



**WISCONSIN LEGISLATIVE AUDIT BUREAU
LETTER OF TRANSMITTAL**

February 15, 2001

Senator Gary R. George and
Representative Joseph Leibham, Co-Chairpersons
Joint Legislative Audit Committee
State Capitol
Madison, WI 53702

Dear Senator George and Representative Leibham:

At the request of several legislators including Senator George, who first requested it, we have performed a limited review of the State's settlement with Fort James Corporation for natural resource damages to the Fox River. A legal settlement between the Department of Natural Resources (DNR), the Wisconsin Department of Justice, and Fort James Corporation stipulated that the State will not sue Fort James for natural resource damages arising from the release of polychlorinated biphenyls (PCBs) into the Fox River. In exchange, Fort James has agreed to provide or fund several environmental restoration projects at a cost that has been estimated to be \$7.0 million. The settlement agreement, which was signed November 15, 2000, is subject to acceptance by the United States District Court for the Eastern District of Wisconsin.

Several aspects of the settlement agreement have been controversial, including the confidential nature of the negotiations that preceded the settlement; the use of consultants paid for by Fort James and other paper companies to value the environmental damages for which the State and local governments are to be compensated; the models used to value the environmental losses sustained; and the objections raised by the U.S. Fish and Wildlife Service, whose staff were not included in the negotiations. However, DNR strongly defends its approach as reasonable and effective. Based on our review, we have identified several issues that are contentious, may result in limited opportunities for legislative oversight, or are unresolved at this time.

We appreciate the courtesy and cooperation extended to us by DNR, the Department of Justice, and the Fish and Wildlife Service in conducting this review.

Sincerely,

Janice Mueller
State Auditor

JM/JZ/bm

[letter report, PDF file \(41KB\)](#)