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Joint Committee on Finance

Paper #453

Pierce County Islands Wildlife Area Restoration and Sheboygan Marsh Dam (Natural Resources -- Fish & Wildlife)

[LFB 2021-23 Budget Summary: Page 430, #3 & #4]

CURRENT LAW

Pierce County Islands Wildlife Area. The Pierce County Islands Wildlife Area encompasses 958 acres of the Mississippi River between Bay City, Wisconsin, and Red Wing, Minnesota. The wildlife area provides wetland habitat for 326 species of bird, 260 species of fish, and 37 species of freshwater mussels. The wildlife area is one of the largest floodplain forest habitats in the U.S. Lock and dam systems used to control river water levels for shipping barges have interrupted the natural flow of water through the wildlife area, leading to increased erosion and sedimentation. This has disrupted habitat areas, recreational opportunities, and commercial navigation in the river.

Sheboygan Marsh Dam. The Sheboygan Marsh is an approximately 14,000-acre area in the Kettle Moraine region and the largest restored wetland area in Wisconsin's Great Lakes basin. In 1938, the federal Works Progress Administration built the Sheboygan Marsh Dam in the Town of Russell to manage water levels in the marsh and control flooding of the Sheboygan River. As heavy rainfalls and rapid snowmelts have become more common, the dam has been unable to manage severe weather events. The 80-year old dam is nearing the end of its serviceable life.

DISCUSSION POINTS

Pierce County Islands Wildlife Area

1. Beginning in 2016, DNR and the U.S. Army Corps of Engineers (ACE) began to study the restoration of the Pierce County Islands Wildlife Area and the improvement of the navigational channel. The project would dredge sections of the river with high sedimentation, salvaging the dredged material for habitat restoration. After completing the study, ACE has committed to the

project. If state funding were made available, DNR would be the non-federal sponsor for the project.

2. ACE estimates the project cost to be \$24.3 million. ACE has secured the federal government's \$19.1 million commitment for the project. As the non-federal sponsor, DNR would be required to provide the remaining \$5.2 million. DNR reports that the Department has received \$1.16 million in funding commitments from local governments in both Wisconsin and Minnesota, as well as nonprofit conservation organizations including Ducks Unlimited, the Minnesota Audubon Society, and the Lake Pepin Legacy Alliance. DNR would also commit \$110,000 SEG from waterfowl stamp revenues for the project. Additionally, DNR would be able to reduce the state's contribution by using ACE engineering services. As the lead agency, ACE would be responsible for design, engineering and contracting.

3. DNR reports that funding from project partners, waterfowl stamp revenues, and project efficiencies will reduce the Department's contribution from \$5.2 million to \$3 million. AB 68/SB 111 would create a continuing appropriation for the project and provide the remaining \$3 million from the fish and wildlife account of the segregated (SEG) conservation fund as one-time funding in 2022-23. As a continuing appropriation, funding would remain available until it is expended. If funds remain unexpended after the project is completed, future legislation would be required to lapse funds to the balance of the conservation fund. DNR reports that if state funding is secured, the project could begin construction in summer 2022 and could be completed by summer 2023.

4. As of June 30, 2020, the fish and wildlife account had an available balance of \$25,291,700. In recent fiscal years, fish and wildlife account revenues have regularly been less than authorized expenditures for the account. A one-time \$3 million appropriation would further draw down the balance of the account. However, given the substantial balance in the account, the Committee could consider creating a continuing appropriation for the Pierce County Islands project and providing one-time funding for the restoration of the Pierce County Islands Wildlife Area from the fish and wildlife account [Alternative A1].

5. An alternate source of revenue for the Pierce County Islands Wildlife Area project could be considered. Under the Warren Knowles-Gaylord Nelson Stewardship program, DNR is authorized up to \$33.25 million per year for property development, land acquisition, and grants to nonprofit conservation organizations (NCOs) and local governments for nature-based recreational projects. Beginning in fiscal year 2011-12, s. 23.0917(5g) of the statutes restricts DNR from carrying forward unobligated bonding authority into subsequent fiscal years, unless directed by statute. DNR underspent its fiscal year 2019-20 annual allotment by approximately \$14.3 million. Occasionally, the Legislature will specify uses for such unobligated stewardship funds. Given the lapsed bonding authority available from the stewardship program, the Committee could consider authorizing DNR to use unobligated stewardship funds for the project [Alternative A2].

6. DNR notes that the habitat and wetland restoration projects are typically not eligible for bond funding. In general, bonding is used for long-term capital projects. Further, it is preferable that the expected useable life of the project be longer than the term of the bonds issued to fund the project. The state issues bonds with maturities of 5, 10, and 20 years. Wetland restoration projects have an indefinite lifespan and often need regular land management to be sustained. Erosion, flooding, and other natural forces may make the Pierce Islands project an unsuitable candidate for stewardship

funding. Given the statewide importance of recreation and commerce on the Mississippi River, the Committee could consider creating a continuing GPR appropriation and providing one-time GPR funding for the Pierce County Islands restoration project [Alternative A3].

7. Alternatively, the Committee could take no action [Alternative A4]. If funds were not appropriated, DNR reports that the Department may seek funds elsewhere. DNR indicates that it is unclear whether ACE would reduce the federal portion of the project, so DNR's ability to raise the required funds may impact the scale and scope of the project.

Sheboygan Marsh Dam

8. Sheboygan County owns the Sheboygan Marsh Dam, which controls the water levels on the Sheboygan Marsh. The county manages water levels on the marsh through an agreement with DNR. While Sheboygan County owns the dam, DNR owns the adjacent Sheboygan Marsh State Wildlife Area and relies on the marsh to manage fish and wildlife populations.

9. After 80 years, DNR reports that the dam has outlived its useable life. The dam cannot manage more common extreme rain falls and is inadequate to manage water levels on the marsh and control flooding on the Sheboygan River. The dam has undergone substantial repairs twice in the past 10 years and in 2013, DNR reports that an inspection concluded that the dam must be replaced.

10. According to DNR, the existing dam has limited controls, making it inadequate to manage marsh water levels. For instance, the dam has an immobile concrete spillway. While this prevents the water levels in the marsh from rising above a certain point, Sheboygan County is unable to lower marsh levels. The reconstructed dam would provide greater control over water levels, allowing for better marsh management.

11. Sheboygan County's 2021-25 capital plan estimates that the dam reconstruction will cost \$2.5 million. The county has received \$100,000 from the Sheboygan County Conservation Association, an outdoor recreation and education nonprofit. The county anticipates using \$1.4 million in general obligation bonding authority for the project. AB 68/SB 111 would create a continuing appropriation for the reconstruction of the Sheboygan Marsh Dam and would provide \$1 million in 2021-22 as one-time funding for a grant to Sheboygan County.

12. As noted above, DNR relies on the dam to manage water levels on the 14,000-acre marsh. DNR notes that if the marsh were rebuilt, the Department and Sheboygan County would have greater control over water levels, enabling better ecosystem management. Given the benefits to the Department, including habitat management and wetland improvement, the Committee could consider creating an appropriation for the reconstruction of the Sheboygan Marsh Dam and providing \$1 million SEG in one-time funding from the fish and wildlife account of the conservation fund [Alternative B1].

13. As described above, expenditures from the fish and wildlife account have consistently exceeded revenues in the past several fiscal years. Given the account's structural condition, alternate funding sources could be considered. DNR administers the municipal dam safety grant program under s. 31.385 of the statutes. The program provides matching grants to counties, cities, villages, towns,

and lake districts for the repair, reconstruction, or removal of municipal dams, with awards up to \$400,000. Since the 1989-91 biennium, the program has been authorized \$6.6 million in water resources account SEG-supported bonding, up to \$6 million in Warren Knowles-Gaylord Nelson Stewardship program bonding authority, and \$29.5 million GPR-supported bonding authority, for a total of \$42.1 million in bonding revenues. While the state share of Sheboygan Marsh Dam replacement proposed by the Governor (\$1 million) exceeds the maximum dam safety grant authorized under statute, the Committee could direct DNR to award a \$1 million dam safety grant to Sheboygan County for the Sheboygan Marsh Dam [Alternative B2].

14. According to one estimate, there are approximately 200 high-hazard dams in the state. These dams could be eligible for funding under the dam safety grant program. In recent years, DNR has received more applications for dam safety grants than it is able to fund. Providing \$1 million for the Sheboygan Marsh Dam will reduce the funding available for these grants. As noted above, DNR has approximately \$14.3 million available in unobligated bonding authority from fiscal year 2019-20. The Committee could direct DNR to award Sheboygan County \$1 million for the Sheboygan Marsh Dam from unobligated stewardship bonding authority [Alternative B3].

15. As noted above, Sheboygan County owns the Sheboygan Marsh Dam. While the county manages the dam under an agreement with DNR, it could be argued that dam replacement is the county's responsibility. Under this perspective, the Committee could take no action [Alternative B4]. The county would be required to provide the remaining \$1 million from other sources.

Fish and Wildlife Development Projects

16. In recent biennia, the Legislature has appropriated one-time funding from the conservation fund for forestry, parks, and trails development projects. To accomplish this, the Legislature has created continuing appropriations funded from forestry revenues and from parks and trail revenues for the deposit of one-time monies. Rather than create two appropriations for one-time projects, the Committee could consider creating a single continuing appropriation for fish and wildlife development projects, funded from the fish and wildlife account of the SEG conservation fund and directing the specific projects to be expended from that appropriation [Alternative C].

ALTERNATIVES

A. Pierce County Islands Wildlife Area

1. Create a continuing appropriation for the Pierce County Islands Wildlife Area restoration project and provide \$3 million SEG from the fish and wildlife account as one-time funding in 2022-23.

ALT A1	Change to Base
SEG	\$3,000,000

2. Provide \$3 million in unobligated bonding authority from the stewardship program for

the Pierce County Islands Wildlife Area restoration project.

3. Create a continuing appropriation for the Pierce County Islands Wildlife Area restoration project and provide \$3 million GPR as one-time funding in 2022-23.

ALT A3	Change to Base
GPR	\$3,000,000

4. Take no action.

B. Sheboygan Marsh Dam

1. Create a continuing appropriation for the reconstruction of the Sheboygan Marsh Dam and provide \$1 million SEG from the fish and wildlife account as one-time funding in 2021-22.

ALT B1	Change to Base
SEG	\$1,000,000

2. Direct DNR to award a \$1 million dam safety grant to Sheboygan County for the Sheboygan Marsh Dam.

3. Provide \$1 million in unobligated bonding authority from the stewardship program for the reconstruction of the Sheboygan Marsh Dam.

4. Take no action.

C. Fish and Wildlife Development Projects

1. Create a continuing fish and wildlife account SEG development appropriation and provide \$4 million SEG as one-time funding in 2021-22. Direct DNR to provide up to \$3 million for the Pierce County Islands Wildlife Area restoration project and \$1 million for the Sheboygan Marsh Dam reconstruction. (This alternative could be selected instead of any under A and B.)

ALT C1	Change to Base
SEG	\$4,000,000

2. Take no action.

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