



## Legislative Fiscal Bureau

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

---

June 5, 2007

Joint Committee on Finance

Paper #590

### Well Notification Fee Transactional Costs (DNR -- Water Quality)

#### *Bill Agency*

[LFB 2007-09 Budget Summary: Page 426, #11]

---

#### **CURRENT LAW**

In 2004, 2003 Act 310 was enacted related to groundwater management and quantity issues. Act 310 created a \$50 well notification fee paid by a landowner before construction of a well, and a \$500 high capacity well fee. High capacity wells are wells that, together with all other wells on the same property, have a pumping capacity of more than 100,000 gallons per day. They are owned by users such as municipal water utilities, industrial manufacturers, golf courses, agricultural operations, and food processing plants. Under 2005 Act 25, the Department of Natural Resources (DNR) was appropriated \$306,200 PR from the fees in each of 2005-06 and 2006-07 with 5.0 positions for groundwater quantity administration. DNR is also appropriated \$100,000 annually in a biennial appropriation for groundwater quantity research. All fees not appropriated for administration or research are available in a continuing PR appropriation for groundwater mitigation grants and local assistance to mitigate the impacts of existing wells in specified groundwater management areas. This is estimated as \$512,100 PR in 2006-07. For each \$50 well notification fee paid to the Department of Natural Resources (DNR) through the automated license issuance system (ALIS), DNR pays a transactional fee to the ALIS contractor and to the ALIS agent that collected the fee.

#### **GOVERNOR**

Provide \$22,000 PR annually for groundwater quantity administration for transactional costs incurred when well notification fees are paid to DNR through the ALIS system.

## DISCUSSION POINTS

1. Under 2005 Act 25, DNR was provided expenditure authority and 5.0 positions to administer the groundwater quantity protection provisions. The total funding authorized included \$61,000 for supplies, with \$25,500 of this amount intended for ALIS notification fees. In 2005-06, the appropriation paid \$21,700 in ALIS well notification fee transactional costs. While the Governor's budget identifies the \$22,000 for ALIS notification fees, DNR does not need additional funds for this purpose.

2. The bill would increase the supplies budget from \$61,000 to \$83,000 annually. DNR has identified potential expenditures of approximately \$69,000 in 2006-07 for the following: (a) \$22,000 for ALIS expenses; (b) \$25,000 for travel, supplies, computer support, and training expenses for the five staff funded from the appropriation; (c) \$2,000 related to preparing and printing the December, 2006, Groundwater Advisory Committee report to the Legislature required under 2003 Act 310, and sending a Council member to a conference; and (d) \$20,000, beginning in 2006-07, for two limited-term employees (LTEs) to collect groundwater use data from owners of high capacity wells. In addition to the current expenditures, DNR would like to spend approximately \$10,000 to \$20,000 annually for contractual programming costs related to the development of a groundwater use data application system. It can be anticipated that expenses related to the Groundwater Advisory Committee will continue in 2007-08, as the Committee works on a report that is due to the Legislature by December, 2007. Thus, under the bill, anticipated supplies costs could be up to \$79,000 to \$89,000 annually.

3. DNR indicates the funds provided in the bill would be used to continue a groundwater use data collection and database development project started in 2006-07. In 2006-07, DNR received approval from DOA to reallocate \$21,400 from supplies to LTE salaries and fringe benefits for two LTEs for approximately 1,300 hours from November, 2006, through June, 2007, which equals approximately 0.6 full-time equivalent (FTE) of time. The two LTEs have begun to identify the location and owners of high capacity wells throughout the state, enter the information into a database, and implement a reporting system under which the owners of high capacity wells would be required to record the water usage of the wells on a monthly basis, and report the information to DNR annually. To date, the LTEs have identified the location and owners of approximately half of the estimated high-capacity wells. Over the next few years their focus would shift to entering information into the database and reporting implementation. In addition, programming costs of approximately \$15,000 annually would relate to developing the groundwater database system.

4. DNR anticipates the LTEs would be needed for four or more years. Given this timeframe, providing a 0.5 four-year project position could be considered. A half-time position could provide more consistent expertise for the program than potentially hiring and training a series of LTEs over four years.

5. The five staff authorized in 2005 Act 25 perform activities related to high capacity well application review and approval, well notification processing, and well inspections, as follows:

(a) one water supply specialist is responsible for compliance surveillance of well drillers and pump installers; (b) one water supply engineer and one hydrogeologist are responsible for reviewing and approving applications for high capacity wells proposed within 1,200 feet of an exceptional resource water or any class I, II, or III trout stream; (c) one hydrogeologist is responsible for evaluating, developing, and revising groundwater quantity rules, policies, and standards, facilitating work of the state's Groundwater Coordinating Council (an interagency group), serving as a statewide expert on issues related to high capacity wells, and providing hydrogeologic review of high capacity well impacts; and (d) one information systems specialist is responsible for development and maintenance of computer programs and systems related to the high capacity well impact assessment and groundwater quantity program.

6. DNR received \$982,100 in 2005-06 from well notification and high capacity well fees, and is expected to receive approximately \$1,000,000 annually through 2008-09. The revenues and expenditures from the fees are shown in the table. All well notification fees not used for administration or research are available for groundwater mitigation. In 2006-07, DNR is using \$137,800 of the \$200,000 appropriated for research from the 2005-07 biennial appropriation for five projects. The remaining \$63,200 will lapse to the mitigation appropriation. DNR plans to fund four research projects in 2007-08 with total costs of \$97,800.

**Groundwater Quantity Revenue and Expenditures -- SB 40  
Administration, Research, Mitigation Grants and Local Assistance**

	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>
Opening Balance	\$234,400	\$1,067,400	\$1,529,000	\$1,400,700
Revenue				
High capacity well fee	141,000	150,000	150,000	150,000
Well notification fee	<u>841,100</u>	<u>850,000</u>	<u>850,000</u>	<u>850,000</u>
Total Available	\$1,216,500	\$2,067,400	\$2,529,000	\$2,400,700
Expenditures				
Administration	\$149,100	\$400,600	\$507,600	\$507,600
Research and Monitoring	0	137,800	100,000	100,000
Mitigation Grants and Local Assistance	0	0	512,100	512,100
Payplan Reserves	<u>0</u>	<u>0</u>	<u>8,600</u>	<u>17,300</u>
Total Expenditures	\$149,100	\$538,400	\$1,128,300	\$1,137,000
Closing Balance	\$1,067,400	\$1,529,000	\$1,400,700	\$1,263,700

7. Revenue used for groundwater mitigation and local assistance could be used to: (a) mitigate the effects of wells constructed before May 7, 2004, that are located in groundwater protection areas (areas within 1,200 feet of outstanding or exceptional resources waters or certain trout streams); (b) pay for abandonment or replacement of wells, but only if DNR provides funding

for the full cost of the mitigation (except for certain situations of public health concern); and (c) provide advice, incentives, and funding for research and planning related to groundwater management to local governments and regional planning commissions in the groundwater management areas including and surrounding Brown County and Waukesha County.

8. An example of mitigation would be paying to abandon, replace, move, or reconstruct a high capacity well (municipal or private) that is having an adverse effect on a nearby stream or lake. If it is determined that the amount of water being drawn from a well is causing the water levels of a stream or lake to drop by a significant amount, mitigation might involve moving or reconstructing the well.

9. 2003 Act 310 established a Groundwater Advisory Committee and directed it to submit a report to the Legislature by December 31, 2006, with recommendations related to groundwater management. The Committee's December, 2006, report to the Legislature included a recommendation related to funding for mitigation that "caution will need to be exercised to ensure that the limited funds available are used in an effective manner and the highest priority needs are adequately addressed." While DNR does not have specific estimates of the amount of money needed for mitigation costs during the next few years, DNR officials indicate that mitigation costs for a typical project might range from \$20,000 to \$50,000 for a smaller high capacity well, to over \$1 million for mitigation involving the effects of a large municipal well.

10. The Groundwater Advisory Committee is currently working on a report it is required to submit to the Legislature before the end of 2007 related to protection of springs, trout streams, outstanding resource waters and exceptional resource waters from impacts caused by construction and operation of high capacity wells. Proposed DNR administrative rules related to annual pumping report submittals by owners of high capacity wells, and processes and criteria for review of proposed high capacity wells are currently undergoing legislative review.

11. While 2005 Act 25 established an estimated appropriation amount for groundwater mitigation of \$512,100 per year, DNR has not awarded any mitigation grants, and does not have specific plans for spending mitigation funds in 2007-09. DNR officials indicate that the funds provided in the bill would assist the Department in establishing the database that would help the Department develop a mitigation program.

12. It could be argued that the proposed funding should be approved to enable the Department to establish a groundwater database that will further implementation of the groundwater management provisions of 2003 Act 310. It could also be argued that DNR should reallocate from currently authorized funds for the groundwater database development project in order to maintain funding available for future mitigation projects. However, supplies associated with the five positions and ALIS fees would be expected to use \$50,500 of the current \$61,000 in supplies funding, so there is limited supplies funding available for reallocation. Alternatively, DNR could choose to reallocate existing staff to the groundwater database development project. It is possible that this could slow the review of high capacity well applications, compliance, or other information technology projects related to the program.

13. If the Governor's recommendation is approved, DNR could continue to request approval from DOA to reallocate funds from supplies to LTE costs (Alternative A1). If the Committee wishes to approve the funding increase, it could approve the funds for LTE salary and fringe benefits, rather than for supplies (Alternative A2), to more accurately reflect the use of the funds. Another option would be to approve the funds for a 0.5 four-year project position (Alternative A3), to reflect that the activities may last for approximately four years.

14. DNR officials indicate that if the \$22,000 is not approved, the Department would have to reduce its data collection and management efforts related to water use and location of wells. They indicate this would make it more difficult to develop a database and information that could be used to regulate high capacity wells, and to determine whether a high capacity well causes a significant environmental impact.

15. It can be anticipated that DNR will take further steps during the 2007-09 biennium to develop a groundwater mitigation program. The appropriation for groundwater mitigation funding could be reestimated to more accurately reflect the amounts available for mitigation during the biennium. For example, the mitigation appropriation could be increased by \$1,250,000 PR in 2007-08, an increase to \$1,762,100 from the current \$512,100 (Alternative B1). However, whether or not the appropriation is reestimated, DNR would be authorized to spend any revenues not spent for administration or research on mitigation.

**ALTERNATIVES TO BILL**

**A. Groundwater Quantity Administration**

1. Approve the Governor's recommendation to provide \$22,000 PR annually for groundwater quantity administration supplies.

<b>ALT A1</b>	<b>Change to Bill Funding</b>	<b>Change to Base Funding</b>
PR	\$0	\$22,000

2. Approve the Governor's recommended funding level, but provide the funding for limited-term employees to collect groundwater use data from owners of high capacity wells.

<b>ALT A2</b>	<b>Change to Bill Funding</b>	<b>Change to Base Funding</b>
PR	\$0	\$22,000

3. Approve the Governor's recommended funding level, and, in addition, authorize a 0.5 PR four-year project position to collect groundwater use data from owners of high capacity wells.

ALT A3	Change to Bill		Change to Base	
	Funding	Positions	Funding	Positions
PR	\$0	0.5	\$22,000	0.5

4. Delete provision.

ALT A4	Change to Bill	Change to Base
	Funding	Funding
PR	-\$22,000	\$0

**B. Groundwater Mitigation**

1. Approve an increase of \$1,250,000 PR in 2007-08 to reestimate the amount available for groundwater mitigation grants and local assistance.

ALT B1	Change to Bill	Change to Base
	Funding	Funding
PR	\$1,250,000	\$1,250,000

2. Maintain current law.

Prepared by: Kendra Bonderud