, Stats.

The proposed revisions to ch. NR 101, the wastewater fee rule, implement the 1999 Wisconsin Act 9 revisions to s. 299.15, Stats. The Act raises the revenue cap from \$7,450,000 in calendar year 1999 to \$7,925,000 in calendar year 2000 and beyond. The Act also calls on the Department of Natural Resources to develop a performance-based approach, using five-year rolling averaging, for fees beginning with calendar year 2000.

The department initiated an External Advisory Committee (EAC) to develop proposed rules to implement the new legislation. The short timeline for implementing the Act did not permit a thorough reassessment of the wastewater fee rule. Within the current rule, however, the EAC developed a workable solution to the performance-based requirement. The attached rule would result in a direct relationship between discharge levels and WPDES limits – and wastewater fees. Increases in discharge levels would result in higher fees, while decreases in discharges would result in lower fees. This is accomplished by adopting the 1999 adjustment factors, one for municipal discharges and one for industrial dischargers, for future fees beginning with calendar year 2000. The proposed rule language contains two options for meeting the rolling average requirement for comment. The first initiates the rolling average in calendar year 2000 but would not have five years of data until calendar year 2004. The second would use 1996 to 2000 data in calendar year 2000 and continue the rolling average from there.

The department is also proposing a fee rate for phosphorus of \$0.34 per pound. This recognizes the technology-based aspect of ch. NR 217 limits and proposes a rate more in line with the environmental impact of phosphorus..

The department also proposes making a number of editorial changes to keep the rule compact and current.

SECTION 1. NR 101.03(2m) is created to read:

NR 101.03(2m) "Five-year rolling average" means the average of up to 5 years of the most recent data. Where 5 years of data is not available, the rolling average shall consist of the average of the years for which data are available.

SECTION 2. NR 101.03(4) and (5) are amended to read:

NR 101.03(4) "Limit of detection" ~~means the lowest concentration level that can be determined to be significantly different from a blank~~ has the meaning specified in s. NR 149.03(15).

(5) "Limit of quantitation" ~~means the level above which quantitative results may be obtain with a specified degree of confidence~~ has the meaning specified in s. NR 149.03(16).

SECTION 3. NR 101.13(intro.), (1) and (3) are amended to read:

[DRAFTERS NOTE: Subsection (3) is shown in two cases to allow public comment on the different directions presented. The first case, containing subsection (3) (a) and (b), would result in an accumulating 5-year average beginning in 2000 and being a true five year rolling average in year 2004 and beyond. The second case, containing (3) (a) and the second (b), would result in a 5-year average the first year containing years 1996 to 2000, and beyond.]

NR 101.13 Wastewater fees. (intro.) An annual wastewater fee shall be assessed to each facility holding a specific WPDES permit and reporting discharges during the calendar year:

(1) The annual wastewater fee shall consist of the greater of the base fee under sub. (2) or a discharge fee under sub. (3). The effect of this section is to assess fees to each holder of a specific WPDES permit.

(3) The discharge fee shall be the total of fees for individual pollutants determined as follows:

(a) For calendar year 1999 fees, by multiplying the effluent quantities from s. NR 101.12(5) times the applicable limit rate determined in accordance with sub. (4), times the applicable adjustment factor determined in accordance with sub. (8).

(b) Beginning with calendar year 2000 fees, by multiplying the 5-year rolling average of the effluent quantities from s. NR 101.12(5) times the applicable limit rate determined in accordance with sub. (4), times the applicable adjustment factor under sub. (9). For the purpose of calculating the 5-year rolling average, the department shall use data from calendar year 1999 and thereafter. Prior to 2004, or where 5 years of data is otherwise not available, the rolling average shall consist of years for which data is available.

OR

(b) Beginning with calendar year 2000 fees, by multiplying the 5 year rolling average based on the previous 5 years by the applicable limit rate determined in accordance with sub. (4), times the applicable adjustment factor determined in accordance with sub. (9).

SECTION 4. NR 101.13(4)(e) is created to read:

NR 101.13(4)(e) An effluent standard based limit under ch. NR 217. The limit rate for phosphorus shall be \$0.34 per pound.

SECTION 5. NR 101.13(5) (c), (8)(intro.), (b) and (c) are amended to read:

NR 101.13(5)(c) Effluent limits established in accordance with ch. NR 217, ~~except that until 90% of affected dischargers receive such limits or a variance from the limits there shall be no fees for the discharge of phosphorus.~~

~~(8) The annual~~ For calendar year 1999 fees the adjustment factors shall be determined by the department as follows:

(b) The municipal adjustment factor shall be calculated ~~annually~~ by subtracting the total of applicable base fees under sub. (2) from the municipal revenue goal under par. (a) and then dividing the difference by the total of applicable discharge fees under sub. (3).

(c) The adjustment factor for other dischargers shall be calculated ~~annually~~ by subtracting the total of applicable base fees under sub. (2) from the revenue goal for other dischargers under par. (a) and then dividing the difference by the total of applicable discharge fees under sub. (3).

SECTION 6. NR 101.13(9) is repealed and recreated to read:

NR 101.13(9) After calendar year 1999, the adjustment factors shall be those determined for calendar year 1999.

SECTION 7. NR 101.13(12) is created to read:

NR 101.13(12) The department shall hold at least one public hearing under s. 299.15(5), Stats., in any year where the number of facilities subject to the provisions of this chapter varies by more than 20%, or where changes in any rate results in fees of more than a 30% of the total fees.

SECTION 8. NR 101.31 is repealed.

[DRAFTERS NOTE: This subsection was inadvertently left in the rule when ch. NR 101 was revised by Natural Resources Board Order No. TS-34-93. The provisions of the subsection were written into the remaining parts of ch. NR 101]

The foregoing rule was approved and adopted by the State of Wisconsin Natural Resources Board on

The rule contained herein shall take effect on the first day of the month following publication in the Wisconsin administrative register as provided in s. 227.22(2)(intro.), Stats.

Dated at Madison, Wisconsin _____

STATE OF WISCONSIN
DEPARTMENT OF NATURAL RESOURCES

By _____
George E. Meyer, Secretary

(SEAL)

NR 101 External Advisory Committee

FirstName	LastName	JobTitle	Company	Address1	Address2	City	State	PostalCode
Dennis	Hultgren		Appleton Papers	Box 359		Appleton	WI	54591
David	Lee		Wis Electric Power Co	PO Box 2046		Milwaukee	WI	53201
James	Nemke	Chief Engineer and Director	Madison Metro Sewerage District	1610 Moorland Rd		Madison	WI	53713-3398
Pat	Stevens		Wisconsin Manufacturers and Commerce	501 E. Washington Ave		Madison	WI	53701
Jim	Pauls		Mosinee Papers	100 Main St		Mosinee	WI	54455
John	Exner		Midwest Food Processors	PO Box 1297		Madison	WI	53701
Dan	Herman	Water Quality Manager	Consolidated Papers Inc.	PO Box 8050		Wisconsin Rapids	WI	54495-8050
Ed	Wilusz		Wisconsin Paper Council	PO Box 718		Neenah	WI	54956
Joseph	Boyle	City Attorney	City of Racine	730 Washington Ave.		Racine	WI	53403
Dan	Lynch	Utility Director	Janesville Water Utility	123 E Delavan Drive		Janesville	WI	53546
Susan	Anthony		Milwaukee Metro Sewerage District	PO Box 3049		Milwaukee	WI	53201-3049
John	Manske	Director of Govt Relations	Wisconsin Federation of COOPs	300 W. Mifflin St	Suite 401	Madison	WI	53703
Dan	Busch		Green Bay Metro. Sewerage District	PO Box 19015		Green Bay	WI	54307-9015
Keith	Reopelle		Wis Environmental Decade	122 State St.	Suite 200	Madison	WI	53703
Dan	Thompson	Exec Dir	League of Wisconsin Municipalities	202 State St.	Suite 300	Madison	WI	53703
Kenyon	Kies	President	Wisconsin Utilities Association	PO Box 2117		Madison	WI	53701
Caryl	Terrell		Sierra Club-John Meir Chapter	222 S. Hamilton St.	Suite #1	Madison	WI	53703
Paul	Kent	Attorney	Municipal Environmental Group	PO 1068		Madison	WI	53701-1068

FirstName	LastName	JobTitle	Company	Address1	Address2	City	State	PostalCode
John	Leonhard	Superintendent	Fond du Lac Wastewater Treatment Plant	700 Doty Street		Fond du Lac	WI	54935
Tom	Adams	Superintendent	Sparta Wastewater Treatment Plant	201 W. Oak		Sparta	WI	54656
Bernadette	Berdes	.	Milwaukee Metropolitan Sewerage District	260 W. Seeboth St.		Milwaukee	WI	53203
David	Wood	Policy Director	Center on Wisconsin Strategy (UW-Madison)	1180 Observatory Dr.	Rm 7122	Madison	WI	53706
Frank	Munsey	Operations Manager	United Water Services, Milw. Metro. Sew. Dist	700 E. Jones St.		Milwaukee	WI	53207

Request for Statutory Changes

Pursuant to s. 9136 (3x) (a), (non-statutory provisions) 1999 Wisconsin Act 9, the Department of Natural Resources offers this recommendation for changes to S. 299.15, Stats.

Recommendation: Modify s. 299.15 (3) (cm) (3) so that the 50% requirements apply to the revenue cap of subd.2. Currently the requirements apply to the total charged.

Background: Section 299.15 (3) (cm) (3), Stats., was created by 1993 Wisconsin Act 9 to balance the revenue requirements of the new subd. 1 . The revenue requirements were, at the time, identified by appropriations under 20.370 (2)(ma). Since the appropriations could change it was logical to base the 50% requirements on the amount charged. Subsequent changes to the revenue requirements, specifically 1997 Wisconsin Act 27, established the current revenue requirement of \$7,450,000. From 1993 – 1999 the wastewater fee program has assessed 50% of the revenue requirement (\$3.725M) to municipalities, and 50% (\$3.725M) to industries using annual adjustment factors.

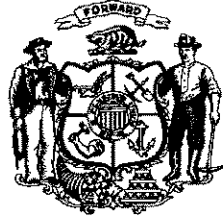
1999 Wisconsin Act 9 added the requirement that the fee program rules “use a performance-based approach that increases a person’s fees in proportion to increases in the number of units of pollutants discharged by the person...and decreases a person’s fees in proportion to decreases in the number of units of pollutants discharges by the person...” Draft rules have been approved for public hearing which propose to meet this requirement by adopting the calendar year 1999 adjustment factors, one for municipalities and another for industries, for calendar year 2000 and beyond, basically converting them to fixed multipliers. Under this approach the total amount charged to municipalities and industries will vary from year to year based directly on the amounts of pollutants discharged within each group. Should one group increase their discharge in total, and the other group decrease their discharge in total, the amount charged to each group will reflect the difference, and will not result in a 50/50 split. The only way to meet the 50/50 requirement under this new approach would be to add additional multipliers, which would violate subs. 4 and 5 of s. 299.15(3)(e).

The external advisory committee, established to help draft implementation rules pursuant to 1999 Wisconsin Act 9, recommended changing the law so that 50% of the amount specified in s. 299.15(3)(cm)(2) as a revenue cap, would be applied to municipal wastewater fees and the other 50% to industrial wastewater fees. This would allow the total amounts charged to vary under the ceiling amount.

THE STATE OF WISCONSIN

SENATE CHAIR
BRIAN BURKE

316-S Capitol
P.O. Box 7882
Madison, WI 53707-7882
Phone: (608) 266-8535



ASSEMBLY CHAIR
JOHN GARD

315-N Capitol
P.O. Box 8952
Madison, WI 53708-8952
Phone: (608) 266-2343

JOINT COMMITTEE ON FINANCE

MEMORANDUM

To: Members
Joint Committee on Finance

From: Senator Brian Burke
Representative John Gard

Date: October 2, 2000

Re: Environmental Improvement Fund Biennial Finance Plan

Attached is a copy of the Environmental Improvement Fund Biennial Finance Plan for the 2001-2003 biennium from the Department of Natural Resources and the Department of Administration, pursuant to s. 281.59(3), Stats. The plan provides information on loan, loan subsidy and bonding levels for program operations.

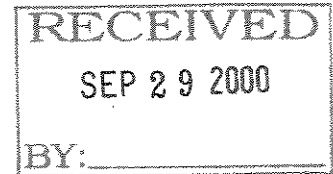
The report is being provided for your information only. No formal action is required by the Committee. Please feel free to contact us if you have any questions.

Attachment

BB:JG:dh



September 29, 2000



The Honorable Brian Burke
Co-Chairperson Joint Committee on Finance
Room 316 South
State Capitol

SUBJECT: Environmental Improvement Fund Biennial Finance Plan for 2001-2003


Dear Senator Burke:

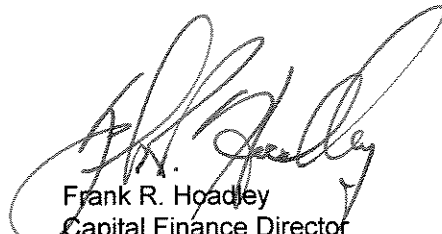
Attached to this letter is the Environmental Improvement Fund Biennial Finance Plan for the 2001-2003 biennium.

Environmental Improvement Fund legislation (s. 281.59(3), Wis. Stats.) requires the Department of Natural Resources and the Department of Administration to submit the first version of the Biennial Finance Plan to the Legislature and to the State Building Commission. The purpose of the plan is to provide information on loan, loan subsidy, and bonding levels for program operations in the 2001-2003 biennium.

If you have any questions regarding the Biennial Finance Plan, please contact Kathryn A. Curtner at 266-0860 or Frank Hoadley at 266-2305.

Sincerely,


Kathryn A. Curtner, Director
Bureau of Community Financial Assistance
Department of Natural Resources


Frank R. Hoadley
Capital Finance Director
Department of Administration

Attachment

cc: George E. Meyer - AD/5
George Lightbourn - DOA

**BIENNIAL FINANCE PLAN
ENVIRONMENTAL IMPROVEMENT FUND
OCTOBER 2000**

Prepared by:

Department of Natural Resources
Bureau of Community Financial Assistance

Department of Administration
Capital Finance Office

**ENVIRONMENTAL IMPROVEMENT FUND
BIENNIAL FINANCE PLAN
OCTOBER 2000**

EXECUTIVE SUMMARY

PROPOSED FUNDING LEVELS FOR THE ENVIRONMENTAL IMPROVEMENT FUND

BONDING AUTHORITY AND PRESENT VALUE SUBSIDY LIMIT
(in millions of \$s)

	CHANGE IN AMOUNT	CUMULATIVE
A. CLEAN WATER FUND PROGRAM		
General Obligation Bonding	110.1	662.9
Revenue Bonding	92.0	1389.8
Present Value Subsidy	108.0	n/a
 Bonding and present value subsidy levels are expected to be sufficient to meet all of the estimated non-hardship requests.		
B. SAFE DRINKING WATER LOAN PROGRAM		
General Obligation Bonding	0	26.2
Present Value Subsidy	0	10.9
 C. LAND RECYCLING LOAN PROGRAM		
Present Value Subsidy	9.1	n/a

Notes:

- New GO bond authority shown for the CWFP would allow funding for all expected needs (\$487.3 million) during the biennium.
- GO bonding authorized for the Safe Drinking Water Loan Program in 1999 Act 9 exceeded needs for FY99-01 by \$10.21 million.
- PV subsidy requested for SDWLP represents maximum possible funding levels; actual levels will likely be lower.
- PV subsidy requested for LRLP will be reduced to the extent 99-01 loans are closed before 7/1/01.

**ENVIRONMENTAL IMPROVEMENT FUND
BIENNIAL FINANCE PLAN
OCTOBER 2000**

INTRODUCTION:

Section 281.59(3), Wis. Stats., requires the submission of a Biennial Finance Plan to the Building Commission, the Joint Finance Committee and to the Chief Clerk of each house of the legislature. The law requires that the Department of Natural Resources and the Department of Administration provide information on the following topics:

1. An estimate of the wastewater treatment, safe drinking water, and land recycling project needs and the total amount of financial assistance planned to be provided or committed for projects during the four fiscal years of the next two biennia.
2. The extent to which the environmental improvement fund will be maintained in perpetuity.
3. Financial statements, charts, and other financial information regarding the Environmental Improvement Fund.
4. The estimated present value of subsidies for program loans and grants listed in the biennial needs list with a discussion of the assumptions made in these subsidy calculations.
5. The amount and description of service fees to be charged.
6. The impact of the biennial finance plan on the guideline stated in s. 281.59(3)(b), Wis. Stats.

A summary of program authority levels and financial assumptions is presented as Attachment A. A chart showing projected sources and uses of funds for the next biennium is presented as Attachment B.

1. NEEDS AND FINANCIAL ASSISTANCE PLANNED TO BE PROVIDED

A. Clean Water Fund Program

Table 1 shows DNR's projections of the total amount of all wastewater funding needs and the financial assistance planned to be provided over the next 4 fiscal years. Because these projections represent DNR's best estimates as of September 1, 2000, based on both file materials and a comprehensive survey of municipalities, it was determined that the needs and the assistance likely to be provided are best represented as the same numbers. The FY04 and FY05 estimates are less precise and rely more on historical trends. A 10% contingency was added to the estimated as-bid construction costs to derive the figures in Table 1.

TABLE 1
PROJECTED WASTEWATER NEEDS AND ASSISTANCE
PLANNED TO BE PROVIDED
(in millions of \$s)

% of Market Interest Rate	FY02	FY03	FY04	FY05
55%	264.8	117.5	158.5	158.5
65%	12.0	12.0	12.0	12.0
70%	37.2	16.0	19.7	19.7
Market Rate	16.5	7.7	10.0	10.0
TOTAL	330.5	153.2	200.2	200.2

B. Safe Drinking Water Loan Program

Data from preliminary needs surveys indicate that drinking water needs will exceed the amount of capitalization grants available in the next two biennia; therefore, the financial assistance planned to be provided is the more meaningful set of numbers to show here. For the purposes of calculating assistance planned to be provided, it is assumed that the state receives \$10,007,600 in capitalization grants in each year. Additional funding *may* be made available during the biennium from state match contributions (20% of capitalization grants), transfers from the Clean Water Fund Program, repayments, and recovery of amounts withheld in previous years under EPA accounting rules. Actual funding levels will likely be lower in FY02 and FY03 than the amounts shown in the chart.

TABLE 2
PROJECTED DRINKING WATER FINANCIAL ASSISTANCE
PLANNED TO BE PROVIDED
(in millions of \$s)

	FY02	FY03	FY04	FY05
TOTAL	28.3	18.9	11.4	11.4

C. Land Recycling Loan Program

Data are not currently available to accurately project the Land Recycling Loan Program needs. Up to \$9.1 million in PV subsidy authorized in the 1999-01 budget is expected to go unused in the present biennium. This plan proposes re-authorization for the 2001-2003 biennium of any amounts of PV subsidy unused in the current biennium.

TABLE 3
PROJECTED LAND RECYCLING FINANCIAL ASSISTANCE
PLANNED TO BE PROVIDED
(in millions of \$s)

	FY02	FY03	FY04	FY05
TOTAL	9.7	9.7	0	0

2. FUND MAINTAINED IN PERPETUITY:

The Clean Water Fund Program consists of three loan portfolios: the leveraged portfolio which uses the proceeds from state revenue bonds to make loans, the direct portfolio which uses capitalization grants from the US Environmental Protection Agency (EPA) and state matching funds (it is from this portfolio that the Land Recycling Loan Program will be funded), and a "proprietary" portfolio for loans that do not fit under the leveraged or direct programs. Some loans can only be funded in the proprietary portfolio because of questionable credit quality, non-conformity with EPA regulations, or federal tax requirements. The number and amount of loans maintained in the proprietary portfolio is kept to a minimum. The revenue bond based loan portfolio is designed so that loan repayments plus state subsidies are used to retire revenue bonds issued. The EPA-funded programs for the Clean Water Fund Program, the Safe Drinking Water Loan Program, and the Land Recycling Loan Program are self-perpetuating portfolios which will continue to grow as principal and interest payments are recycled into new loans. EPA regulations require that the EPA-funded programs be maintained in a way that guarantees that they will continue in perpetuity. The only way that the EPA-funded programs would diminish in size would be for a substantial number of loan defaults to occur.

3. FINANCIAL REPORTS:

Section 281.59(3)(a)5, Wis. Stats., requires the presentation of audited financial statements for the Clean Water Fund Program, the Safe Drinking Water Program, and the Land Recycling Loan Program. Financial statements covering those programs, including the balance sheet and statement of revenues and expenses, are part of the overall program financial statements prepared by the Department of Administration and audited by Arthur Anderson LLP. These statements must be considered in their entirety and may not be presented without accompanying statements and notes. Copies of the audited financial statements, together with the report of the accountants, are available from the Department of Administration Capital Finance office (608-267-6925) or the Department of Natural Resources Bureau of Community Financial Assistance (608-266-3915). Attachment B is a chart showing the estimated sources and uses of funds for the '01-'03 biennium. Attachment C is a table showing the estimated fund capital available for commitments in each of the next 4 fiscal years based on projected repayment of financial assistance. Attachment D contains 20-year projections of loans and bond levels.

4. PRESENT VALUE OF SUBSIDIES:

Table 4 provides estimates of the present value of long term subsidy amounts that will be provided assuming the levels of assistance proposed in pervious section of this report. Present value subsidy is the control mechanism that is employed under the Environmental Improvement Fund and the loan and grant programs operating within the Fund to measure the fiscal impact on the state. The stream of payments over the life (20 years) of all loans to municipalities that the state would have to make to finance the difference between the actual subsidized loan and a market rate loan is the total subsidy. The total subsidy over time is discounted to produce a present value equivalent figure. Projects are identified in priority order for a year's funding list and if there is insufficient present value subsidy to provide subsidized loans to all municipalities on the list, only those projects with the highest priority would be funded with subsidized loans.

TABLE 4
PRESENT VALUE SUBSIDY LEVEL
ENVIRONMENTAL IMPROVEMENT FUND
(in millions of 2001 \$s)

CLEAN WATER FUND PROGRAM

Loans at 55% of market rate	80.2
Loans at 65% of market rate	4.0
Loans at 70% of market rate	7.6
Loans at market rate	0.0
Hardship loans & grants	16.2
TOTAL	108.00

SAFE DRINKING WATER LOAN PROGRAM

Loans at 33% of market rate	1.9
Loans at 55% of market rate	9.0
TOTAL	10.9

LAND RECYCLING LOAN PROGRAM

Loans at 0% of market rate	9.1
TOTAL	9.1

5. SERVICE FEE

Section 281.60 (11m) specifies that the Department of Natural Resources and the Department of Administration shall jointly charge and collect an annual service fee for reviewing and acting upon Land Recycling Loan Program applications and servicing financial assistance agreements. The statute also specifies the fee for the biennium shall be described in the biennial finance plan. The service fee for the 01-03 biennium is 0.5% of the outstanding balance on land recycling loans.

6. IMPACT ON S. 281.59(3)(b), WIS. STATS., GUIDELINES:

The Clean Water Fund Program authorizing legislation rules that, in preparation of the Biennial Finance Plan, DNR and DOA shall consider as a guideline that all state water pollution general obligation debt service should not exceed 50% of all general obligation debt service costs of the state. The debt service costs for all state water pollution abatement programs were approximately 27.8% of all state debt service in fiscal 2000 and are expected to total 26.0% of all state debt service in fiscal 2001. As a percentage of total GPR debt service, these figures would be 37.8% and 35.8% respectively. Accordingly, the pollution abatement debt service costs are well within the 50% guideline. The composition of the debt service costs will change over time as the debt service expense of the Clean Water Fund Loan Program replaces debt service for the expenses incurred under the Wisconsin Fund grant program. It will be necessary to issue additional general obligation bonds in order to fully fund the Clean Water Fund Program financial assistance levels shown in Table 1. It is important to note that, although the program will continue to require additional general obligation bond authorizations in the future, the level of these authorizations will steadily decrease as the program matures. The state cost of assisting municipalities in the construction of pollution control facilities will continue to be significantly less than that which was previously incurred to offer state grants for similar facilities.

**STATE OF WISCONSIN
ENVIRONMENTAL IMPROVEMENT FUND
SUMMARY OF PROGRAM AUTHORITY AND FINANCIAL ASSUMPTIONS
ATTACHMENT A to 2001-2003 BIENNIAL FINANCE PLAN**

Clean Water Fund Program Authority

GENERAL OBLIGATION BONDS

Subsidy Reserve Requirements	\$ 73,300,000	
Capitalization Grant Match	14,000,000	
Credit Reserve	30,600,000	
Direct Loans Net of Repayments	2,000,000	
Hardship Grants	16,200,000	
Subtotal:		\$ 136,100,000
Less: Carryover General Obligation Bond Authority (from '89 to '01)	(26,000,000)	
Total Needed to Fund '01-'03 needs		110,100,000
New General Obligation Bond Authority Recommended		110,100,000
Existing General Obligation Bond Authority		552,743,200
Cumulative General Obligation Bond Authority including '01-'03 request		\$ 662,843,200

REVENUE BONDS

Projects to be Funded	\$ 315,600,000	
Allowance for Project Cost Increases	15,800,000	
Total:		331,400,000
Less: Carryover Projected from 1989-2001	(239,400,000)	
Total needed to Fund '01-'03 Needs		92,000,000
New Revenue Bond Authority Recommended		92,000,000
Existing Revenue Bond Authority		1,297,755,000
Cumulative Revenue Bond Authority including '01-'03 request		1,389,755,000

PRESENT VALUE SUBSIDY

Recommended Present Value Subsidy Biennial Limit	\$ 108,000,000
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Financial Assumptions

PROJECTS TO BE FUNDED (from September, 2000 DNR estimates)

Compliance Maintenance + New and Changed Limits	347,514,645
Nonpoint + Urban Stormwater Pollution Abatement	21,834,786
Unsewered	48,433,811
Market Rate	21,988,592
Contingency for cost increases	43,977,183
Total Project Costs	\$ 483,749,017

CAPITALIZATION GRANT FROM THE US EPA (estimated)	\$ 70,000,000
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INTEREST RATES (at 7.0% estimated market rate)

Compliance Maint. and New/Changed Limits (55% of market)	3.850%
Urban Storm and Nonpoint Source (65% of market)	4.550%
Unsewered (70% of market)	4.900%

STATE OF WISCONSIN
 ENVIRONMENTAL IMPROVEMENT FUND
 SUMMARY OF PROGRAM AUTHORITY AND FINANCIAL ASSUMPTIONS
 PAGE 2 of ATTACHMENT A to 2001-2003 BIENNIAL FINANCE PLAN

Safe Drinking Water Loan Program Authority

GENERAL OBLIGATION BONDS

Previously Authorized But Uncommitted Authority	10,210,000
Capitalization Grant Match for 2001-2003 Grants	4,002,824
Remaining Authorized Uncommitted	6,207,176
New Authority Needed	0.00

PRESENT VALUE SUBSIDY

Recommended Present Value Subsidy Biennial Limit	\$ 10,900,000
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Financial Assumptions

PROJECTS TO BE FUNDED

Projects for communities receiving 55% of market rate	38,974,561
Projects for communities receiving 33% of market rate	5,823,785
Project costs financed at market rate	2,357,808
Total Project Costs	\$ 47,156,154
EPA CAP. GRANT + MATCH AVAILABLE FOR LOANS	\$ 22,817,328
OTHER FUNDS POTENTIALLY AVAILABLE	\$ 24,338,826
INTEREST RATES (at 7.0% estimated market rate)	
55% of market	3.850%
33% of market	2.310%

Land Recycling Loan Program Authority

GENERAL OBLIGATION BONDS

None authorized nor recommended

PRESENT VALUE SUBSIDY

Recommended Present Value Subsidy Biennial Limit	\$ 9,100,000
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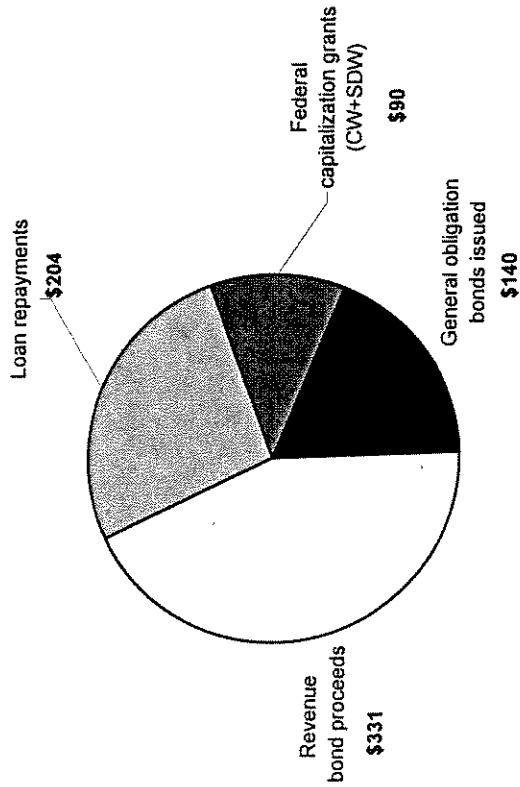
Financial Assumptions

PROJECTS TO BE FUNDED

Total Project Costs	19,373,242
INTEREST RATE	0%

**STATE OF WISCONSIN
ENVIRONMENTAL IMPROVEMENT FUND
ESTIMATED SOURCES AND USES FOR '01-'03 BIENNIUM
ATTACHMENT B TO THE BIENNIAL FINANCE PLAN**

Sources of Funds



SOURCES OF FUNDS

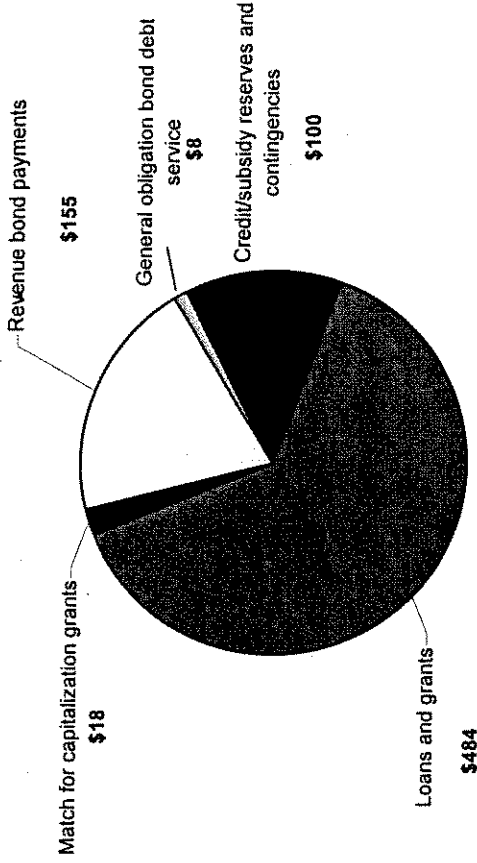
Federal capitalization grants (CW+SDW)	\$90
General obligation bonds issued	\$140
Revenue bond net proceeds	\$331
Loan repayments	\$204
TOTAL SOURCES	\$765

Notes:

Chart was prepared in September 2000 for first version of '01-'03 Biennial Finance Plan
 All numbers rounded to millions of dollars
 Loans and grants include projects originated during period indicated to end of funding cycle
 Assumptions regarding future interest rates for tax exempt bonds affect projections
 Does not include accruals or unapplied fund balances

g:\ce\excel\attachB(S+Uchart) for 01-03.xls

Uses of Funds



USES OF FUNDS

Loans and grants	\$484
Match for capitalization grants	\$18
Revenue bond payments	\$155
General obligation bond debt service	\$8
Credit/subsidy reserves and contingencies	<u>\$100</u>
TOTAL USES	\$765

**STATE OF WISCONSIN ENVIRONMENTAL IMPROVEMENT FUND
FUND CAPITAL REPORT FOR FISCAL YEARS 2000-2003
ATTACHMENT C**

FUNDS RECEIVED

	FY '02	FY '03	FY '04	FY '05
BEGINNING BALANCE (NET)	\$50,000,000	\$53,042,900	\$55,875,445	\$50,904,147
CWFP Revenue Bonds (see notes)	\$250,186,164	\$77,390,605	\$121,145,186	\$121,304,267
Net Operating Investment Income	\$33,409,125	\$35,635,335	\$38,854,814	\$38,695,733
Fed Cap Grant Proceeds	\$45,700,000	\$45,700,000	\$0	\$0
G.O. Bond Proceeds	\$96,120,622	\$43,815,910	\$40,337,324	\$40,390,292
TOTALS	\$475,415,911	\$255,584,750	\$256,212,769	\$251,294,439

FUNDS APPLIED

Administrative Expenses	\$4,207,100	\$4,417,455	\$4,638,328	\$4,870,244
Loan Credit Reserve Fund	\$25,693,389	\$7,947,789	\$12,441,257	\$12,457,594
EIF Loans and Grants	\$338,435,289	\$167,865,940	\$160,000,000	\$160,000,000
EIF Subsidy Reserve Fund	\$50,037,233	\$15,478,121	\$24,229,037	\$24,260,853
GO Bonds Debt Service	\$4,000,000	\$4,000,000	\$4,000,000	\$4,000,000
TOTAL FUNDS APPLIED	\$422,373,011	\$199,709,305	\$205,308,622	\$205,588,692
EST. END OF YEAR BALANCE	\$53,042,900	\$55,875,445	\$50,904,147	\$45,705,747

Notes: Chart was prepared in September, 2000 for first version of the '01-'03 Biennial Finance Plan
 Beginning balances will vary significantly depending on timing of general obligation and revenue bond issuance
 Report shows estimated sources and uses of capital for loans and operations; not assets and equity
 Revenue bond cash flows are not included and assumed to be self supporting, i.e., income offsets debt service
 Operating Investment Income represents estimated loan repayments and interest earned
 Administrative expenses assume a 5% annual inflation factor
 For additional information refer to audited financial statements

**STATE OF WISCONSIN
ENVIRONMENTAL IMPROVEMENT FUND
20 YEAR PROJECTIONS OF LOANS AND BOND LEVELS
ATTACHMENT D**

Period	'89-'01	'01-'03	'03-'05	'05-'07	'07-'09	'09-'11	'11-'13	'13-'15	'15-'17	'17-'19	'19-'21
Financial Assistance Provided	\$1,576	\$484	\$384	\$320	\$320	\$320	\$320	\$320	\$320	\$320	\$320
Cumulative Financial Assistance (loans out)	1,576	2059	2443	2763	3083	3403	3623	3868	4088	4308	4728
CWFP + DWSRF Cap Grants Received	510	89	0	0	0	0	0	0	0	0	0
Cap Grant Match (20%)	102	18	0	0	0	0	0	0	0	0	0
Net Rev Bonds Issued	964	302	310	231	231	231	231	231	231	231	231
Cum. Rev Bonds Issued	964	1,266	1576	1808	2039	2270	2502	2733	2964	3196	3427
Rev Bonds Retired	129	64	86	111	136	165	149	166	188	206	234
Net Rev Bonds Out	835	1073	1427	1548	1643	1710	1792	1857	1901	1926	1924
Rev Bond Debt Service	353	170	227	285	329	373	369	398	430	454	484
Loan Pmts Rec'd (net of SRF)	257	130	182	234	278	321	365	395	428	458	488
Rev Bond Subsidy or (Excess)	96	40	45	51	51	51	4	3	2	4	4
Loan Pmts Received (SRF)	221	74	89	89	89	89	89	89	89	89	89
GO Bonds (subsidy, reserves, loans and grants)	440	146	70	31	31	31	31	31	30	0	0
Cum GO Bonds Issued	440	588	658	689	720	716	783	814	844	844	844
GO Bond Debt Service	201	78	105	117	123	128	127	139	145	150	150
GO Bond Debt Service Seg Supported	22	8	8	8	8	8	8	8	8	8	8
GO Bond Debt Service GPR Supported	179	70	97	105	110	115	115	125	130	135	135
Annual D/S Percent Increase	n/a	n/a	17%	6%	2%	2%	0%	5%	2%	2%	0%

NOTES and ASSUMPTIONS:

Table was prepared in September 2000 for first version of '01-'03 Biennial Finance Plan
 Figures use certain assumptions regarding activity levels for 2001 and later years
 \$4 million annual GO debt service paid from SRF loan payments after FY '95
 All numbers except percentages in millions of dollars
 CWFP cap grants continue through 2003 at \$35 million per year
 DWSRF net cap grants are \$9.6M until 2003
 Revenue bonds bear average interest rate of 7%
 GO bonds bear average rate of 6.25%