

F

Lower Wisconsin State Riverway Board

Bill Agency

(LFB Budget Summary Document: Page 445)

No Issue Papers Have Been Prepared

LOWER WISCONSIN STATE RIVERWAY BOARD

LFB Summary Items for Which No Issue Paper Has Been Prepared

<u>Item #</u>	<u>Title</u>
1	Standard Budget Adjustments
2	SASI Initiative

<u>MO#</u>			
BURKE	Y	N	A
DECKER	Y	N	A
MOORE	Y	N	A
SHIBILSKI	Y	N	A
PLACHE	Y	N	A
WIRCH	Y	N	A
DARLING	Y	N	A
WELCH	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
ALBERS	Y	N	A
DUFF	Y	N	A
WARD	Y	N	A
HUEBSCH	Y	N	A
HUBER	Y	N	A
COGGS	Y	N	A

AYE _____ NO _____ ABS _____

Minnesota-Wisconsin Boundary Area Commission

Bill Agency

(LFB Budget Summary Document: Page 456)

No Issue Papers Have Been Prepared

MINNESOTA-WISCONSIN BOUNDARY AREA COMMISSION

LFB Summary Item for Which No Issue Paper Has Been Prepared

Item # Title
1 Cost to Continue

MO#

BURKE	Y	N	A
DECKER	Y	N	A
MOORE	Y	N	A
SHIBILSKI	Y	N	A
PLACHE	Y	N	A
WIRCH	Y	N	A
DARLING	Y	N	A
WELCH	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
ALBERS	Y	N	A
DUFF	Y	N	A
WARD	Y	N	A
HUEBSCH	Y	N	A
HUBER	Y	N	A
COGGS	Y	N	A

AYE _____ NO _____ ABS _____

Natural Resources

Water Quality

Base Agency

(LFB Budget Summary Document: Page 485)

LFB Summary Items for Which Issue Papers Have Been Prepared

<u>Item #</u>	<u>Title</u>
1 & 3	Nonpoint Program Funding (Paper #675)
2	Land and Water Resource Management and Rural Nonpoint Bonding (Paper #676)
6	Urban Nonpoint and Flood Control Funding (Paper #677)
---	Wetland Compensatory Mitigation Staff (Paper #678)
8	Wisconsin Waters Initiative (Paper #679)
15 & 16	Dam Safety Program (Paper #680)
17	Invasive Species (Paper #681)
18	Premier Lakes Program (Paper #682)



Legislative Fiscal Bureau

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

May 16, 2001

Joint Committee on Finance

Paper #675

Nonpoint Program Funding (DNR -- Water Quality, DATCP -- Departmentwide and Resource Management, & Miscellaneous Appropriations)

[LFB 2001-03 Budget Summary: Page 92, #4, Page 457, #1, Page 485, #1 and Page 486, #3]

CURRENT LAW

A vehicle title transfer fee of \$7.50 is deposited to the transportation fund and general fund revenue in an amount equal to annual title transfer fee revenue is deposited to the segregated nonpoint account of the environmental fund. The GPR transfer of funds to match the supplemental title transfer fee revenues (and associated investment income) is the sole source of nonpoint account revenue. Unspent segregated appropriation authority lapses back to the environmental fund at the end of each year.

The Secretary of Transportation must annually certify to the Secretary of Administration the amount of automobile title transfer fees collected during the previous fiscal year, for the purpose of determining the amounts to be transferred to the nonpoint account. Thus, the amount of GPR transferred to the nonpoint account of the environmental fund annually rises or falls based on revenue from the \$7.50 automobile title transfer fee.

The nonpoint account of the environmental fund is used to partially fund the state's nonpoint source water pollution abatement programs. The Wisconsin Department of Natural Resources (DNR) and DATCP work jointly in controlling nonpoint source water pollution and soil erosion in the state. DNR provides landowner cost-share funding under the original priority watershed program, its competitive targeted runoff management program and an urban nonpoint and municipal flood control program. DNR also provides local assistance grants for municipal technical staff and administration under the urban nonpoint and municipal flood control program. In the 1999-01 biennium, DNR was budgeted \$12,048,500 in GPR, PR and SEG funding and \$35.4 million in bonding revenues for these grant programs. DATCP, in addition to providing

staffing grants for original priority watershed projects, receives funds to provide matching grants for county staff and cost-shares to fund landowners' soil conservation and nonpoint pollution abatement practices. In the 1999-01 biennium, DATCP was budgeted \$13,687,300 GPR and SEG and \$3,575,000 in bond revenues for land and water resource management (LWRM) grants.

GOVERNOR

Convert \$5,167,700 SEG in 2001-02 and \$5,168,700 SEG in 2002-03 with 16.5 DNR positions from the nonpoint account of the environmental fund to GPR, and transfer \$5,100,000 from the environmental fund to the general fund. The bill would delete or replace DNR SEG appropriations and convert all nonpoint funding to GPR in the following annual amounts: (a) \$386,900 and 5.5 positions for nonpoint source water pollution research, evaluation and monitoring; (b) \$50,000 for water pollution credit trading projects (the continuing appropriation balance would be retained within the new GPR appropriation); (c) \$1,079,300 for nonpoint source water pollution contracts; (d) \$603,800 and 8.0 positions for nonpoint source water pollution administration; (e) \$2,000,000 for urban nonpoint source water pollution abatement grants; (f) \$150,000 for river protection grants; and (g) \$463,600 for the Wisconsin Waters Initiative. The provision also would convert \$128,900 annually and 1.5 positions for total maximum daily load (TMDL) purposes to GPR funding. In addition, 1.5 positions and funding of \$305,200 in 2001-02 and \$306,200 in 2002-03 are replaced by GPR for administration and customer assistance and external relations. Delete the DNR SEG appropriation for rural nonpoint grants (funding in this appropriation was transferred to DATCP under the 1999 biennial budget act).

Delete an annual SEG appropriation for the soil and water resource management program in DATCP and convert \$4,876,100 SEG annually with 11.0 positions from the nonpoint account of the environmental fund to GPR. Of the \$4,876,100, funding of \$904,800 annually is allocated for DATCP staff to administer LWRM program activities. Additionally, \$3,971,300 annually is provided for landowner cost-sharing and county staffing grants, including funding for priority watershed staff. The grant funding converted to GPR would be provided in an existing GPR continuing appropriation funded at \$9,847,000 annually under the bill.

Repeal the supplemental title fee matching GPR sum sufficient appropriation that was estimated at \$10,700,000 annually and delete current provisions that deposit general fund revenues (GPR) in an amount equal to the annual revenues generated from the \$7.50 automobile title transfer fee to the segregated nonpoint account of the environmental fund. Table 1 shows the nonpoint account appropriation conversion amounts under the Governor's provisions.

The effect of the bill would be to allow no revenues or expenditures to or from the nonpoint account of the environmental fund. Thus, with the required transfer of \$5,100,000 to the general fund, the account would be eliminated.

TABLE 1

Nonpoint Account Appropriation Conversion to GPR -- SB 55

	2001-02 <u>SEG</u>	2001-02 <u>GPR</u>	2002-03 <u>SEG</u>	2002-03 <u>GPR</u>	Positions <u>SEG</u>	Positions <u>GPR</u>
Transfer		-\$10,700,000		-\$10,700,000		
DNR	-\$5,167,700	\$5,167,700	-\$5,168,700	\$5,168,700	-6.50	16.50
DATCP	<u>-4,876,100</u>	<u>4,876,100</u>	<u>-4,876,100</u>	<u>4,876,100</u>	<u>-11.00</u>	<u>11.00</u>
TOTAL	-\$10,043,800	-\$656,200	-\$10,044,800	-\$655,200	-27.50	27.50

Further, prohibit DNR and the Land and Water Conservation Board (LWCB) from extending funding for a designated priority watershed or priority lake project under the nonpoint water pollution abatement program beyond the funding termination date established prior to January 1, 2001, or if a funding termination date was set before January 1, 2001, the funding termination date first established after December 31, 2000. Further, require DNR to submit final priority watershed plans to the LWCB for approval (rather than receiving LWCB approval of an earlier draft), and prohibit DNR from implementing the plan without LWCB approval.

DISCUSSION POINTS

1. 1999 Act 9 provided \$17.3 million to DATCP for state grant funding for LWRM activities. In addition, DNR was provided \$30.4 million in state grant funding for similar rural nonpoint activities. As shown in Table 2, under the bill, DATCP would be provided \$26.7 million. In addition, DNR would be provided \$24.4 million for rural nonpoint pollution abatement practices (including \$22.4 million BR). Thus, DATCP would receive \$9.4 million more than in 1999-01 while DNR would see a \$6 million reduction for a combined increase of \$3.4 million or 7.1% over the amount provided in 1999-01 (from \$47.7 million to \$51.1 million).

*Wirch
A.2
B.5
C.2
D.
E.2 or 3*

TABLE 2

State Rural Nonpoint Grant Funding

	1999 Act 9			
	DATCP		DNR	
	1999-00	2000-01	1999-00	2000-01
GPR	\$2,390,300	\$5,875,700	\$4,383,600	\$883,600
PR*	0	0	120,000	120,000
SEG	1,450,000	3,971,300	2,541,300	0
BR	3,575,000	0	22,400,000	0
Total	\$7,415,300	\$9,847,000	\$29,444,900	\$1,003,600

\$17,262,300

\$30,448,500

	Governor's Recommendation			
	DATCP		DNR	
	2001-02	2002-03	2001-02	2002-03
GPR	\$9,847,000	\$9,847,000	\$883,600	\$883,600
PR*	0	0	120,000	120,000
BR	7,000,000	0	22,400,000	0
Total	\$16,847,000	\$9,847,000	\$23,403,600	\$1,003,600

\$26,694,000

\$24,407,200

*Tribal gaming program revenues may only be used to fund nonpoint grants and local assistance to the Oneida Nation of Chippewa.

2. 1999 Act 9 provided \$17 million to DNR for state grant funding for urban nonpoint and municipal flood control activities. As shown in Table 3, under the Governor's recommendation, DNR would be provided \$15 million for these purposes, or a decrease of 13.3% from the amount provided in 1999-01.

TABLE 3

Urban Nonpoint and Municipal Flood Control Grant Funding

<u>Source</u>	<u>1999 Act 9</u>	
	<u>1999-00</u>	<u>2000-01</u>
SEG	\$2,000,000	\$2,000,000
BR	13,000,000	0
Total	\$15,000,000	\$2,000,000

<u>Source</u>	<u>Governor's Recommendation</u>	
	<u>1999-00</u>	<u>2000-01</u>
GPR	\$2,000,000	\$2,000,000
BR	11,000,000	0
Total	\$13,000,000	\$2,000,000

Nonpoint Account

3. Prior to 1997, environmental fund revenues were provided from a \$7.50 automobile title transfer fee adopted in 1991. This revenue source was selected in recognition of the nonpoint source pollution attributable to the state's transportation infrastructure and vehicle operation. However, in order to address funding concerns in the Wisconsin Department of Transportation, the 1997-99 biennial budget act converted to GPR most appropriations from the segregated transportation fund and required that title transfer fees be retained in the transportation fund. Instead, general fund revenues in an amount equal to annual title transfer fee revenues are currently deposited to the segregated nonpoint account of the environmental fund.

4. Some may argue that eliminating the nonpoint account would remove the funding link made between nonpoint source pollution and the state's transportation infrastructure and vehicle operation. However, in actuality, funding currently is provided from the general fund. Thus, others would argue that eliminating the nonpoint account more accurately reflects the actual support of the nonpoint program.

5. If the supplemental title fee matching GPR sum sufficient appropriation were repealed, there would be no net fiscal effect in converting appropriations funded from the nonpoint account of the environmental fund to GPR. Further, under the bill, all DATCP and DNR nonpoint account SEG appropriations would be funded by GPR in their adjusted base funding amounts, as shown in Table 1.

6. Under current law, as a segregated fund, the nonpoint account retains interest income earned on fund balances, which in 1999-00 was \$356,800. Further, general fund revenues

are provided to the nonpoint account to match the amount earned from vehicle title transfer fees. If title transfer fee revenues increase, the revenue deposited to the nonpoint account also increases. Thus, with interest providing additional revenue in the account and potential revenue increases based on the title transfers, some believe the segregated account may allow for increased costs of the nonpoint program more readily than under the bill.

7. Conversely, under current law, if title transfer fee revenues decrease, the revenue deposited to the nonpoint account also decreases. Since expenditures may not exceed the fund balance, expenditures from the account may also drop if the account is not carrying a sufficient balance. Thus, eliminating the nonpoint account could be seen as potentially stabilizing revenue provided for nonpoint pollution abatement activities (by not automatically increasing or decreasing funds available for expenditure in the account). On the other hand, some suggest that GPR appropriations may be more vulnerable than segregated funds to reductions in times of difficult fiscal condition. Note in Table 4 that while title transfer fee revenues have increased by nearly \$1 million over the past seven years, they have increased and decreased significantly depending on the year. Title transfer fee revenues are expected to decrease from 2000-01 levels to \$11.0 million in 2001-02 and \$11.1 million in 2002-03. Although actual transfers have been significantly higher than the \$10.7 million in the base, if current law were maintained, the supplemental title fee matching GPR sum sufficient appropriation would need to be reestimated up to \$11 million in 2001-02 and \$11.1 million in 2002-03 (a biennial increase of \$700,000 GPR).

TABLE 4

Title Transfer Revenue

1993-94	\$10,309,500
1994-95	10,273,600
1995-96	10,234,800
1996-97	9,282,500
1997-98	10,256,700
1998-99	10,839,400
1999-00	10,977,400
2000-01	11,280,000

8. The environmental fund has two accounts (1) nonpoint and (2) environmental management. While the two accounts are tracked separately, they are statutorily maintained as one fund. The environmental management account receives revenues from a variety of sources including a temporary motor vehicle environmental impact fee, solid waste tonnage fees, pesticide fees, petroleum inspection fees and hazardous spills reimbursements from responsible parties. The fees are used primarily for DNR and other agencies' activities related to administration of environmental response and repair, enforcement, prevention, cleanup administration, brownfields liability determination and groundwater management, and fund 103.6 DNR positions in 2000-01. The largest individual appropriation from the account is for the brownfields grant program in the Department of Commerce.

9. The bill requires the transfer of \$5.1 million from the environmental fund to the general fund. DOA officials indicate the intent is to transfer the June 30, 2001, balance remaining in the nonpoint account to the general fund. However, the estimated balance of the nonpoint account on June 30, 2001, after considering appropriation authority, expenditures from continuing appropriations and encumbrances, is \$4,356,000. Therefore, under the bill, it is estimated that \$744,000 from the environmental management account would be needed to complete the transfer requirement, unless actual spending is less than expenditure authority. Under the bill, the environmental management account is expected to have a June 30, 2003, available balance of \$165,000 (not including the nonpoint transfer requirement). Thus, a \$744,000 transfer would require expenditure reductions or increased revenues totaling \$579,000 in order to maintain a positive balance.

10. As described in a separate Legislative Fiscal Bureau Issue Paper on "Urban Nonpoint and Flood Control Funding (Paper #677)", between \$690,700 and \$918,000 SEG remains in an urban nonpoint and municipal flood control appropriation after all current grant commitments are met. If the minimum \$690,700 in unobligated urban SEG lapsed back to the fund, the nonpoint account would have at least \$5,046,700 available to lapse to the general fund. While DNR would prefer to use the additional SEG for projects that can be funded by bonding revenues, the Committee could choose to lapse the amount to the general fund. Alternatively, the Committee could reduce the transfer amount to the general fund.

Staffing Grants

11. DATCP provides staff funding to counties with a goal of funding an average of three employees per county at up to 100% of salary and fringe benefits for the first position, 70% for a second position and 50% for any additional staff. Funding is allocated to any county Land Conservation Committee with an approved LWRM plan as long as the county board has resolved to match state funds granted for staff with county funds.

12. The statutes do not specify at what match, if any, DATCP provides grants to counties for staff-related training and supplies. The Committee may wish to include staff-related supplies and training in the current matching requirement so that DATCP would provide staff funding to counties with a goal of funding an average of three employees per county at up to 100% of salary, fringe benefits and related costs for the first position, 70% for a second position and 50% for any additional staff.

13. Under 1999 Act 9, grants for county staff in priority watershed areas were consolidated with other DATCP staff funding to counties, and thus are subject to the county matching requirement of 30% for a second staff and 50% for each additional staff. Given the late enactment of the budget and inadequate notice for county budgeting purposes, the matching requirements were not implemented for calendar year 2000 grants to counties. DATCP and DNR have again chosen to delay the full implementation of the law in 2001. Under the 2001 joint final allocation plan, counties receive generally the amount of priority watershed staffing funds received in 2000.

14. By choosing to fund priority watershed staff at previous levels rather than under current requirements, the Departments used available GPR and SEG funding almost entirely for staff and support costs, rather than for cost-sharing water pollution abatement practices that may not be bondable. If current law were followed (by including priority watershed staff in the match requirements), local matching requirements would be expected to increase in a few counties with an associated reduction in state funding. This would allow the state to: (a) provide matching funds to support additional county staff (particularly in counties with fewer than three staff); (b) increase GPR cost-share amounts available for the installation of nonbondable landowner practices (such as nutrient management plans or conservation tillage); or (c) provide additional funding for a combination of staff and cost-shares.

15. Implementing current law (requiring priority watershed staff to be funded subject to statutory matching requirements) would require seven counties (Brown, Dodge, Fond du Lac, Marathon, Sauk, Sheboygan and Trempealeau) with numerous priority watershed staff to either increase local funding or reduce county conservation staff to meet match requirements. As shown in the attachment, according to DATCP, these seven counties would need to provide an average of \$118,300 in additional funds to meet matching requirements while maintaining previous expenditure levels. Other counties currently provide adequate funding to meet match requirements.

16. Some may argue that priority watershed counties should continue receiving staffing grant amounts allocated in the past, since some counties may have anticipated receiving this amount for the duration of their priority watershed projects. Further, county staff costs have increased annually, while state staffing grants generally have remained level, so counties currently are providing more than 10% of staffing costs in priority watershed areas.

17. Beginning in 1998, state law required all new nonpoint pollution abatement watershed or special projects to include a local assistance grant (staffing) match of at least 30% (a maximum state grant of 70%). Further, based on available funds and the 1997 directive to provide nonpoint funding for staff in all counties, DNR capped staff spending for 1998 and 1999 at 90% of the 1997 level. Thus, counties were required to provide a match of at least 10% for existing watershed staff. Under a DNR financing plan approved by the Land and Water Conservation Board, this local match was to be gradually increased until counties would be required to provide 30% of staff costs by 2004.

18. It was thought that increasing local match requirements would help ensure local government commitment and oversight of projects and would stretch limited state dollars, allowing funding for a greater number of county staff. In addition, some believed local government commitment to the watershed program should be more consistent with landowner obligations where farmers and other landowners generally fund 30% to 50% of the cost of installing best management practices. Further, some have noted that, historically, state funding for local administration of the program (staffing and supplies) typically equaled or exceeded funding for the actual installation of pollution abatement practices.

19. An alternative to current match requirements would be to allow a transition to higher

matching requirements in priority watershed counties. For example, the Committee could consider allowing DATCP to provide staffing grants for continuing priority watershed projects in 2002 at 90% of the amount that was provided to that county in 2000 for such staffing grants, in 2003, at 80% of the amount that was provided to that county in 2000 for such staffing grants and in 2004, at 70% of the amount that was provided to that county in 2000 for such staffing grants. Under this alternative, beginning in 2005, the current statutory match requirements would be uniformly implemented.

20. However, as shown in the attachment, the vast majority of counties currently are providing enough local funding to meet match requirements. In fact, DATCP estimates that in 1999, counties provided over \$10.3 million that would qualify as matching funds, while the total required amount under current law for matches in 2001 was \$5.6 million.

21. Funding of \$904,800 annually is allocated for 30 DATCP staff and associated costs to administer land and water resource management program activities. Additionally, GPR provided for landowner cost-sharing and county staffing grants, including funding for priority watershed staff, would be \$9,847,000 annually under the bill (an average of \$136,800 each year, per county).

Appropriation Structure

22. Under current law, grant funding is appropriated to DATCP under an annual SEG appropriation and a continuing GPR appropriation. Under the Governor's recommendation, the grant funding would be consolidated into a single, continuing GPR appropriation. While a continuing appropriation provides the Department with greater flexibility in spending, it also limits legislative review and may make it more difficult to anticipate, control and track program expenditures. An annual appropriation would allow for more legislative oversight. Further, under an annual appropriation, amounts not expended or encumbered at the end of the fiscal year are lapsed to the general fund. As another alternative, the Committee could choose to convert the appropriation to biennial, which would allow DATCP to transfer expenditure authority between fiscal years in the same biennium with DOA approval. However, the Legislature could set biennial expenditure authority and thereby limit expenditures to the amounts appropriated in the biennium, subject to modification after legislative review.

23. In the past, the Department desired to maintain a continuing appropriation in part because grants were for landowner cost-share reimbursements, which were difficult to predict. However, in the 2001 joint final allocation plan, DATCP is using all of its GPR and SEG monies for county staffing grants. These grants, by their nature, are more stable and thus easier to budget. Further, DNR has provided similar grants to counties for staff and landowner cost-shares from biennial appropriations. DATCP's GPR grants continuing appropriation could be converted to an annual or biennial appropriation.

24. Further, if the GPR grants appropriation were converted to an annual or biennial appropriation, the state could see a benefit to the general fund from annual or biennial lapses of the account balance. Generally, such a lapse from an annual appropriation could be estimated at 1% per

year, or a benefit to the general fund of approximately \$100,000 each year. Historically, counties on average have spent 95% of state funding for staff, supplies and training. However, if the appropriation were converted to an annual or biennial, the Department would likely be able to encumber some of the unspent funds. In the past, DATCP has used unspent amounts (county underspending) to increase staffing and cost-share grants for the next year. While converting from a continuing appropriation to annual would provide additional revenues to the general fund, unspent funds would no longer be available in future years to increase county staffing grants.

Priority Watershed Funding Extensions

25. The bill would prohibit DNR and the Land and Water Conservation Board from extending funding for a designated priority watershed or priority lake project beyond the funding termination date established either prior to January 1, 2001, or, if no funding termination date was set before January 1, 2001, the funding termination date first established after December 31, 2000. This provision is intended to allow for an orderly termination of priority watersheds and to allow available funding to be shifted to countywide and targeted runoff programs under the redesigned nonpoint program. According to DNR, all projects had a termination date as of January 1, 2001. Further, some have expressed concern that the language in the bill would allow funding termination dates to be based on any funding termination date set prior to January 1, 2001, rather than the date that was in effect on January 1, 2001. Since many watershed ending dates were extended in prior years, the Committee may wish to clarify that the ending date for a nonpoint source grant agreement period under the bill is the one that was in effect on January 1, 2001.

26. Further, DNR officials have expressed concern that, under the bill, funding would not be available for some grantees that may run into project construction delays in the last year of a grant period. They fear that projects may go unfinished if funding is not extended for an additional year for projects that were delayed for good cause. Thus, the Committee could choose to allow for an additional year of funding on a one-time basis for individual landowners who have agreed to install a practice but encountered a delay in implementation caused by conditions beyond the control of the landowner, such as inclement weather or the availability of contractors.

27. Others would argue that since individual landowner contracts have a specified project end date, they should be held to that date. In addition, providing additional cost-sharing dollars for water pollution abatement projects may lead some counties to expect additional staffing dollars for extended projects as well. Further, providing additional staffing dollars after a priority watershed project has passed its termination date could encourage delaying implementation of a project in order to receive additional state staffing dollars. One option to address these concerns would be to prohibit DATCP from providing staffing grants for continuing priority watershed projects beyond the ending date for the nonpoint source grant agreement period that was in effect on January 1, 2001.

ALTERNATIVES TO BASE

A. Nonpoint Fund Conversion

1. Approve the Governors recommendation to convert \$5,167,700 SEG in 2001-02 and \$5,168,700 SEG in 2002-03 with 16.5 DNR positions and \$4,876,100 SEG annually with 11.0 DATCP positions from the nonpoint account of the environmental fund to GPR and make related appropriation changes, including repealing a supplemental title fee matching GPR sum sufficient appropriation that was estimated at \$10.7 million annually and related provisions that deposit GPR in an amount equal to the annual revenues generated from the \$7.50 automobile title transfer fee to the segregated nonpoint account of the environmental fund.

<u>Alternative A1</u>	<u>GPR</u>	<u>SEG</u>	<u>TOTAL</u>
2001-03 REVENUE (Change to Base)	\$0	-\$21,400,000	-\$21,400,000
<i>[Change to Bill]</i>	\$0	\$0	\$0
2001-03 FUNDING (Change to Base)	-\$1,311,600	-\$20,088,600	-\$21,400,000
<i>[Change to Bill]</i>	\$0	\$0	\$0
2002-03 POSITIONS (Change to Base)	27.50	- 27.50	0.00
<i>[Change to Bill]</i>	0.00	0.00	0.00

2. Maintain current law. (The GPR transfer to the nonpoint account would continue based on revenues generated from the \$7.50 title transfer fee estimated at \$11 million in 2001-02 and \$11.1 million in 2002-03.)

<u>Alternative A2</u>	<u>GPR</u>	<u>SEG</u>	<u>TOTAL</u>
2001-03 REVENUE (Change to Base)	\$0	\$0	\$0
<i>[Change to Bill]</i>	\$0	\$22,100,000	\$22,100,000
2001-03 FUNDING (Change to Base)	\$700,000	\$0	\$700,000
<i>[Change to Bill]</i>	\$2,011,600	\$20,088,600	\$22,100,000
2002-03 POSITIONS (Change to Base)	0.00	0.0	0.00
<i>[Change to Bill]</i>	- 27.50	27.50	0.00

B. Environmental Fund Transfer

1. Transfer \$5,100,000 from the environmental fund to the general fund. (The bill would zero out the balance of the nonpoint account and either require the lapse of \$744,000 SEG in unspent 2000-01 nonpoint account funds, the transfer of \$744,000 from the environmental management account or a combination of the two.)

<u>Alternative B1</u>	<u>GPR</u>	<u>SEG</u>	<u>TOTAL</u>
2001-03 REVENUE (Change to Base)	\$5,100,000	-\$5,100,000	\$0
<i>[Change to Bill]</i>	\$0	\$0	\$0

2. Transfer \$5,274,100 from the environmental fund to the general fund. (\$5,274,100 is the estimated balance of the nonpoint account assuming \$918,100 SEG in the urban program lapses in 2000-01.)

<u>Alternative B2</u>	<u>GPR</u>	<u>SEG</u>	<u>TOTAL</u>
2001-03 REVENUE (Change to Base)	\$5,274,100	- \$5,274,100	\$0
[Change to Bill]	\$174,000	- \$174,000	\$0]

3. Transfer \$4,521,000 from the environmental fund to the general fund. (\$4,521,000 is the estimated balance of the environmental fund, including \$165,000 from the environmental management account, assuming all appropriations are encumbered or spent in 1999-01.)

<u>Alternative B3</u>	<u>GPR</u>	<u>SEG</u>	<u>TOTAL</u>
2001-03 REVENUE (Change to Base)	\$4,522,000	- \$4,522,000	\$0
[Change to Bill]	- \$578,000	\$578,000	\$0]

4. Transfer \$4,356,000 from the environmental fund to the general fund. (\$4,356,000 is the estimated balance of the nonpoint account assuming all appropriations are encumbered or spent in 1999-01.)

<u>Alternative B4</u>	<u>GPR</u>	<u>SEG</u>	<u>TOTAL</u>
2001-03 REVENUE (Change to Base)	\$4,356,000	- \$4,356,000	\$0
[Change to Bill]	- \$744,000	\$744,000	\$0]

5. Maintain current law.

<u>Alternative B5</u>	<u>GPR</u>	<u>SEG</u>	<u>TOTAL</u>
2001-03 REVENUE (Change to Base)	\$0	\$0	\$0
[Change to Bill]	- \$5,100,000	\$5,100,000	\$0]

C. Appropriation Structure

1. Change DATCP's land and water resource management GPR grant appropriation from continuing to an annual appropriation.

<u>Alternative C1</u>	<u>GPR</u>
2001-03 REVENUE (Change to Base)	\$196,900
[Change to Bill]	\$196,900]

2. Change DATCP's land and water resource management GPR grant appropriation from continuing to a biennial appropriation.

Alternative C2	GPR
2001-03 REVENUE (Change to Base) [Change to Bill]	\$98,500 \$98,500]

3. Maintain current law.

D. Staffing Grant Match Requirements

1. Include staff-related training, supplies and services in the current matching requirement so that counties would provide matching funds of at least 30% of salary, fringe benefits and related costs for a second position, and at least 50% of salary, fringe benefits and related costs for any additional staff.

2. Allow DATCP to provide staffing grants of up to the greater of current law levels or the following percentages of the amount that was provided to that county in 2000 for funding related to each continuing priority watershed project staffing grant:

- a. 90% in 2002, 80% in 2003 and 70% in 2004.
- b. 90% in 2002, 85% in 2003, 80% in 2004 and 75% in 2005.
- c. 95% in 2002, 90% in 2003, 85% in 2004 and 80% in 2005.

(This alternative would allow priority watersheds to phase into the current match requirements.)

E. Priority Watershed Funding Extensions

1. Approve the Governor's recommendation to prohibit DNR and the Land and Water Conservation Board (LWCB) from extending funding for a designated priority watershed or priority lake project under the nonpoint water pollution abatement program beyond the funding termination date established prior to January 1, 2001, or if no funding termination date was set before January 1, 2001, the funding termination date first established after December 31, 2000. Further, require DNR to submit final priority watershed plans to the LWCB for approval (rather than receiving LWCB approval of an earlier draft), and prohibit DNR from implementing the plan without LWCB approval.

2. Modify the Governor's recommendation to prohibit DNR from extending funding for a designated priority watershed or priority lake project under the nonpoint water pollution

abatement program beyond the ending date for the nonpoint source grant agreement period that was in effect on January 1, 2001, unless DNR determines a delay in implementation was caused by conditions beyond the control of the landowner such as inclement weather or the availability of contracts. If DNR determines that such a delay occurred, allow DNR to extend the funding termination date for up to one year.

3. Modify the Governor's recommendation to prohibit DATCP from providing staffing grants for continuing priority watershed projects beyond the ending date for the nonpoint source grant agreement period that was in effect on January 1, 2001.

4. Maintain current law.

Prepared by: David Schug
Attachment

MO#			
BURKE	Y	N	A
DECKER	Y	N	A
MOORE	Y	N	A
SHIBILSKI	Y	N	A
PLACHE	Y	N	A
WIRCH	Y	N	A
DARLING	Y	N	A
WELCH	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
ALBERS	Y	N	A
DUFF	Y	N	A
WARD	Y	N	A
HUEBSCH	Y	N	A
HUBER	Y	N	A
COGGS	Y	N	A

AYE _____ NO _____ ABS _____

ATTACHMENT

Current Law County Match That Would Be Required for 2001 Staff Allocations

<u>County</u>	<u>Estimated Total Staff Costs (CY 2000)</u>	<u>Total 2001 Final Staffing Allocation</u>	<u>Maximum Match (\$50,000 per position salary cap)</u>	<u>Available County Match (1999 Annual Financial Report)</u>	<u>Available Match Less Maximum Match</u>
Adams	\$201,941	\$135,895	\$65,895	\$176,848	\$110,953
Ashland	N.A.	51,740	746	36,799	36053
Barron	240,311	98,746	28,746	135,143	106,397
Bayfield	N.A.	56,575	2,818	27,550	24,732
Brown	796,008	610,765	540,765	315,786	-224,979
Buffalo	312,833	240,432	170,432	197,898	27,466
Burnett	137,500	77,887	11,952	119,438	107,486
Calumet	335,569	103,968	33,968	83,619	49,651
Chippewa	436,251	311,026	241,026	290,881	49,855
Clark	187,482	53,371	1,445	129,818	128,373
Columbia	309,693	158,455	88,455	170,924	82,469
Crawford	116,925	53,098	1,328	63,209	61,881
Dane	830,620	260,920	190,920	703,809	512,889
Dodge	322,143	267,570	197,570	117,233	-80,337
Door	484,605	259,065	189,065	253,343	64,278
Douglas	N.A.	72,834	9,786	14,192	4,406
Dunn	500,313	148,449	78,449	264,020	185,571
Eau Claire	478,275	84,574	14,817	146,253	131,436
Florence	38,604	48,150	0	12,866	12,866
Fond du Lac	415,996	321,084	251,084	89,953	-161,131
Forest	51,998	48,135	0	11,212	11,212
Grant	295,101	177,461	107,461	213,230	105,769
Green	203,346	75,829	11,070	122,792	111,722
Green Lake	257,783	60,672	4,574	198,090	193,516
Iowa	184,038	97,454	27,454	151,529	124,075
Iron	N.A.	51,740	746	12,362	11,616
Jackson	185,715	123,865	53,865	80,407	26,542
Jefferson	298,549	85,197	15,197	203,238	188,041
Juneau	101,250	49,750	0	54,875	54,875
Kenosha	122,454	49,750	0	45,269	45,269
Kewaunee	233,655	87,393	17,393	185,909	168,516
LaCrosse	319,316	98,195	28,195	239,941	211,746
Lafayette	260,565	157,642	87,642	137,020	49,378
Langlade	63,833	65,819	6,780	14,733	7,953
Lincoln	137,155	72,852	9,794	70,111	60,317

County	Estimated Total Staff Costs (CY 2000)	Total 2001 Final Staffing Allocation	Maximum Match (\$50,000 per position salary cap)	Available County Match (1999 Annual Financial Report)	Available Match Less Maximum Match
Manitowoc	\$480,833	\$258,829	\$188,829	\$194,221	\$5,392
Marathon	450,777	285,992	215,992	137,879	-78,113
Marinette	242,332	126,680	56,680	140,950	84,270
Marquette	164,413	49,750	0	14,878	14,878
Milwaukee	129,333	49,750	0	62,483	62,483
Monroe	178,800	109,163	39,163	111,332	72,169
Oconto	155,274	106,283	36,283	81,527	45,244
Oneida	98,640	58,973	3,846	38,965	35,119
Outagamie	401,832	209,109	139,109	174,693	35,584
Ozaukee	281,260	179,066	109,066	113,648	4,582
Pepin	115,559	70,291	8,696	147,307	138,611
Pierce	238,529	98,214	28,214	216,146	187,932
Polk	426,659	255,784	185,784	240,920	55,136
Portage	192,829	135,489	65,489	89,084	23,595
Price	394,700	60,869	4,658	48,802	44,144
Racine	123,658	58,202	3,515	85,812	82,297
Richland	141,694	85,320	15,320	88,317	72,997
Rock	188,045	90,085	20,085	100,046	79,961
Rusk	247,987	124,085	54,085	100,154	46,069
St. Croix	442,021	215,100	145,100	331,078	185,978
Sauk	540,221	351,998	281,998	194,642	-87,356
Sawyer	99,901	66,372	7,017	77,038	70,021
Shawano	174,375	77,260	11,683	99,623	87,940
Sheboygan	396,183	291,330	221,330	166,494	-54,836
Taylor	111,367	67,241	7,389	78,924	71,535
Trempealeau	453,562	392,208	322,208	180,883	-141,325
Vernon	392,168	253,397	183,397	395,761	212,364
Vilas	58,220	52,735	1,172	15,134	13,962
Walworth	368,357	172,554	102,554	195,557	93,003
Washburn	219,004	49,750	0	17,755	17,755
Washington	439,611	222,012	152,012	310,886	158,874
Waukesha	408,265	166,735	96,735	211,952	115,217
Waupaca	355,112	191,960	121,960	165,775	43,815
Waushara	377,610	138,584	68,584	125,791	57,207
Winnebago	407,093	209,195	139,195	356,236	217,041
Wood	<u>243,281</u>	<u>130,989</u>	<u>60,989</u>	<u>104,443</u>	<u>43,454</u>
	\$18,999,333	\$10,177,712	\$5,587,572	\$10,305,436	\$4,717,864



Legislative Fiscal Bureau

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

May 16, 2001

Joint Committee on Finance

Paper #676

Land and Water Resource Management and Rural Nonpoint Bonding (DNR -- Water Quality and DATCP -- Department and Resource Management)

[LFB 2001-03 Budget Summary: Page 92, #3 and Page 486, #2]

CURRENT LAW

The Wisconsin Departments of Natural Resources (DNR) and Agriculture, Trade and Consumer Protection (DATCP) work jointly in controlling nonpoint source water pollution and soil erosion in the state. Each agency has been providing bonding revenues to fund landowner cost-share grants for the installation for water pollution abatement or conservation practices. The bonding revenues provided to the programs can not be used for county program administration.

The purpose of the DATCP soil and water conservation program includes providing a mechanism for statewide coverage of soil and water conservation needs at the county level. DATCP receives state funds to provide grants for cost-shares to fund landowners' soil conservation practices. In 1999-01, \$3,575,000 in bonding authority was authorized for DATCP.

The intent of the DNR nonpoint source water pollution abatement financial assistance program is to focus resources where nonpoint source-related water quality problems and threats are the most severe and control is most feasible. DNR receives state funds to provide cost-share grants for rural landowners to install pollution abatement projects in designated priority watersheds. Funding not used for priority watershed projects is used to finance rural and urban competitive nonpoint source grants. In 1999-01, DNR was authorized \$22,400,000 in bonding authority for these activities.

GOVERNOR

Provide an increase in general obligation bonding authority of \$7,000,000 for the DATCP land and water resource management grant program. Further, provide an increase in general obligation bonding authority of \$22,400,000 for the DNR rural nonpoint source water pollution abatement program.

DISCUSSION POINTS

1. 1999 Act 9 provided bonding revenues of \$3.575 million to DATCP and \$22.4 million to DNR for state cost-share funding to landowners. As shown in Table 1, under the Governor's recommendation, the agencies would be provided \$29,400,000 in 2001-03. DATCP would receive \$3.4 million more than in 1999-01 while the two agencies combined would see an increase of 13.2% over the amount provided in 1999-01. Upon issuance, given a flat repayment schedule, debt service on \$29.4 million in general obligation bonds would total approximately \$2.3 million GPR annually for 20 years.

TABLE 1

Rural Nonpoint Bonding

	1999 Act 9 1999-01	Governor's Recommendation 2001-03
DATCP	\$3,575,000	\$7,000,000
DNR	<u>22,400,000</u>	<u>22,400,000</u>
Total	\$25,975,000	\$29,400,000

2. DNR and DATCP provide grants to counties with a goal of funding cost-shares collectively of an average of \$100,000 (or more if funds are available) per county to fund up to 70%, except in cases of economic hardship, of the installation costs of landowner conservation practices. Under the bill, the average county would receive over \$200,000 annually in additional bonding (\$22.4 million from DNR and \$7 million from DATCP) for land and water conservation and rural nonpoint pollution abatement cost-share funding.

DNR Funding

3. DNR provides counties with active priority watershed projects with an anticipated cost-share reimbursement amount (ACRA), to be used to reimburse landowners for practices installed during each calendar year. The Land and Water Conservation Board approved a financial

plan that establishes the implementation of all currently designated priority watershed projects by 2009, based on continued 2000-01 funding for each project. Under the long-term allocation plan, an identical annual ACRA has been determined for every one of the rural grantees for each year until their project completion date. Thus, as priority watershed projects are completed, less funding is needed for the priority watershed program. Unspent ACRA's may be transferred between projects within the same county or between projects in the same priority watershed. Further, at the end of the year, DNR may encumber an unspent balance and allow a grantee to add it to their next year's ACRA. Unencumbered, unspent ACRA's are reallocated for grants in DNR's competitive nonpoint program.

4. Under the long-term financing plan approved by the Land and Water Conservation Board, it is anticipated that 50 counties will receive \$12.2 million in calendar year 2002 and 47 counties will receive \$10.6 million in 2003 from DNR for ACRA's in original priority watershed project areas (the lower number in 2003 is in anticipation of three priority watershed projects ending). Of these, 32 counties in 2002 and 31 counties in 2003 would receive over \$100,000 solely from DNR funding.

5. DNR also provides grants of up to \$150,000 each to governmental units for competitive nonpoint source projects to accelerate the implementation of nonpoint source pollution control to target areas that are of highest priority, and where pollution abatement can not be achieved through implementation of county soil and water resource activities funded under DATCP cost-shares. Targeted projects include projects for managing pollutants from animal feeding operations receiving a notice of discharge. These competitive projects may last for one to three years, unless DNR approves a one-year extension. It is envisioned that the competitive program will eventually replace the rural portion of the original nonpoint grant program. As original priority watersheds expire, available funding would be transferred to the competitive program.

6. DNR requested \$22.4 million in bond revenue for the biennium. In addition, DNR generally receives approximately \$2 million annually in federal funding for the rural nonpoint program. Thus, under the bill, a total of \$26.4 million would be available for rural cost-share grants through December 31, 2003. After reserves for purchasing easements are set aside and all competitive grant obligations and remaining funding obligations for calendar year 2001, 2002 and 2003 ACRA payments are met, approximately \$1 million in authorized bonding will remain available. Further, as shown in Table 2, counties biennially have under spent their ACRA's by at least 25%. If it were assumed that 2001 and 2002 ACRA's also would be under spent by 25%, an additional \$6.4 million (\$7.4 million total) would be available over the biennium for DNR competitive grants.

TABLE 2**Actual Expenditures for Rural Priority Watershed Cost-Shares**

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Rural ACRA's	\$6,255,000	\$7,156,200	\$8,945,600	\$13,805,400	\$13,527,200	\$12,211,900
Reimbursed Amounts	4,372,800	5,605,000	6,406,900	6,518,100		
Remaining balance	\$1,882,200	\$1,551,200	\$2,538,700	\$7,287,300	\$3,381,800 *	\$3,053,000*
Biennial % Unexpended		25.6%		43.2%		25.0%

*Anticipated based on 25% underspending.

7. Therefore, it is estimated that a minimum of \$7.4 million remains available for DNR competitive grants in 2002 and 2003, including grants for projects to manage pollutants from animal feeding operations receiving a notice of discharge. In addition, DNR indicates that this funding may be used for a few nonpoint projects in lake districts that have been funded from the urban program but that may not meet the 1999 Act 9 population requirements of the urban program.

8. Table 3 portrays funding provided under the competitive grant program since its inception in 1999. DNR plans to use the remaining \$7.4 million for competitive grant projects, regardless of whether the projects are in rural or urban areas. The Committee may wish to modify the amount of bonding provided for the rural program, since expenditures for the competitive nonpoint program have been considerably lower than what would be available under the bill. After a May 1 postmark deadline, as of May 7, 2001, DNR had received applications requesting \$3.15 million in competitive grants for 2002. It is uncertain how many of these projects will meet eligibility requirements. Even if all projects were eligible, DNR would still have over \$4 million for competitive grants in 2003. If the Committee chose to provide an estimated \$2 million annually for competitive grants, the amount of DNR authorized bonding needed would be to \$19 million, rather than \$22.4 million under the bill.

TABLE 3**Competitive Grant Funding**

	<u>1999</u>	<u>2000</u>	<u>2001</u>
Municipal Funding	\$1,246,550	\$995,898	\$671,000
County Funding	<u>753,450</u>	<u>581,900</u>	<u>372,000</u>
Total	\$2,000,000	\$1,577,798	\$1,043,000

DATCP Cost-Share Bonding

9. DATCP requested \$7 million in bond revenue for the biennium. The majority of DATCP's currently authorized bonding revenue has been spent or allocated for cost-share projects in 2001. However, DATCP indicates that \$746,000 BR remains available for cost-sharing grants in 2002. In addition to the \$746,000 BR, DATCP has set aside \$289,700 GPR for cost-sharing grants in 2002 from unspent cost-shares in 2000.

10. Funding is allocated to counties based on approved Land and Water Resource Management (LWRM) plans. The grants may be used for activities to meet compliance with farmland preservation credit requirements, and, consistent with approved LWRM plans, activities related to animal waste management and ordinances, nonpoint source pollution abatement, shoreland management and other conservation practices determined by the county to be necessary for conservation and resource management in that county.

11. The 2001 joint final allocation plan allocates \$13,480,080 from DNR for cost-sharing grants to landowners for installation of pollution abatement projects in original priority watershed projects and \$1.9 million from DATCP for LWRM plan implementation cost-sharing. Regardless of whether a county was provided cost-share funding from DNR for priority watershed projects, DATCP allocated funds equally to all counties with approved LWRM plans, unless a county requested a lesser amount. Thus, while the average county received nearly \$215,000 for cost-sharing from the two programs, 32 counties received less than \$100,000.

12. The Committee could prioritize DATCP funding for those counties that do not receive at least \$100,000 from DNR for nonpoint pollution abatement cost-shares. When remaining bonding authority of \$746,000 in DATCP from previous years is considered, based on the long-term financing plan approved by the Land and Water Conservation Board for priority watershed counties, providing \$2.3 million in 2002 and \$3.6 million in 2003 in bonding (\$5.9 million BR for the biennium) would allow DATCP to provide all counties at least \$100,000 annually (while not providing additional funding to those counties receiving over \$100,000 from DNR).

13. However, counties with priority watershed projects may desire funding for cost-shares outside of their priority watershed project areas. These counties generally have more conservation staff than counties without priority watershed projects and thus are able to generate more interest in pollution abatement activities, even outside of priority watershed areas. Therefore, these counties may seek more funding for projects throughout the county.

14. Conversely, some have criticized the nonpoint program for providing funding in limited areas and neglecting some counties. Further, arguably, priority watershed counties already are providing funding for pollution abatement in areas of greatest need (designated priority watersheds). In addition, all counties are eligible to apply for competitive nonpoint grants through DNR's targeted runoff management grant program, providing another funding mechanism for trouble areas in priority watershed counties outside of the designated areas. Thus, it may be beneficial to prioritize DATCP funding for counties that receive little or no nonpoint funding from

DNR to provide at least \$100,000 to each county.

15. Further, the Committee could allow counties to use DNR cost-share grants outside of priority watershed areas. This would allow counties the flexibility to set their own funding priorities. However, a county's priorities may not match DNR watershed priorities, thus limiting the state's ability to focus funding on watershed-based pollution abatement activities.

16. For 2002 cost-share grants, DATCP has chosen to provide performance-based awards in addition to base awards to counties with approved LWRM plans. DATCP has set the criteria for performance-based awards to include the relationship between grant requests and the types of projects listed in LWRM plans, the ability to spend prior allocated cost-share dollars on a timely basis and the availability of funds from other sources and programs. The affect of this decision is to lower the base amount of funding that all counties would be guaranteed to receive upon request for land and water resource management activities.

17. Some would argue that the intent of nonpoint redesign legislation in the 1999-01 biennial budget act was to provide cost-share funding through DATCP to ensure that all counties received a reasonable base of funding to protect water quality statewide. In addition, providing performance-based awards through DATCP could duplicate efforts under DNR's competitive grant program. Thus, the Committee may wish to limit DATCP to allocating competitive land and water resource management cost-sharing grants to counties only after each county has been allocated the lesser of \$100,000, or the amount it requested. This would allow all counties with approved land and water resource management plans to be guaranteed a minimum base level of funding.

18. On the other hand, DNR's competitive program operates somewhat differently in that funds may only be used in the targeted areas designated in the application. Under DATCP's competitive program, counties could use the additional funding throughout the county. Further, rewarding counties with performance-based funding for aggressively signing up landowners to cost-share agreements or for leveraging outside funds may lead to better water quality in these areas. However it also would limit funding in other counties where water quality needs may be as significant, but the county is less active in soliciting additional grant funding. Alternatively, considering that all counties will be required to implement water quality standards under rules being promulgated by the two agencies, funding could be moved from the DNR competitive grant program to DATCP to provide additional countywide funding.

Water Quality Standards

19. The 1997 biennial budget act contained language to develop water quality standards for agricultural facilities. DNR is promulgating rules prescribing performance standards and prohibitions for agricultural facilities and agricultural practices that are nonpoint sources. Under the legislation, the performance standards and prohibitions must be designed to achieve water quality standards by limiting nonpoint source water pollution. At a minimum, the prohibitions must provide that livestock operations have no:

a. Overflow of manure storage structures.

b. Unconfined manure piled in a "water quality management area," defined as follows: (1) the area within 1,000 feet from the ordinary high-water mark of a lake, pond or flowage; (2) the area within 300 feet from the ordinary high-water mark of navigable rivers or streams; and (3) sites that are susceptible to groundwater contamination or that have a potential to be a direct conduit to groundwater contamination.

c. Direct runoff from a livestock operation or stored manure into waters of the state.

d. Unlimited access by livestock to waters of the state where high concentrations of animals prevent adequate sod cover.

20. The legislation also provided that compliance with, or enforcement of, the performance standards, prohibitions, conservation practices and technical standards for agricultural facilities and practices for the abatement of nonpoint source water pollution caused or threatened to be caused by agricultural facilities and practices existing prior to October 14, 1997, is not required unless cost-sharing is available. DNR plans to submit these nonpoint source water quality rules to the Legislature for review in July, 2001. DATCP and DNR estimate the total 10-year cost of implementing all agricultural performance standards and prohibitions in their rules at between \$584 million and \$934 million. However, some of the standards also provide offsetting benefits or cost savings to farmers that are not included in the calculation.

21. Due to the pending implementation of these agricultural performance standards, some would argue that \$7 million in bonding revenues over the biennium might be inadequate. However, once rules are promulgated, it will take time for counties and landowners to become aware of the new standards before beginning to implement new conservation practices. Further, since cost-shares are paid as reimbursements, it is difficult to determine when newly required projects would be complete and funds needed for reimbursement.

22. The state's bond counsel has concluded that certain nutrient or pesticide management and conservation tillage practices, such as contour farming, high residue management systems and field strip cropping that would be required under the proposed rule may not be funded from bond revenue. Thus, DATCP would need to use GPR or other cash funding for these practices. A current draft of the rules increases state cost-share rates from 50% to 70% for these types of cropland practices. Further, draft rules as revised by the Natural Resources Board allow a phase in of one to seven years (depending on its location and whether it is existing cropland) before landowners are required to apply fertilizer according to a nutrient management plan and increase the length of time cost-share payments can be made for nutrient management from three to six years. At least \$289,700 GPR is available for these nonbondable practices in 2002 from unspent cost-shares in 2000. Anticipated federal funding through DNR of \$2 million annually would also be available for these practices.

ALTERNATIVES TO BASE

1. Approve the Governor's recommendation to:

a. Provide an increase in general obligation authority of \$7 million BR for cost-shares under the DATCP land and water resource management grant program.

Alternative 1a	BR
2001-03 FUNDING (Change to Base)	\$7,000,000
<i>[Change to Bill]</i>	<i>[\$0]</i>

b. Provide an increase in general obligation authority of \$22.4 million BR for cost-shares under DNR's rural nonpoint source water pollution abatement program.

Alternative 1b	BR
2001-03 FUNDING (Change to Base)	\$22,400,000
<i>[Change to Bill]</i>	<i>[\$0]</i>

2. Provide DATCP an increase in general obligation authority of \$5,900,000 BR for cost-shares under the land and water resource management grant program to provide all counties at least \$100,000 bonding annually.

Alternative 2	BR
2001-03 FUNDING (Change to Base)	\$5,900,000
<i>[Change to Bill]</i>	<i>-\$1,100,000]</i>

3. Require DATCP to prioritize funding for those counties that do not receive at least \$100,000 from DNR for nonpoint pollution abatement cost-shares.

4. Limit DATCP to allocating competitive land and water resource management cost-sharing grants to counties only after each county has been allocated the lesser of \$100,000, or the amount it requested.

5. Provide an increase in general obligation authority of \$19 million BR for cost-shares under DNR's rural nonpoint source water pollution abatement program. (An estimated \$2 million annually would be available for DNR competitive grants.)

Alternative 5	BR
2001-03 FUNDING (Change to Base)	\$19,000,000
<i>[Change to Bill]</i>	<i>-\$3,400,000]</i>

6. Provide an increase in general obligation authority of \$10.4 million BR for cost-shares under the DATCP land and water resource management grant program and an increase of \$19 million BR for cost-shares under DNR's rural nonpoint source water pollution abatement program. (\$2 million annually would be available for DNR competitive grants and DATCP would receive an additional \$3.4 million BR.)

<u>Alternative 6</u>	<u>BR</u>
2001-03 FUNDING (Change to Base)	\$29,400,000
[Change to Bill]	\$0

7. Maintain current law.

<u>Alternative 7</u>	<u>BR</u>
2001-03 FUNDING (Change to Base)	\$0
[Change to Bill]	- \$29,400,000

Wirch-3

Prepared by: David Schug

MO# _____

BURKE	Y	N	A
DECKER	Y	N	A
MOORE	Y	N	A
SHIBILSKI	Y	N	A
PLACHE	Y	N	A
WIRCH	Y	N	A
DARLING	Y	N	A
WELCH	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
ALBERS	Y	N	A
DUFF	Y	N	A
WARD	Y	N	A
HUEBSCH	Y	N	A
HUBER	Y	N	A
COGGS	Y	N	A

AYE _____ NO _____ ABS _____

NATURAL RESOURCES AND AGRICULTURE, TRADE AND CONSUMER PROTECTION

Nonpoint Program Funding
[Papers #675, 676 and 677]

Motion:

In Paper #675, move to include alternatives:

A1 (approve the Governor's recommendation to convert \$5,167,700 SEG in 2001-02 and \$5,168,700 SEG in 2002-03 with 16.5 DNR positions and \$4,876,100 SEG annually with 11.0 DATCP positions from the nonpoint account of the environmental fund to GPR and make related appropriation changes, including repealing a supplemental title fee matching GPR sum sufficient appropriation that was estimated at \$10.7 million annually and related provisions that deposit GPR in an amount equal to the annual revenues generated from the \$7.50 automobile title transfer fee to the segregated nonpoint account of the environmental fund);

B1 (transfer \$5,100,000 from the environmental fund to the general fund); and

C3 (maintain current law).

In regards to Alternatives section D, specify that local match requirements of 30% for a second staff person and 50% for any additional staff persons for DATCP staffing grants are minimums and determined by DATCP. Further, for a grant award before 2010, require DATCP to require a county to provide matching grants for priority watershed project staff equal to not less than 10% nor more than 30% of the staff funding that was provided to the county for 1997 for a priority watershed that was designated before July 1, 1998, as long as it is before the termination date that was in effect on October 6, 1998, for the priority watershed project.

Further, address Alternatives section E by prohibiting DNR from extending funding for a designated priority watershed or priority lake project under the nonpoint water pollution abatement program beyond the ending date for the nonpoint source grant agreement period that was in effect on January 1, 2001, unless DNR determines a delay in implementation was caused by conditions beyond the control of the landowner such as inclement weather, the implementation of the Conservation Resource Enhancement Program (CREP) or the availability of contracts. If DNR determines that such a delay occurred, allow DNR to extend the funding termination date for that landowner for up to one year.

In Paper #676, include Alternatives #1a and #5, which would approve the Governor's recommendation to provide an increase in general obligation authority of \$7 million BR for cost-shares under the DATCP land and water resource management grant program and provide an increase in general obligation authority of \$19,000,000 BR for cost-shares under DNR's rural nonpoint source water pollution abatement program.

Address Paper #677 by providing an increase in general obligation bonding authority of \$4.7 million for cost-sharing grants under the urban nonpoint source water pollution abatement program. Further, provide \$9,000,000 in general obligation bonding authority in a new appropriation for municipal flood control and riparian restoration cost-share grants.

[Change to Base: -\$1,311,600 GPR, \$5,100,000 GPR-REV, -\$20,088,600 SEG, -\$26,500,000 SEG-REV and \$39.7 million BR]

[Change to Bill: -\$700,000 BR]

MO#			
BURKE	Y	N	A
DECKER	Y	N	A
MOORE	Y	N	A
SHIBILSKI	Y	N	A
PLACHE	Y	N	A
WIRCH	Y	N	A
DARLING	Y	N	A
WELCH	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
ALBERS	Y	N	A
DUFF	Y	N	A
WARD	Y	N	A
HUEBSCH	Y	N	A
HUBER	Y	N	A
COGGS	Y	N	A

AYE 13 NO 3 ABS 0

AGENCY: DNR - Water Quality

PAPER: #677

ISSUE: Urban Nonpoint & Flood Control Funding

RECOMMENDATION: Alternative 1 & 3(c)

SUMMARY: Go with the gov here. Once DNR gets the rules in place later this month there will be more than enough grant applications filed to spend these new funds and the balance. Although I am a statewide guy, I do know that urban areas could really use these funds. Sometimes they feel like rural areas get a lot more \$\$ for water quality efforts than urban areas do. I'm not saying I agree or disagree with that, but it's just an issue that I've heard raised.

BY: Barry

Decker (a)
1 (b)
2



Legislative Fiscal Bureau

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

May 16, 2001

Joint Committee on Finance

Paper #677

Urban Nonpoint and Flood Control Funding (DNR -- Water Quality)

[LFB 2001-03 Budget Summary: Page 487, #6]

CURRENT LAW

The 1999-01 biennial budget (1999 Act 9) created a statutory urban nonpoint program. The purposes of the urban nonpoint program are to: (a) manage urban storm water discharge of pollutants and runoff from existing and developing urban areas to achieve water quality standards, minimize flooding and protect groundwater; (b) coordinate urban nonpoint source management activities and municipal storm water discharge permits; and (c) provide for implementation of urban nonpoint source performance standards. Under the urban nonpoint program, DNR may provide local assistance grants for technical staff and administration of up to 70% of eligible costs with a grant recipient match of at least 30%. DNR may provide cost-share grants for up to 50% of eligible costs with a grant recipient match of at least 50%.

1999 Act 9 also created a municipal flood control and riparian restoration program within the urban nonpoint program. The program provides financial assistance to cities, villages, towns or metropolitan sewerage districts for the collection and transmission of storm water and ground water. Grants may be used for facilities and structures, including the purchase of perpetual flowage and conservation easement rights on land within a flood way and flood proofing of public or private structures remaining in a 100-year flood plain. DNR may provide grants for up to 70% of eligible costs for construction and real estate acquisition for a DNR approved project. DNR may also provide municipal flood control and riparian restoration program local assistance grants for up to 70% of eligible costs, including planning and design costs.

GOVERNOR

Provide an increase in general obligation bonding authority of \$11,000,000 for cost-sharing grants under the urban nonpoint source water pollution abatement and municipal flood

control and riparian restoration programs. In addition, change the \$2,000,000 per year urban nonpoint appropriation (converted from SEG to GPR under the bill) from annual to biennial.

DISCUSSION POINTS

1. As shown in the following table, a total of \$17 million was available for urban nonpoint and municipal flood control and riparian restoration grants in 1999-01. The statutes do not specify how much of the \$17 million be spent on either the urban nonpoint source water pollution abatement or municipal flood control and riparian restoration programs. However, according to DNR \$1 million in bonding was set aside for projects under the municipal flood control and riparian restoration program.

Urban Nonpoint and Municipal Flood Control Grant Funding

1999 Act 9

<u>Source</u>	<u>1999-00</u>	<u>2000-01</u>
SEG	\$2,000,000	\$2,000,000
BR*	<u>13,000,000</u>	<u>0</u>
Total	\$15,000,000	\$2,000,000

Governor's Recommendation

<u>Source</u>	<u>2001-02</u>	<u>2002-03</u>
GPR	\$2,000,000	\$2,000,000
BR*	<u>11,000,000</u>	<u>0</u>
Total	\$13,000,000	\$2,000,000

*Available in either year of the biennium

2. The Department is in the process of promulgating administrative rules to administer the municipal flood control and riparian restoration program. It is anticipated that final rules will be presented to the DNR Board on May 23 and, with approval, will be submitted to the Legislature for review. Thus, cities, villages, towns and metropolitan sewerage districts could expect to be able to

apply for these grants beginning in 2001-02.

3. Of the amounts provided under 1999 Act 9, as of April 25, 2001, the Department has spent \$1,111,800 SEG for urban local assistance grants. This includes expenditures of \$807,100 in 1999-00 and \$304,700 through April 25, 2001. Therefore, \$2,888,200 in available expenditure authority remains in this annual appropriation, including unspent encumbrances of \$1,094,700 remaining from 1999-00 encumbered amounts of \$1,192,900. However, DNR only has \$1,689,800 in current local assistance grant obligations to be paid in 2001 and 2002 and between another \$507,600 and \$280,200 reserved for projects in future biennia. The amount set aside for future obligations is dependent on how DNR allocates future local assistance funding. If DNR provides grants strictly for local assistance related to projects that are receiving cost-share funding, the Department would encumber up to \$280,200 of current funding for local assistance grants in future years. However, if the Department also chose to fund costs such as for staff training and information and education, the Department would encumber up to \$507,600 of current funding. Thus, between \$690,700 and \$918,100 would remain in the appropriation to lapse to the nonpoint account of the environmental fund after all urban local assistance grant commitments are met. A greater lapse would be realized if DNR allotted future biennia costs out of appropriations for those future years.

4. Of the amounts provided under 1999 Act 9, as of April 25, 2001, the Department has spent \$4,110,800 BR for urban nonpoint cost-share grants. Therefore, \$8,889,200 in bonding authority remains. DNR has up to \$6,155,000 in outstanding urban nonpoint cost-share grant obligations to be paid in future years. Thus, at least \$2,734,200 BR would remain available after all outstanding DNR urban cost-share grant commitments are met.

5. The Department hopes to use the balance of the SEG appropriation that is not needed for urban local assistance (staffing and administration) grant obligations to pay for bondable cost-share projects (land acquisition or installation of pollution abatement practices) to keep the appropriated SEG from lapsing back to the environmental fund. In addition, at least \$2.7 million currently remains in unobligated bonding authority. Thus, if DNR used available SEG monies of \$918,100 for bondable cost-share projects, an additional \$918,100 in bonding authority would be unobligated, for a total of \$3,652,300. Further, the bill requires the transfer of \$5.1 million from the environmental fund to the general fund. DOA officials indicate the intent is to transfer the June 30, 2001, balance remaining in the nonpoint account to the general fund. The estimated balance of the nonpoint account on June 30, 2001, after considering expenditure authority from continuing appropriations and encumbrances, is \$4.4 million. However, if the unobligated urban SEG lapsed back to the fund, the nonpoint account would have at least \$5,046,700 available to lapse to the general fund.

6. DNR has spent a total of \$15.8 million on urban nonpoint projects since July, 1996, including \$3.9 million in local assistance and \$11.9 million in cost-sharing grants, or about \$800,000 SEG and \$2.4 million BR annually. Some would argue that since biennial expenditures for urban nonpoint projects have historically been considerably lower than what is authorized under the bill, less funding may be needed for the program. Others would counter that since the \$15 million provided under the bill is to fund both urban nonpoint and flood control projects, funding

provided under the bill may be needed. After a May 1 postmark deadline, as of May 7, 2001, DNR had received applications requesting \$7.4 million for urban cost-sharing and \$1.0 million for urban local assistance grants in 2002 and 2003. It is uncertain how many of these projects will meet eligibility requirements.

7. Since the municipal flood control program has not yet begun to provide funding for projects, the Department is uncertain of actual need in this program. However, DNR officials point to a survey in which localities roughly estimated their desire for state flood control funding at approximately \$28.9 million (70% of the total need). Some areas reported projects they would like to conduct, but did not include funding estimates for these projects. Therefore, actual requests could be higher. However some projects may not gain the local support needed to provide the 30% match of funding and many other projects would not be ready for implementation in this biennium, thus the 2001-03 need may be considerably lower. In sum, it is difficult to estimate the amount of funding that may be requested under the program in 2001-03.

8. Because the Department has at least \$2.7 million of unobligated bonding authority currently available for projects in the 2001-03 biennium, the Committee may wish to provide \$8.3 million in additional bonding authority rather than \$11 million, so that a total of \$11 million BR would be available in 2001-03 for urban nonpoint and flood control projects.

9. However, since DNR anticipates requests for urban nonpoint and municipal flood control grants may be higher than provided under the bill, the Committee could consider providing the full \$11 million BR for cost-sharing grants (at least \$13.7 million would be available in the biennium). Further, in its budget request to the Governor, DNR asked for \$13 million in bonding authority specifically for urban nonpoint grants and \$15 million in bonding authority specifically for flood control projects. As passed by the Legislature, the 1999-01 budget would have provided \$13 million in bonding authority and \$1 million SEG annually for a separate municipal flood control and riparian restoration program and would have designated \$15 million in bonding authority and \$2 million SEG annually for urban cost-share grants. The Governor's veto made a total of \$13 million BR and \$2 million SEG currently available for the two programs together.

10. Given a 20-year flat repayment structure, it is estimated the debt service on the issuance of an additional \$11 million in bonding authority would be approximately \$880,000 annually.

11. While DNR set aside \$1 million for municipal flood control projects, since rules guiding the program have yet to be promulgated, no funding for the program has been granted. However, some have expressed concern that under both the bill and current law, DNR has discretion over how much funding is provided for municipal flood control and how much is spent for urban nonpoint projects. While DNR anticipates splitting available funding between the two programs equally, the Committee may wish to specify a maximum percentage of funding that can be allocated to a program, to ensure that one program does not use most of the available funding. However, it also could be argued that DNR should be allowed to provide funding based on where it sees the greatest need.

ALTERNATIVES TO BASE

1. Approve the Governor's recommendation to:

a. Provide an increase in general obligation bonding authority of \$11,000,000 for cost-sharing grants under the urban nonpoint source water pollution abatement and municipal flood control and riparian restoration programs.

Alternative 1a	BR
2001-03 FUNDING (Change to Base)	\$11,000,000
[Change to Bill]	\$0]

b. Change the \$2,000,000 per year urban nonpoint appropriation from annual to biennial.

2. Provide an increase in general obligation bonding authority of \$8,265,800 for cost-sharing grants under the urban nonpoint source water pollution abatement and municipal flood control and riparian restoration programs. (A total of at least \$11,000,000 would be available due to remaining bonding authority from the 1999-01 biennium.)

Alternative 2	BR
2001-03 FUNDING (Change to Base)	\$8,265,800
[Change to Bill]	- \$2,734,200]

3. Require that of the amount provided for local assistance and cost-share grants under the urban nonpoint source water pollution abatement and municipal flood control and riparian restoration programs, one of the following percentages biennially be allocated for the municipal flood control and riparian restoration program (based on all funding of \$17,734,200 under the bill, including \$4 million GPR, \$11 million in new bonding authority and \$2,734,200 in current unobligated bonding authority):

- a. at least 25% (a minimum of \$4,433,500 under the bill)
 - b. at least 33% (a minimum of \$5,852,300 under the bill)
 - c. at least 50% (a minimum of \$8,867,100 under the bill)
 - d. at least 66% (a minimum of \$11,704,600 under the bill)
 - e. at least 75% (a minimum of \$13,300,700 under the bill)
4. Maintain current law.

Alternative 4	BR
2001-03 FUNDING (Change to Base)	\$0
[Change to Bill	- \$11,000,000]

Prepared by: David Schug

MO# _____

BURKE	Y	N	A
DECKER	Y	N	A
MOORE	Y	N	A
SHIBILSKI	Y	N	A
PLACHE	Y	N	A
WIRCH	Y	N	A
DARLING	Y	N	A
WELCH	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
ALBERS	Y	N	A
DUFF	Y	N	A
WARD	Y	N	A
HUEBSCH	Y	N	A
HUBER	Y	N	A
COGGS	Y	N	A

AYE _____ NO _____ ABS _____

AGENCY: DNR - Water Quality

PAPER: #678

ISSUE: Wetland Compensatory Mitigation Staff

RECOMMENDATION: (see summary)

SUMMARY: Any alternative is fine. I suppose DNR needs staff to implement this program, but fees for services should at least be part of it. Whatever Decker and Gard want is fine.

BY: Barry

*Support for Alt 1
part of wetlands deal*



Legislative Fiscal Bureau

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

May 16, 2001

Joint Committee on Finance

Paper #678

Wetland Compensatory Mitigation Staff (DNR -- Water Quality)

CURRENT LAW

1999 Act 147 created a wetland compensatory mitigation program and required DNR to promulgate rules to implement the provision. The Act generally allows DNR to consider a mitigation project or credits from a wetlands mitigation bank to compensate for the filling or dredging of a wetland, if an applicant demonstrates that they have first taken measures to minimize adverse impacts to the wetland.

GOVERNOR

No provision.

DISCUSSION POINTS

1. 1999 Act 147 did not provide staff for DNR to implement the wetland mitigation program. The Department determined in its fiscal note on the bill that it was likely there would be fiscal effects associated with implementing a wetlands mitigation program, but that they were unable to estimate the costs until the Department had proceeded with the rulemaking process. The proposed rule has been through public hearings, and DNR officials indicate it may go before the Natural Resources Board in May, 2001. If approved by the Board, it would then be forwarded to the Legislature for review.

2. DNR requested funding for 4.0 water regulation and zoning specialist positions and 1.0 natural resource specialist in its budget submittal to the Governor. In addition, at the March 15, 2001, budget briefing, the DNR Secretary requested the Joint Committee on Finance to consider providing staff for the wetlands mitigation program. Further, the Department submitted a request

under s. 13.10 of the statutes to the Joint Committee on Finance on April 18, 2001, requesting funding for the same 5.0 positions in the 1999-01 biennium. However, since the deadline for consideration at the April 24, 2001, s. 13.10 meeting had passed, the Committee has taken no action on the request. DNR officials believe the Department would be unable to carry out a wetland compensatory mitigation program without additional staff.

3. In order to implement a wetland mitigation program, DNR staff must review mitigation plans, inspect mitigation sites, review monitoring reports, track the sale of mitigation bank credits and enforce program regulations. DNR indicates it receives about 600 wetland permit applications annually and assumes that approximately 80% of them will include mitigation as part of their application. While mitigation is supposed to be the last alternative for an applicant after first attempting to avoid or minimize adverse impacts to a wetland, the Department anticipates that nearly 500 applicants will include mitigation on their application, whether or not mitigation is appropriate for the project. Further, DNR estimates that approximately 85% of the applicants who include wetland mitigation on their water permit applications will propose to use wetland mitigation bank credits. It is projected that over 400 permits would require an average of 20 hours of DNR staff time apiece. It is further estimated the remaining applicants would request to mitigate on or off site involving approximately 45 hours of DNR staff time per permit applicant.

4. It is unclear what provisions are included in the current rule draft that were not foreseen at the time of DNR's original fiscal note, which indicated costs were indeterminable. However, DNR now believes 4.0 water regulation and zoning specialists and a natural resource specialist are needed to implement the program. The Department has not made a final determination as to where the five positions would be placed. Based on workload analysis, however, it is anticipated that one water regulation and zoning specialist would be located in each of the Northeast, West Central, South Central and Southeast regions, while the statewide coordinator would be located in Madison. Regional staff would be responsible for the review and inspection of mitigation plans, banking and sites. According to DNR, the coordinator would serve as the Department liaison on wetland mitigation with the public, the U.S. Army Corps of Engineers, the Legislature and regional staff. Further, the coordinator would manage the compensatory mitigation banking program.

5. DNR has 48 staff in its Bureaus of Watershed Management and Fisheries Management and Habitat Protection assigned to permit review, local government support and dam safety activities. DNR estimates that these 48 staff assist 500 local governments and 10,000 landowners on water regulation, flood plain, shore land and wetland issues. While the Department believes the five additional positions are necessary to implement 1999 Act 147 provisions, the Department could make wetland mitigation staffing a priority by reallocating other staff to the program. This alternative would likely increase the amount of time it takes to receive a water permit from DNR.

6. Revenue from water regulation and zoning permit fees are generally deposited in a program revenue appropriation in the Water program. This appropriation is expected to have a balance of approximately \$290,000 at the end of the 2001-03 biennium. The Committee could

choose to provide funding from this appropriation for all or some of the wetland mitigation positions. Since the estimated June 30, 2003 account balance of \$290,000 would not fully cover expenditures of \$146,200 in 2001-02 and \$242,500 in 2002-03 for the five positions, the Committee may wish to require DNR to promulgate rules to collect fees from applicants based on the estimated time spent by the Department on a proposed mitigation project. This alternative would allow the Department to charge fees paid by users to reflect the increased costs of allowing wetland mitigation. DNR estimates that, in general, the more fill that is used in a project, the more staff time it would take to review and implement a mitigation permit.

7. The water resources account of the conservation fund would be another funding source to consider using to fund all or a portion of these positions. Since the coordinator position would be statewide, some may find it appropriate to fund this position from the water resources account. Further, others argue the wetland mitigation program has a statewide benefit, and therefore wish to fund a majority of wetland mitigation from this account rather than increasing user fees. The source of revenue to the water resources account is an annual transfer of motorboat fuel tax revenue into the account. Under the bill, it is anticipated the water resources account would have a June 30, 2003 balance of \$310,000.

8. The actual number of permit applications that will include mitigation proposals, and the number where mitigation will be approved, is not known at this time. Further, it may take some time before applicants begin to generally include wetland mitigation proposals in their permit applications. One alternative would be to provide a more limited number of staff to begin implementing the program. If actual workload exceeds initial staffing provided, DNR could seek additional resources through future legislation. Providing 2.0 specialists and a 0.5 coordinator position would allow the Department to begin reviewing and implementing mitigation projects.

ALTERNATIVES TO BASE

1. Require DNR to promulgate administrative rules to collect fees from applicants based on the estimated time spent by the Department on a proposed mitigation project and provide DNR \$146,200 PR in 2001-02 and \$242,500 PR in 2002-03 from water regulation and zoning permit fees for 4.0 water regulation and zoning specialists and 1.0 natural resource specialist.

Alternative 1	PR
2001-03 FUNDING (Change to Base)	\$388,700
<i>[Change to Bill]</i>	<i>\$388,700]</i>
2002-03 POSITIONS (Change to Base)	5.00
<i>[Change to Bill]</i>	<i>5.00]</i>

2. Require DNR to promulgate administrative rules to collect fees from applicants based on the estimated time spent by the Department on a proposed mitigation project and provide DNR \$111,800 PR in 2001-02 and \$184,000 PR in 2002-03 from water regulation and zoning permit fees for 4.0 water regulation and zoning specialists and \$34,300 SEG in 2001-02 and

\$58,600 SEG in 2002-03 from the water resources account for 1.0 natural resource specialist.

Alternative 2	PR	SEG	TOTAL
2001-03 FUNDING (Change to Base)	\$295,800	\$92,900	\$388,700
[Change to Bill]	\$295,800	\$92,900	\$388,700]
2002-03 POSITIONS (Change to Base)	4.00	1.00	5.00
[Change to Bill]	4.00	1.00	5.00]

3. Provide DNR \$111,800 SEG in 2001-02 and \$184,000 SEG in 2002-03 from the water resources account for 4.0 water regulation and zoning specialists and \$34,300 PR in 2001-02 and \$58,600 PR in 2002-03 from water regulation and zoning permit fees for 1.0 natural resource specialist.

Alternative 3	PR	SEG	TOTAL
2001-03 FUNDING (Change to Base)	\$92,900	\$295,800	\$388,700
[Change to Bill]	\$92,900	\$295,800	\$388,700]
2002-03 POSITIONS (Change to Base)	1.00	4.00	5.00
[Change to Bill]	1.00	4.00	5.00]

4. Require DNR to promulgate administrative rules to collect fees from applicants based on the estimated time spent by the Department on a proposed mitigation project and provide DNR \$75,600 PR in 2001-02 and \$121,300 PR in 2002-03 from water regulation and zoning permit fees for 2.0 water regulation and zoning specialists and 0.5 natural resource specialist.

Alternative 4	PR
2001-03 FUNDING (Change to Base)	\$196,900
[Change to Bill]	\$196,900]
2002-03 POSITIONS (Change to Base)	2.50
[Change to Bill]	2.50]

5. Require DNR to promulgate administrative rules to collect fees from applicants based on the estimated time spent by the Department on a proposed mitigation project and provide DNR \$56,000 PR in 2001-02 and \$92,000 PR in 2002-03 from water regulation and zoning permit fees for 2.0 water regulation and zoning specialists and \$19,600 SEG in 2001-02 and \$29,300 SEG in 2002-03 from the water resources account for 0.5 natural resource specialist.

Alternative 5	PR	SEG	TOTAL
2001-03 FUNDING (Change to Base)	\$148,000	\$48,900	\$196,900
[Change to Bill]	\$148,000	\$48,900	\$196,900]
2002-03 POSITIONS (Change to Base)	2.00	0.50	2.50
[Change to Bill]	2.00	0.50	2.50]

6. Provide DNR \$75,600 SEG in 2001-02 and \$121,300 SEG in 2002-03 from the water resources account for 2.0 water regulation and zoning specialists and 0.5 natural resource specialist.

<u>Alternative 6</u>	<u>SEG</u>
2001-03 FUNDING (Change to Base)	\$196,900
[Change to Bill]	\$196,900]
2002-03 POSITIONS (Change to Base)	2.50
[Change to Bill]	2.50]

7. Maintain current law. (DNR could request mitigation resources after actual workload is determined.)

Prepared by: David Schug

MO# AH 6

BURKE	<u>Y</u>	N	A
DECKER	<u>Y</u>	N	A
MOORE	<u>Y</u>	N	A
SHIBILSKI	<u>Y</u>	N	A
PLACHE	<u>Y</u>	N	A
WIRCH	<u>Y</u>	N	A
DARLING	<u>Y</u>	N	A
WELCH	<u>Y</u>	N	A
GARD	<u>Y</u>	N	A
KAUFERT	<u>Y</u>	N	A
ALBERS	<u>Y</u>	N	A
DUFF	<u>Y</u>	<u>N</u>	A
WARD	<u>Y</u>	N	A
HUEBSCH	<u>Y</u>	N	A
HUBER	<u>Y</u>	N	A
COGGS	<u>Y</u>	N	A

AYE 15 NO 1 ABS _____

AGENCY: DNR - Water Quality

PAPER: #679

ISSUE: Wisconsin Waters Initiative

RECOMMENDATION: Alternative 2

SUMMARY: The computer system is fine, but I really think we need a regulation and zoning engineer position - hence alt 2 versus the gov.

BY: Barry

Decker - J



Legislative Fiscal Bureau

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

May 16, 2001

Joint Committee on Finance

Paper #679

Wisconsin Waters Initiative (DNR -- Water Quality)

[LFB 2001-03 Budget Summary: Page 488, #8]

CURRENT LAW

Article IX of the Wisconsin Constitution specifies that the state's navigable waters "shall be common highways and forever free" to Wisconsin and U.S. citizens "without any tax, impost or duty therefor." This provision has been interpreted to mean that these waters are held in trust by the state for public use for commercial and recreational purposes. The Department of Natural Resources is generally charged with the enforcement of state water laws. As part of this charge, the Department requires permits for many water and shoreland activities, such as dredging, grading, placing structures in navigable waters, diverting water or making changes to the channel of a navigable stream. Local floodplain and shoreland zoning ordinances and federal and local permitting programs also affect the use of water in the state.

GOVERNOR

Provide \$237,300 in 2001-02 and \$474,600 in 2002-03 from the water resources account of the conservation fund to continue development of a computer-based system to improve access to water-related site information electronically.

DISCUSSION POINTS

1. The source of revenue to the water resources account is an annual transfer of motorboat fuel tax revenue into the account. Under the bill, it is anticipated the water resources account would have a June 30, 2003 balance of \$310,000.
2. Funding would be used for contracting services, geographic information system

(GIS) development, software and other information technology items with a goal of improving flood plain mapping and enhancing Internet access to Department data on water levels, flood flows, wetlands, dams, waterway alteration permits and protection standards.

3. The 1999-01 budget act provided DNR with \$455,100 in 1999-00 and \$848,900 in 2000-01 and 7.0 positions annually for water regulation and zoning staff and technology. Of this, \$150,400 in 1999-00 and \$446,100 in 2000-01 was utilized to provide information technology for DNR staff to access and deliver water-related site information electronically. A portion of the funding was used to provide laptop computers, geographic information systems software, hydrologic modeling software and global positioning systems equipment and training to field staff to make information more readily available and allow staff to reallocate time to other program activities. With this funding, the Department was able to implement demonstration projects to produce improved floodplain mapping in two counties and to begin developing a web page to provide water-related data to the general public, engineers and developers.

4. DNR officials indicate additional funding would be used to provide the public with access to much of the Department's water-related information electronically, develop modeling and mapping tools, revise floodplain maps for four counties per year and to train staff to use the new technology. The majority of funding would be related to providing DNR with equipment to update county floodplain maps. In addition, 30% of the funding is for the actual updating of the maps.

5. As an example of the benefits that could be gained through improved information technology, DNR cites a pilot project in Winnebago County to develop floodplain maps that fit with the County's land information system. Original floodplain maps showed over 5,700 buildings in the floodplain. Through improved floodplain mapping, 2,400 of those structures were shown to actually be outside the floodplain, while another 1,300 buildings were at risk of flooding. As a result, 1,100 fewer buildings remained in the floodway and homeowners had more accurate information as to whether or not flood insurance was needed for their homes.

6. The Department indicates that if the additional funding is provided under the bill, base funding in future biennia would allow the Department to continue the initiative and to update at least four county flood plain maps annually. In addition, the Department is pursuing a grant from the Federal Emergency Management Agency (FEMA) for \$85,000 to update an additional county flood plain map.

DNR Staff

7. DNR has 48 staff in its Bureaus of Watershed Management and Fisheries Management and Habitat Protection assigned to permit review, local government support and dam safety activities. DNR estimates that these 48 staff assist 500 local governments and 10,000 landowners on water regulation, flood plain, shore land and wetland issues. The Department indicates that additional staff would reduce permitting time, as more staff would be available to assist landowners in the permit preparation process and to evaluate permit applications.

8. In its submittal to the Governor, DNR requested 12.0 positions for the 1999-01 budget under the Wisconsin Waters Initiative. Seven water regulation and zoning specialist and engineer positions were provided in 1999 Act 9 to process permits and provide assistance to local units of government (5.0 funded from the water resources account of the conservation fund and 2.0 from water regulation and zoning fee program revenues).

9. The following table illustrates waterway permit decision times (the amount of time before a permit is either approved, denied or withdrawn). In addition, DNR estimates there are currently 1,073 waterway permits pending approval.

Waterway Permit Decision Times

	Days							Total Completed
	1-30	31-60	61-90	91-180	181-360	361-540	> 540	
1995-96	1,099	427	239	303	195	72	53	2,388
1996-97	1,081	423	252	319	613	73	75	2,836
1997-98	1,018	505	357	484	279	67	65	2,775
1998-99	1,080	527	318	427	215	77	50	2,694
1999-00	1,408	493	403	478	312	55	6	3,155
2000-01*	1,526	415	242	203	39	2	0	2,427
Total	7,212	2,790	1,811	2,214	1,653	346	249	16,275

*Through May 1, 2001.

10. Some would argue that water regulation and zoning staffing needs are greater than the need for information technology items. Although seven positions were included in 1999 Act 9 for the Wisconsin Waters Initiative, a backlog in processing waterway permits remains. On the other hand, DNR received seven of 12 requested positions in 1999-01, and the Department did not submit a request for additional water regulation and zoning engineer positions in its 2001-03 budget request to the Governor.

11. The Committee could choose to fund an additional water regulation and zoning engineer position from a portion of the funding in the bill for information technology. A water regulation and zoning engineer would provide technical expertise to communities, state agencies and the public on dam safety, floodplain and water regulation issues. Position duties include: (a) performing and reviewing engineering studies related to water regulation permits; (b) conducting hydrologic and hydraulic analyses related to various projects; (c) conducting field inspections to determine dam safety; and (d) providing on-site expertise in emergency situations in cases of imminent dam failure or significant flooding. DNR estimates an additional 50 permits annually could be processed with another engineer position. Funding of \$35,000 in 2001-02 and \$66,900 in 2002-03 would be needed to support an engineer position. This amount could be provided for an

additional position in lieu of information technology expenditures. A reduction of IT funding of \$101,900 from the bill would still allow DNR to use state funding to update floodplain maps for seven counties over the biennium, rather than eight if all IT funding were provided.

12. DNR officials have indicated they would prefer to have a staff position rather than a portion of the information technology funding under the bill. The Committee could also provide a staff position from additional SEG funding.

ALTERNATIVES TO BASE

1. Approve the Governor's recommendation to provide \$237,300 in 2001-02 and \$474,600 in 2002-03 from the water resources account of the conservation fund to continue development of a computer-based system to improve access to water-related site information electronically.

<u>Alternative 1</u>	<u>SEG</u>
2001-03 FUNDING (Change to Base) [Change to Bill]	\$711,900 \$0]

2. Provide 1.0 water regulation and zoning engineer position annually and \$237,300 in 2001-02 and \$474,600 in 2002-03 from the water resources account of the conservation fund to continue development of a computer-based system to improve access to water-related site information electronically. (Funding of \$35,000 in 2001-02 and \$66,900 in 2002-03 would be used for position-related costs rather than information technology funding.)

<u>Alternative 2</u>	<u>SEG</u>
2001-03 FUNDING (Change to Base) [Change to Bill]	\$711,900 \$0]
2002-03 POSITIONS (Change to Base) [Change to Bill]	1.00 1.00]

3. Provide 1.0 water regulation and zoning engineer position and \$35,000 in 2001-02 and \$66,900 in 2002-03 from the water resources account of the conservation fund.

<u>Alternative 3</u>	<u>SEG</u>
2001-03 FUNDING (Change to Base) [Change to Bill]	\$101,900 -\$610,000]
2002-03 POSITIONS (Change to Base) [Change to Bill]	1.00 1.00]

4. Maintain current law.

Alternative 4	SEG
2001-03 FUNDING (Change to Base)	\$0
[Change to Bill	- \$711,900]

Prepared by: David Schug

MO# Alt 2

BURKE	<u>Y</u>	N	A
DECKER	<u>Y</u>	N	A
MOORE	<u>Y</u>	<u>N</u>	A
SHIBILSKI	<u>Y</u>	N	A
PLACHE	<u>Y</u>	N	A
WIRCH	<u>Y</u>	N	A
DARLING	<u>Y</u>	<u>N</u>	A
WELCH	<u>Y</u>	<u>N</u>	A
GARD	Y	<u>N</u>	A
KAUFERT	Y	<u>N</u>	A
ALBERS	Y	<u>N</u>	A
DUFF	Y	<u>N</u>	A
WARD	Y	<u>N</u>	A
HUEBSCH	Y	<u>N</u>	A
HUBER	<u>Y</u>	N	A
COGGS	<u>Y</u>	N	A

AYE 7 NO 9 ABS _____

DNR -- WATER QUALITY

Wetland Compensatory Mitigation Staff and Wisconsin Waters Initiative
[Paper #678 and #679]

Motion:

Move to provide \$274,400 SEG in 2001-02 and \$253,900 SEG in 2002-03 from the water resources account for 4.0 water regulation and zoning specialists and 1.0 natural resources specialist to implement the wetland mitigation program.

In addition, provide 1.0 water regulation and zoning engineer position and \$123,700 in 2001-02 and \$361,000 in 2002-03 from the water resources account of the conservation fund to continue development of a computer-based system to improve access to water-related site information electronically. (Funding of \$35,000 in 2001-02 and \$66,900 in 2002-03 would be used for position-related costs rather than information technology funding.)

Note:

The motion would be similar to Alternative 1 in paper #678, but would switch and increase the funding provided from program revenues to water resources account segregated funds. In addition, the motion would be similar to Alternative 2 in Paper #679, with the exception that funding would be decreased to reflect available revenues in the water resources account of the conservation fund (\$88,700 in 2001-02 and \$294,100 in 2002-03 would be available for the continued development of a computer-based system to improve access to water-related site information electronically). Under the motion, it is estimated DNR could update floodplain maps for at least three counties over the biennium. The net effect of this motion would be a biennial increase from the water resources account of \$301,100 over appropriations in the bill.

[Change to Base: \$1,013,000 SEG and 6.0 SEG positions]

[Change to Bill: \$301,100 SEG and 6.0 SEG positions]

