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Joint Committee on Finance

Paper #470

Well Compensation Grant Program (Natural Resources -- Water Quality)

[LFB 2021-23 Budget Summary: Page 443, #1]

CURRENT LAW

The well compensation grant program was created in 1984 to provide financial assistance for replacing, reconstructing, or treating contaminated wells that serve certain private residences or are used for watering livestock. Grants can also pay costs of well abandonment. Wisconsin's Department of Natural Resources (DNR) determines that wells meet certain eligibility criteria related to contamination from substances such as heavy metals, volatile organic compounds, industrial solvents, gasoline, fuel oil, paint, and pesticides. Under some circumstances, eligibility includes contamination from arsenic, livestock fecal bacteria, or nitrates. Grant recipients must have a family income not exceeding \$65,000. The maximum eligible cost is \$16,000, and the grant may cover up to 75% of eligible costs, equaling a maximum grant of \$12,000. Grant recipients must pay a \$250 copayment, unless the grant is for well abandonment.

The program is funded from a continuing appropriation in the segregated (SEG) environmental management account of the environmental fund, which means that appropriated unexpended funds are carried forward for expenditure in subsequent years. The program is appropriated \$200,000 SEG in 2020-21, and in addition had an available carry-in balance of \$802,000 from 2019-20. Any funds not spent in 2020-21 will carry forward and be available for expenditure in 2021-22.

DISCUSSION POINTS

1. Assembly Bill 68/Senate Bill 111 would adopt the following provisions regarding the well compensation grant program:

(a) Provide \$1,000,000 GPR each year in a new annual appropriation for well compensation and well abandonment grants.

(b) Increase the maximum annual family income of the landowner or lessee of the property on which the contaminated well is located from \$65,000 to \$100,000.

(c) Specify that a well or private water supply that produces water with a concentration of at least 10 parts per billion of arsenic or 10 parts per million of nitrate nitrogen is an eligible contaminated well or contaminated private water supply.

(d) Delete the requirement that if a claim is based on contamination by nitrates and not by any other substance, DNR may make a well compensation award only if the well: (1) is used as a source of drinking water for livestock or for both livestock and a residence; (2) is used at least three months of each year and while in use provides an estimated average of more than 100 gallons per day for consumption by livestock; and (3) produces water containing nitrates exceeding 40 parts per million (ppm) nitrate nitrogen. This would make residential wells that are not also used to water livestock, and that have nitrate contamination, eligible for the program.

(e) Make the following program changes regarding well compensation grant awards: (1) allow a claimant whose family income is below the state's median income to receive a grant of up to 100% of eligible project costs, rather than 75% under current law, but not to exceed \$16,000 as under current law; and (2) eliminate the requirement to reduce an award by 30% of the amount by which the claimant's income exceeds \$45,000 if the claimant's family income exceeds \$45,000.

(f) Create an exception to the current requirement that DNR must allocate money for the payment of claims according to the order in which completed claims are received. The exception would specify that if the well compensation grant program has insufficient funds to pay claims, DNR would have discretion to prioritize claims based on nitrate contamination in the following order of priority: (1) claims based on water containing more than 40 ppm nitrate nitrogen; (2) claims based on water containing more than 30 but not more than 40 ppm nitrate nitrogen; (3) claims based on water containing more than 25 but not more than 30 ppm nitrate nitrogen; (4) claims based on water containing more than 20 but not more than 25 ppm nitrate nitrogen; and (5) claims based on water containing more than 10 but not more than 20 ppm nitrate nitrogen. The bill would apply this prioritization to funding if the existing well compensation grant appropriation of \$200,000 environmental management SEG each year were insufficient to pay claims.

Current Program

2. The well compensation grant program provides two types of grants. First, it provides financial assistance for replacing, reconstructing, or treating contaminated wells that serve certain private residences or are used for watering livestock. Second, grants can also pay costs of well abandonment. An owner or lessee of the property on which the contaminated well is located may submit a claim. Eligible wells include private water supplies used for potable water and that are: (a) a residential water supply, which is a well that is used for humans or humans and livestock and is connected to 14 or fewer dwelling units; or (b) a livestock water supply well used only for livestock. To be considered contaminated, the water supply must have been tested twice, at least two weeks

apart, according to specified procedures, and the results exceed state or federal water standards for contaminants. In the past 15 years, well compensation grants have addressed contamination from livestock fecal bacteria, arsenic, metals, benzene, gasoline additives, nitrates, and pesticides.

3. Under certain circumstances, current eligibility includes contamination from nitrates. The statutes specify that if a claim is based on contamination by nitrates and not by any other substance, DNR may make a well compensation award only if the well: (a) is used as a source of drinking water for livestock or for both livestock and a residence; (b) is used at least three months of each year and while in use provides an estimated average of more than 100 gallons per day for consumption by livestock; and (c) produces water containing nitrates exceeding 40 parts per million expressed as nitrate-nitrogen. Residential wells contaminated by nitrates and not by any other substance are not eligible unless they are also used for livestock as described above.

4. Bacterial contamination is eligible if it is from livestock fecal contamination and in an area DNR has declared to be an area of special eligibility. DNR has declared 33 areas of special eligibility since 2006, seven of which were in Kewaunee County. Of this total, DNR declared three areas in 2018 through 2020, including one in Washington County, one in Brown County, and one in Dodge County. The statutes specify that a claim is ineligible if the contaminated private water supply is a residential water supply, is contaminated by bacteria or nitrates or both, and is not contaminated by any other substance, except if it is in an area of special eligibility.

5. The statutes specify that a claim is ineligible if all of the contaminants upon which the claim is based are naturally occurring substances and the concentration of the contaminants in water produced by the well does not significantly exceed the background concentration of the contaminants in groundwater at that location. Contamination from arsenic is currently eligible under the program only if it is equal to or exceeds a concentration of 50 parts per billion (ppb), also described as 50 micrograms per liter, which DNR has determined is the background concentration statewide.

6. Under administrative code Chapter NR 738, funds from a separate state-funded spills response appropriation from the environmental management account of the environmental fund are used to provide a permanent replacement water supply if the owner of the contaminated well is otherwise eligible for a well compensation grant and demonstrates financial hardship beyond the amount of financial assistance available through a well compensation grant. This appropriation is primarily used for DNR-led cleanups of contaminated sites where the responsible party is unknown or cannot or will not clean up the site. In cases where the owner of the contaminated well meets financial hardship criteria, the grant recipient first receives a grant under the well compensation grant appropriation. Supplemental expenditures are made through the state-funded spills response appropriation rather than the well compensation grant appropriation. When supplemental financial hardship assistance is provided, the sum of assistance provided to a recipient sometimes exceeds the maximum eligible costs of \$16,000 and maximum grant of \$12,000 under the well compensation grant program.

7. When DNR makes a financial hardship payment from the state-funded spills response appropriation for a permanent replacement private water supply, the Department bases the payment on the annual family income of the well owner as follows: (a) if the annual family income of the well owner is 50% or less of the county median income for the county in which the residence is located,

DNR may pay 100% of the remaining eligible costs not covered by a well compensation award, less a deductible amount of \$250; (b) if the annual family income of the well owner is more than 50% but not more than 75% of the county median income for the county in which the residence is located, DNR may pay 50% of the remaining eligible costs not covered by a well compensation award, less a deductible amount of \$250; and (c) if a well owner has received a well compensation grant, and if the well owner's share of eligible costs for the permanent replacement water supply exceeds 25% of the annual family income of the well owner, DNR may pay the remaining eligible costs not covered by a well compensation grant, less a deductible amount of 5% of the annual family income.

8. Table 1 shows expenditures under the well compensation grant program appropriation for the prior 10 fiscal years, and for 2020-21 to date. Expenditures can occur in the same or subsequent year as the year of the grant award. The number of well compensation awards for replacement, reconstruction, or treating the contaminated well ranged from five to 10 per year during the 10 years. The number of well abandonment awards ranged from 46 to 100 per year during the same time period. Table 1 also shows expenditures for supplemental financial hardship assistance for well compensation under the separate state-funded response appropriation. Annual expenditures have averaged almost \$170,000 for the prior 10 fiscal years for the combined well compensation and supplemental financial assistance programs. DNR indicates it is unable to estimate how many wells are eligible for well compensation grants under current program eligibility requirements.

9. The well compensation grant appropriation has \$1,146,700 available during the 2019-21 biennium for expenditures, including \$200,000 in 2019-20 and \$200,000 in 2020-21, and an unencumbered carry-in balance of \$746,700. As shown in Table 1, expenditures were \$144,700 in 2019-20. Thus, \$1,002,000 remains available for expenditure in 2020-21. Any funds not expended during 2020-21 will carry forward to be available for expenditure during the 2019-21 biennium.

10. The environmental management account currently has an estimated June 30, 2021 closing balance of \$23.9 million SEG. Considering the condition of this account and its purpose of supporting environmental and water-quality programs, the Committee could consider using environmental SEG funds to fund the well compensation grant program increase, as discussed in a later section.

TABLE 1**Well Compensation Expenditures
2010-11 Through 2020-21**

<u>Fiscal Year</u>	<u>Well Compensation Grant Appropriation Expenditures</u>	<u>Supplemental Financial Hardship Expenditures*</u>	<u>Total</u>
2010-11	\$154,050	\$50,398	\$204,448
2011-12	113,274	41,843	155,117
2012-13	130,772	81,348	212,120
2013-14	88,579	25,584	114,163
2014-15	153,260	41,979	195,239
2015-16	115,585	35,910	151,495
2016-17	97,692	4,854	102,546
2017-18	123,288	61,350	184,638
2018-19	106,785	12,876	119,661
2019-20	144,714	111,210	255,924
2020-21**	124,194	21,713	145,907

* Expenditures made from SEG state-funded spills response appropriation.

** As of June 3, 2021.

Arsenic and Nitrate Contamination

11. Arsenic is an element that occurs naturally in soil and bedrock formations, and can be released into the groundwater and drawn into wells. The federal and state drinking water standards are 10 parts per billion (ppb). High levels of arsenic can increase the risk of some types of cancer, and may increase the negative health effects of blood vessel damage, high blood pressure, nerve damage, anemia, stomach upsets, and skin changes. DNR and the Department of Health Services (DHS) recommend that no one drink water that exceeds the drinking water standard of 10 ppb.

12. Nitrate is a compound made up of nitrogen and oxygen. Typical sources of nitrate include nitrogen fertilizers, animal manure, and human waste from septic systems or wastewater treatment facilities. The state and federal nitrate drinking water standards are 10 parts per million (ppm). High levels of nitrates can negatively impact the ability of blood in a person's body to carry oxygen, which, in infants can cause a harmful health condition known as "blue baby syndrome." Studies suggest that high levels of nitrates may also increase the risk of certain other health problems, such as thyroid disease, diabetes, and some types of cancer. DNR and DHS recommend that no infant or any female who is or may become pregnant should consume any water that exceeds the nitrate standard, either by drinking or eating foods prepared with the water (such as formula, juices, and coffee). In addition, DHS recommends that all people avoid long-term consumption of water that has a nitrate level greater than 10 ppm.

13. DNR believes arsenic is being released into groundwater at elevated levels in the areas of Outagamie, Winnebago, and Brown Counties, at least partly because people are using more water than many years ago. This has lowered the water table, drawing more arsenic into groundwater. High levels of arsenic have been found in wells in most areas of the state. Recent studies of private wells have identified high levels of nitrates in wells in the northeastern, western, and southwestern areas of Wisconsin. It is uncertain how many wells have water exceeding both the arsenic and nitrate standard.

14. The well compensation grant program was created in 1983 Wisconsin Act 410, the groundwater act, after a 1982 Legislative Council study committee made several recommendations related to groundwater. There was discussion during the development of the legislation about which contaminants were of great enough concern to be eligible for compensation. The original authorizing language created the limitation on eligibility for residential wells contaminated by nitrates and not used for livestock, and this provision has existed since then. The state nitrate standard went into effect prior to creation of the program, and the federal standard went into effect several years after the program was created.

15. In the 1980s, it was sometimes considered acceptable to address nitrate contamination by providing bottled drinking water for infants and pregnant women. DNR currently considers provision of bottled water a temporary solution to drinking water quality issues and not a viable long-term solution because it is cumbersome and expensive. NR 738 authorizes provision of temporary emergency water supplies for up to six months when a water supply is adversely affected by environmental pollution or a hazardous substances discharge. However, this code provision specifically excludes contamination by nitrates.

16. DNR recommends, but does not require, that private well owners test their water annually. The state does not require private well owners to take any specific action if their well produces water with arsenic concentrations above 10 ppb or nitrate concentrations above 10 ppm. If a well owner wants to reduce the consumption of water containing arsenic or nitrate, the owner generally has the following options: (a) replace the well by constructing a new deeper well; (b) install a treatment system designed to remove nitrates; (c) connect to a community water supply (a public water system that serves at least 15 service connections used by year-round residents) instead of continuing to use the well; (d) reconstruct the well by deepening it, adding a liner, replacing the pump or making other physical modifications; or (e) temporarily use bottled drinking water. There is no specific nitrate or arsenic concentration threshold that determines which of these options a well owner should take. The well owner's decision on how to respond to arsenic or nitrate contamination is based on factors such as the owner's level of concern about the health risks of nitrates or arsenic, whether infants or pregnant women are consuming the water, the cost and affordability of options, the expected timeframe for a residence to be using the well, nearby land uses that may produce nitrates affecting the well, the well depth necessary to obtain water that does not exceed the drinking water threshold, the ability of a treatment system to treat the specific arsenic or nitrate level at the well, and the availability and proximity of a nearby community water supply.

17. The rationale for expanding grant eligibility to residential well contamination from nitrates that exceeds 10 ppm and arsenic that exceeds 10 ppb is that these are the federal and state standards. DNR does not track how many residential wells have nitrate contamination above 10 ppm,

but the Department estimates that approximately 42,000 wells (6% of approximately 700,000 private wells in the state) produce water with nitrate contamination above the 10 ppm standard. DNR does not track how many wells have arsenic contamination above 10 ppb, but the Department estimates that 40,000 wells (5.7% of approximately 700,000 private wells in the state) produce water with arsenic contamination above the 10 ppb standard and below the currently eligible 50 ppb background concentration threshold.

18. The income distribution of households with contaminated wells is unknown. If owners of 50% of the wells with nitrate contamination exceeding 10 ppm (21,000) and 50% of the wells with arsenic contamination between 10 ppb and 50 ppb (20,000) would meet the proposed maximum income threshold of \$100,000, the AB 68/SB 111 program expansions for nitrate contamination, arsenic contamination, and household income between \$65,000 and \$100,000 could result in perhaps 41,000 additional private wells becoming eligible under the program. The U.S. Census Bureau American Community Survey 2019 data report median household income was \$64,168 in 2019, while median family income was \$81,829. It is possible that more than half of households with wells contaminated with nitrates or arsenic, and income up to \$100,000, would become eligible under the bill. Table 2 shows the potential number of wells that might become eligible under the bill and a potential cumulative cost of replacing wells, assuming 50% of eligible contaminated wells under the bill were for grantees meeting income eligibility. As mentioned earlier, it is uncertain how many wells have water exceeding both the nitrate and arsenic standards. Table 3 shows the maximum funding that may be needed to accommodate the increased number of wells that might be replaced under the bill's changes to eligibility with regard to contaminants.

TABLE 2

Well Compensation Program Expansion -- AB 68/SB 111

<u>Substance</u>	<u>Private Wells (Est.)</u>	<u>Percent Eligible (Est.)</u>	<u>Contaminated Eligible Wells</u>	<u>Percent Contaminant-Eligible with Income < \$100,000</u>	<u>Number Contaminant-Eligible Below \$100,000</u>	<u>Avg. Well Replacement Cost</u>	<u>Total Program Expansion</u>
Nitrate	700,000	6.0%	42,000	50.00%	21,000	\$18,900	\$396,900,000
Arsenic	700,000	5.7%	<u>40,000</u> 82,000	50.00%	<u>20,000</u> 41,000	18,900	<u>\$378,000,900</u> \$774,900,900

TABLE 3**Well Compensation Funding Need -- AB 68/SB 111**

<u>Substance</u>	<u>Number Contaminant- Eligible</u>	<u>Well Replacement Eligible Cost</u>	<u>DNR Grant Percentage</u>	<u>Grant Amount</u>	<u>Program Total</u>
Nitrate	21,000	\$16,000	75%	\$12,000	\$252,000,000
Arsenic	<u>20,000</u>	16,000	75	12,000	<u>240,000,600</u>
	41,000				\$492,000,600

19. If approximately half of the wells contaminated with nitrates or arsenic have income not exceeding \$100,000, the estimated total cost to address the contamination at the estimated 41,000 additional potentially eligible wells would be \$775 million, based on a DNR estimate of \$18,900 for the average replacement cost for a well. This cumulative total cost would include: (a) \$397 million to address the contamination at the estimated 21,000 wells with nitrate contamination; and (b) \$378 million to address the contamination at the estimated 20,000 wells with arsenic contamination. The cost to replace a specific well can vary widely, based on the local geology and depth that nitrate penetrates into the groundwater.

20. The cumulative state well compensation grant expenditures would be some portion of the \$775 million cost, depending on any changes that may be made to the grant formula, as described in a separate section. Eligible costs under the bill could approach \$492 million, including: (a) \$252 million for wells with nitrate contamination; and (b) \$240 million for wells with arsenic contamination. This estimate assumes: (a) DNR would make all grants for 75% of the replacement cost, rather than the optional 100% of costs for certain grantees under the bill; and (b) well replacement grants would average \$12,000, based on the typical well replacement cost exceeding the \$16,000 maximum eligible cost under the program. Table 3 does not account for some likely amount of grant reductions under current law phase-out provisions for grantees with income exceeding \$45,000, if that provision were to remain in effect. Additionally, this estimate does not account for the unknown number of wells that would meet eligibility requirements under the bill for both nitrate and arsenic. Any such wells would lower the estimated effect of the AB 68/SB 111 expansion provisions. Conversely, if a household had income up to the median family income (\$81,829 in 2019), DNR could award a grant for 100% of eligible costs as authorized under the bill. Thus, the cumulative state grant expenditures could be higher if a significant percentage of grant awards were for 100% of eligible costs rather than 75% of costs. AB 68/SB 111 also would remove the reduction in grant amounts for households with income over \$45,000. The relative impact of these variables cannot be determined at this time.

21. It is uncertain how many owners of newly eligible additional wells would submit well compensation grant applications, and when, if the recommended program expansions were approved. If a significant portion of the eligible applicants would seek funding immediately, it would create a significant workload and potential backlog of eligible claims waiting for funding to become available. On the other hand, it is likely some owners of contaminated wells would seek other means of replacing

their well rather than wait an indefinitely long period to address their contaminated drinking water supply with limited grant funding.

22. Due to the public health concerns in consuming water from wells contaminated with nitrate and arsenic, the Committee could consider adopting provisions of AB 68/SB 111 to change eligibility for the well compensation grant program [Alternatives A1 and B1]. While the bill would expand eligibility to nitrate and arsenic contamination, the eligibility expansion would conflict with two provisions in current law. The bill would not exempt arsenic or nitrate contamination from the requirement that DNR must deny claims that exceed the background level of contamination. Currently, this statutory provision precludes claims with arsenic concentration less than 50 ppb. In addition, the bill does not exempt arsenic or nitrate contamination from the requirement that DNR must deny claims if the contaminated private water supply is a residential water supply contaminated by bacteria or nitrates or both, and is not contaminated by any other substance. If the Committee chooses to expand eligibility for arsenic [Alternative A1] or nitrates [Alternative B1], it would be appropriate to include these exemptions from the current provisions for denial of claims to make it clear that arsenic and nitrate contamination are eligible. It could also be argued that DNR should be required to prioritize claims with nitrate contamination according to the level of contamination [Alternative B2], due to the desirability of eliminating wells with the greatest risks to public health.

23. Some may suggest that the recommended expansion of eligibility for arsenic and nitrate contamination should not be approved because: (a) contaminated wells should be replaced by the owner as a normal part of the responsibility of owning a property; and (b) households that do not have sufficient funds on hand to pay for the cost of replacing a contaminated well have the option of seeking a loan from a financial institution. The Committee could take no action on expansion for nitrates [Alternatives A2 and B3].

Income Limit and Grant Formula Changes

24. The maximum well compensation grant program income had not been increased since 1995. A decision on whether to increase the maximum income limit could be made separately from the decision on whether to change the eligibility for arsenic and nitrate contamination. Some might argue that the maximum eligible income should be increased to \$100,000 to benefit additional households with moderate incomes [Alternative C1]. This would also recognize the financial difficulty that a household with income between \$65,000 and \$100,000 might experience in paying for the \$18,900 average well replacement cost estimated by DNR. A \$100,000 maximum eligibility income may also be appropriate given \$65,000, when adjusted for inflation by either the national or Midwest Consumer Price Index since July, 1995, would be approximately \$113,800 or \$108,400, respectively, in present value.

25. To avoid a significant increase in the program's income limit, the Committee could also approve an increase to \$80,000 in annual family income [Alternative C2]. Leaving the program income limit at \$65,000 [Alternative C3] would also continue to target assistance to those households perhaps least likely to afford the cost of well replacement.

26. Providing all grants at 75% of costs instead of phasing the grant down by 30% of the amount by which income exceeds a threshold (such as the \$45,000 current law threshold) as income

increases could be viewed preferable to avoid additional administrative impositions on DNR program staff. Further, DNR indicates the grant reduction formula often results in no, or a minimal, well abandonment award, which are generally smaller awards than well compensation grants. The Committee could consider repealing the grant phase-out [Alternative D1].

27. The Committee could also begin the phase-out at \$65,000, the current program income limit [Alternative D2]. This may be appropriate should the income eligibility be increased to some amount higher than current law (\$65,000). The Committee could also take no action, which would continue to phase out grant awards at \$45,000 [Alternative D3].

28. Under AB 68/SB 111, DNR would be authorized to award grants of up to 100% of costs for households with up to the statewide median family income (estimated at \$81,829 in 2019). This could be viewed as reasonable to provide additional support to families and households under the program [Alternative E1]. However, many state grant programs require some percentage match by participants, which helps ensure grantees administer projects with appropriate oversight for costs and quality if the project involves state funding. The Committee could authorize DNR to issue 100% grants for grantees below the statewide median family income rather than the median household income (estimated at \$64,168 in 2019), to better target assistance to those most in need [Alternative E2]. The Committee could also take no action [Alternative E3], under which DNR could continue using hardship provisions of NR 738.

29. Table 4 shows the possible grants at various income levels under current law and the AB 68/SB 111 provision for assistance of 75% of costs and optional 100% of costs. The alternative maximum grant (second column) assumes an income eligibility of \$100,000 [Alternative C1], with grant phase-out beginning at \$65,000 [Alternative D2].

TABLE 4

Well Compensation Grant Comparison

Household <u>Income</u>	Current Law Maximum <u>Grant</u>	Alternative Maximum <u>Grant</u>	AB 68/SB 111 Maximum <u>Regular Grant</u>	AB 68/SB 111 Potential <u>Hardship Grant</u>
\$45,000	\$12,000	\$12,000	\$12,000	\$16,000
55,000	9,000	12,000	12,000	16,000
65,000	6,000	12,000	12,000	16,000
75,000	0	9,000	12,000	16,000
81,829*	0	6,952	12,000	16,000
85,000	0	6,000	12,000	12,000
95,000	0	3,000	12,000	12,000
100,000	0	1,500	12,000	12,000
Above 100,000	0	0	0	0

* According to the U.S. Census Bureau American Community Survey 2019 estimates, the estimated Wisconsin median family income was \$81,829.

Note: Current law and the budget bill require the claimant to pay a \$250 copayment.

Program Funding

30. The environmental management account of the environmental fund is expected to have a closing balance on June 30, 2023, of approximately \$37.8 million, based on current law and Committee action to date. This is expected to provide a sufficient account balance under the bill to fund an increase in the well compensation grant appropriation of the amount proposed under AB 68/SB 111.

31. The Committee could approve \$1,000,000 in additional grant funding annually from GPR [Alternative F1a] or environmental management SEG [Alternative F1b], or a lesser amount of \$500,000 from GPR [Alternative F2a] or environmental management SEG [Alternative F2b]. The Committee could also take no action [Alternative F3].

32. DNR estimates that with \$1 million of additional funding, \$900,000 would be awarded as well compensation grants, and \$100,000 would be awarded as well abandonment grants. In FY20, 9 well compensation grants were awarded, and 49 well abandonment grants were awarded. With an additional \$1 million of funding annually, DNR estimates that 64 well compensation grants will be awarded (611% increase) and that 98 well abandonment grants will be awarded (100% increase).

33. The provision would not provide additional staffing for the well compensation program. DNR estimates an annual workload equal to perhaps 1.4 positions with approximately \$150,000 of salary, fringe benefits, and supply costs would be incurred under the proposed expansions. DNR believes that it will need to hire limited-term employees or reallocate staff from other grant programs to staff the expanded well compensation grant program.

34. It is not anticipated that all private well replacement would be eligible for federal funding under the American Rescue Plan Act (ARPA) of 2021. A U.S. Treasury Department interim final rule requires water infrastructure projects to adhere to eligibility terms of the clean water and safe drinking water state revolving fund programs. (These are administered in Wisconsin as the clean water fund and safe drinking water loan program.) Federal eligibility under the safe drinking water program extends to public water systems, whether publicly or privately owned, that serve at least 15 connections or serve at least 25 persons. Households with a water supply not meeting those requirements would be ineligible.

ALTERNATIVES

A. Eligibility for Arsenic Contamination

1. Approve the Governor's recommendation to add to the definition of eligible contaminated well or private water supply a well that produces water containing arsenic of at least 10 parts per billion. In addition, exempt wells with arsenic contamination of at least 10 parts per billion from the current requirements that: (a) a claim shall be denied if the concentration exceeds the background concentration of the contaminant; and (b) the contaminated private water supply is a residential water supply contaminated by bacteria or nitrates or both, and is not contaminated by any other substance.

2. Take no action. (Wells with contamination from arsenic of at least 10 ppb and less than 50 ppb would continue to be ineligible for the program.)

B. Eligibility for Nitrate Contamination

1. Approve the Governor's recommendation to: (a) add to the definition of eligible contaminated well or private water supply a well that produces water containing nitrates of at least 10 parts per million; (b) delete the current limitations on claims for contamination by nitrates, making residential wells with nitrate contamination eligible; and (c) authorize DNR to prioritize claims for nitrate contamination based on five categories of concentration of parts per million nitrate nitrogen, with higher priority provided to higher concentrations, as specified in AB 68/SB 111. In addition, exempt wells with nitrate contamination of at least 10 parts per million from the current requirements that a claim be denied if: (a) the concentration exceeds the background concentration of the contaminant; and (b) the contaminated private water supply is a residential water supply contaminated by bacteria or nitrates or both, and is not contaminated by any other substance.

2. Approve Alternative B1, but require DNR to prioritize eligibility for higher concentrations of nitrates.

3. Take no action. (Residential wells with nitrate contamination that do not also provide water to livestock would continue to be ineligible for the program.)

C. Maximum Income

1. Increase the maximum annual family income of the landowner or lessee of the property on which the contaminated well is located to \$100,000.

2. Increase the maximum annual family income of the landowner or lessee of the property on which the contaminated well is located to \$80,000.

3. Take no action. (This would maintain the current \$65,000 maximum annual family income.)

D. Grant Formula

1. Repeal the current requirement that the grant is reduced by 30% of the amount by which the claimant's family income exceeds \$45,000.

2. Specify grants are reduced by 30% of the amount by which the claimant's family income exceeds \$65,000 (instead of \$45,000 under current law).

3. Take no action. (This would maintain the current law reduction of the grant by 30% of the amount by which the claimant's family income exceeds \$45,000.)

E. Eligibility for 100% Grant

1. Authorize DNR to award a grant of up to 100% of eligible costs if the annual family income of the claimant is below the median family income of the state (\$81,829 in 2019).
2. Authorize DNR to award a grant of up to 100% of eligible costs if the annual family income of the claimant is below the median household income of the state (\$64,168 in 2019).
3. Take no action. (DNR could continue to utilize the current administrative code provisions of NR 738 for supplemental financial assistance beyond the amounts provided from the well compensation grant appropriation.)

F. Well Compensation Grant Program Funding

1. Provide \$1,000,000 each year in a new annual appropriation for well compensation and well abandonment grants. Specify one of the following fund sources:
 - a. GPR; or

ALT F1a	Change to Base
GPR	\$2,000,000

- b. Environmental management SEG.

ALT F1b	Change to Base
SEG	\$2,000,000

2. Provide \$500,000 each year in a new annual appropriation for well compensation and well abandonment grants. Specify one of the following fund sources:
 - a. GPR; or

ALT F2a	Change to Base
GPR	\$1,000,000

- b. Environmental management SEG.

ALT F2b	Change to Base
SEG	\$1,000,000

3. Take no action. (Program funding would remain \$200,000 environmental management SEG each year.)

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