



Legislative Fiscal Bureau

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May 22, 2001

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Budget Issue Papers

Attached are 2001-03 budget issue papers, prepared by this office, on the following agencies:

- Natural Resources -- Air, Waste and Contaminated Land
- Health and Family Services -- Health

These agencies have been scheduled for executive action by the Joint Committee on Finance on Thursday, May 24. The meeting will begin at 10:00 a.m. in Room 411 South, State Capitol.

BL/sas
Attachments

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May 24, 2001

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Natural Resources

Air, Waste and Contaminated Land

Base Agency

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LFB Summary Items for Which Issue Papers Have Been Prepared

<u>Item #</u>	<u>Title</u>
6 & 7	Air Management Staff and Air Emissions Fees (Paper #690)
9	Solid and Hazardous Waste Staff (Paper #691)
10	Vehicle Environmental Impact Fee (Paper #692)
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-	Dump Closure Grants (Paper #696)

AGENCY: DNR

PAPER: #690

ISSUE: Air Management Staff & Emissions Fees

RECOMMENDATION: Alternative 1

SUMMARY: Lloyd Eagan, DNR Air Chief, is a great person and could certainly use additional staff to help her out. Unfortunately, this is not the budget to do it. So, just go with the gov. Also, I suppose you could reinstate the Committee's desire to complete an audit of the program to see what the best overall solution is for the Air Program. The Audit Committee didn't act on JFC's request from the last budget.

BY: Barry

*Try Alt. 1
Fallback to Alt. 2*



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May 24, 2001

Joint Committee on Finance

Paper #690

Air Management Staff and Air Emissions Fees (Natural Resources -- Air, Waste and Contaminated Land)

[LFB 2001-03 Budget Summary: Page 497, #6 and Page 498, #7]

CURRENT LAW

The Department of Natural Resources (DNR) administers the requirements of the federal Clean Air Act Amendments of 1990 in Wisconsin. DNR issues operation permits for stationary sources of air emissions and construction (new source) permits for new and modified stationary sources, and conducts monitoring, compliance and enforcement, emission inventory, ozone control, modeling and planning activities. In 2000-01, DNR is authorized \$18,987,800 for 196.25 positions for air management activities. Approximately one-half of the staff work in the Madison central office and the other half work in the DNR regional offices in Eau Claire, Green Bay, Madison, Milwaukee, Rhinelander and Spooner. Funding sources for the positions are: (a) 127.25 PR from stationary source emissions tonnage fees; (b) 19.5 PR from construction permit (new source review) fees; (c) 2.0 PR from asbestos abatement fees; (d) 2.0 PR from ozone-depleting refrigerants (CFCs) fees; (e) 38.0 FED from Environmental Protection Agency air program grants; (f) 0.5 FED from leaking underground storage tank program grants; (g) 6.5 SEG from the petroleum inspection fund; and (h) 1.0 GPR position. In addition, emissions tonnage fees collected by DNR are transferred to Commerce to fund 2.0 PR positions for administration of the small business clean air assistance program.

Of the authorized 196.25 DNR positions, the Bureau of Air Management is authorized 179.5 positions to conduct monitoring, permitting, planning and compliance activities. The Air and Waste Division is authorized 3.0 positions for divisionwide program management. The Division of Enforcement and Science is authorized 1.0 position for law enforcement and is also allocated \$120,000 in federal clean air grants. The Division of Administration and Technology is authorized 6.0 positions for legal, administrative and information technology services and is also allocated \$536,000 in federal clean air grants. The Division of Customer Assistance and

External Relations is authorized 6.75 positions for customer service and licensing, cooperative environmental assistance and communication and education strategy.

DNR assesses and collects emission tonnage fees for certain air pollutants emitted by operators of stationary sources of air pollution for which an operation permit is required. For calendar year emissions billed prior to 2002, stationary sources paid an emissions fee per ton that was adjusted annually according to changes in the consumer price index. 1999 Act 9 requires that, effective with fees assessed beginning in 2002 (billed in 2001-02 for calendar year 2001 emissions), a performance-based emission fee system be created. DNR is required to promulgate administrative rules that will: (a) use the fees billed in 2001 for calendar year 2000 emissions for each facility as the basis of the new fee system; (b) establish a fee system applicable to each facility based on a fee per unit of emissions, based on a five year rolling average of the amount of the emissions by the facility; (c) establish a performance-based approach, under which if an individual facility's amount of emissions increases from one year to the next, the amount of fees paid by the facility would increase proportionately, and if an individual facility's air emissions decreased from one year to the next, the amount of fees paid by the facility would decrease proportionately; (d) establish that the performance-based system will not include the use of multipliers or other similar measures to increase fees above the level based on actual emission levels; and (e) specify that the emission fee per ton set in the rule may not be changed. DNR is required to submit the proposed rule to the Legislative Council staff by July 1, 2001.

GOVERNOR

Delete \$944,000 PR annually and 9.5 PR air management positions funded from air emissions tonnage fees, including 4.0 positions in the Air and Waste Division and 5.5 positions in the Division of Administration and Technology. Provide \$944,000 FED annually and 5.5 FED positions to convert funding for the 5.5 PR air management program staff in the Division of Administration and Technology to federal indirect revenues. Federal indirect revenues are the portions of federal grants received by the Department for general administrative or overhead costs. The Administration and Technology positions include 1.5 legal, 1.0 administrative and 3.0 information technology services positions. While the bill would delete four Air and Waste Division positions, it would not delete associated funding of \$251,000 PR annually. The DOA Budget Office indicates that the associated funding will not be expended and in addition, eight Air and Waste Division positions will be held vacant and associated funding of \$458,600 annually will not be expended in order to maintain air emissions funded expenditures within existing fee revenues.

Change the method of calculation of the annual air emissions fee paid to DNR by owners or operators of stationary sources of air pollution who must obtain an air pollution control permit from the Department. Under the bill, the fees assessed beginning in 2002 (fiscal year 2001-02) would be based on actual emissions of pollutants in the preceding year, instead of the preceding five years. The DOA Budget Office estimates that the formula change would result in no revenue change from current law.

DISCUSSION POINTS

1. The DNR air management program is funded primarily from program revenues collected by DNR. Table 1 shows funding for DNR's air management program for 2000-01, and under the bill for 2001-02 and 2002-03. In 2000-01, program revenue provides 69% of expenditure authority and 77% of position authority. Federal funds provide 20% of expenditure authority and 19% of position authority. Stationary source emission tonnage fees provide the largest revenue source for the DNR air management programs. DNR assessed emissions tonnage fees totaling \$9.33 million in 1998-99 and \$9.77 million in 1999-00. DNR estimates it will assess emissions fees totaling \$10.5 million in each of 2000-01, 2001-02 and 2002-03. Appropriations from emission tonnage fees represent 58% of 2000-01 expenditure authority.

TABLE 1

**DNR Air Management Program -- Expenditure and Position Authority
Adjusted Base Funding for 2000-01
Governor's Recommendations for 2001-02 and 2002-03**

Source	Fund Source	2000-01 Funding (Adjusted Base)	2000-01 Positions	2001-02 Funding	2001-02 Positions	2002-03 Funding	2002-03 Positions
Bureau of Air Management							
Program Fees							
Stationary Source Emission Fees	PR	\$9,129,100	112.00	\$9,494,200	107.00	\$9,494,200	107.00
New Source Construction Permit Fees	PR	1,532,000	19.50	1,498,200	19.50	1,498,200	19.50
Asbestos Abatement Fees	PR	292,100	2.00	344,400	2.00	344,400	2.00
Ozone-Depleting Substance Fees	PR	131,400	2.00	133,100	2.00	133,100	2.00
Other Program Fees	PR	100,000	0.00	100,000	0.00	100,000	0.00
Federal Grants							
Clean Air	FED	3,164,500	37.50	3,164,500	38.50	3,164,500	38.50
Leaking Underground Storage Tank	FED	23,300	0.50	23,600	0.50	23,600	0.50
Petroleum Inspection Fund	SEG	1,366,700	5.00	1,373,900	5.00	1,373,900	5.00
General Fund	GPR	<u>67,400</u>	<u>1.00</u>	<u>68,200</u>	<u>1.00</u>	<u>68,200</u>	<u>1.00</u>
Subtotal Bureau of Air Management		\$15,806,500	179.50	\$16,200,100	175.50	\$16,200,100	175.50
Air and Waste Division Management							
Stationary Source Emission Fees	PR	357,200	3.00	355,600	3.00	355,600	3.00
Division of Enforcement and Science							
Stationary Source Emission Fees	PR	73,000	1.00	81,800	1.00	81,800	1.00
Federal Clean Air Grants	FED	120,000	NA	120,000	NA	120,000	NA
Division of Administration and Technology							
Stationary Source Emission Fees	PR	957,100	5.50	0	0.00	0	0.00
Federal Indirect Cost Reimbursement	FED	536,000	NA	944,000	5.50	944,000	5.50
Petroleum Inspection Fund	SEG	466,600	0.50	493,500	0.50	493,000	0.50
Division of Customer Assistance and External Relations							
Stationary Source Emission Fees	PR	509,200	5.75	593,800	6.75	593,800	6.75
Petroleum Inspection Fund	SEG	<u>162,200</u>	<u>1.00</u>	<u>163,900</u>	<u>1.00</u>	<u>163,900</u>	<u>1.00</u>
Total DNR Air Management Funding		\$18,987,800	196.25	\$18,952,700	193.25	\$18,952,200	193.25

NA = Not Available.

Notes:

(1) DNR is able to identify the estimated 2000-01 federal air grant funds that are allocated to enforcement and to administration and technology but is not able to identify the number of air-related positions in those programs that are funded from the federal air grants. Federal air grants in the Bureau of Air Management are estimated. It is probable that in 2001-02 and 2002-03, DNR would use federal clean air grants and other federal revenue to pay for the \$944,000 in expenditure authority converted from emissions fee revenues to federal indirect cost reimbursement under the bill.

(2) In addition to DNR air management funding, DNR will transfer additional emissions fee revenues to the Department of Commerce for administration of the small business clean air assistance program totaling \$174,200 in 2000-01, \$199,700 in 2001-02 and \$199,700 in 2002-03 for 2.0 positions.

(3) The bill would transfer 1.0 PR position from the Bureau of Air Management to the Division of Customer Assistance and External Relations in 2001-02.

2. The Clean Air Act Amendments require states to assess fees based on the tonnage of emissions generated by a facility and established an emissions tonnage fee of \$25 per ton plus an annual adjustment based on the consumer price index (CPI) as a presumptive minimum. Wisconsin adopted an air emissions tonnage fee system consistent with the Clean Air Act Amendments, beginning with 1992 emissions, and first collected emission fees in 1992-93. Wisconsin originally adopted an annual cap of 4,000 tons per pollutant per facility, which is optional under Clean Air Act Amendments.

3. In 1999 Act 9, the annual cap was increased to 5,000 tons, the CPI adjustment was deleted after 2000-01, a \$0.86 per ton fee was added beginning in 2000-01, and a performance-based fee system was established effective with fees assessed in 2001-02 for 2001 emissions, based on a five-year rolling average of the emissions by the facility. 1999 Act 9 also deleted 8.0 unfunded federal positions and created 5.0 PR positions funded from emission fees. Some industry representatives sought a performance-based fee system under which fees would decrease as emissions decrease and would increase as emissions increase.

4. While industry advisory groups to the DNR did not discuss a five-year rolling average as part of their 1998 discussions of potential revisions in the emission fee system, some industry representatives advocated use of a five-year rolling average as a way of lessening significant fee increases or decreases from year to year if emissions increase or decrease significantly in a given year. During 1999-01 biennial budget deliberations, some regulated air emission sources argued that fees should be linked to the performance of the facility rather than the amount necessary to fund DNR staff, and that any difference between performance-based fees and program costs should be paid from general purpose revenues.

5. States must demonstrate to EPA that the aggregate fees collected on emissions are adequate to cover the state's program costs associated with reducing the emissions of facilities being assessed the fees. If states charge less than \$25 plus the CPI adjustment, they must demonstrate that program funding is adequate to fund a state program that complies with federal requirements. States must charge more than the \$25 plus CPI adjustment if necessary to fund the direct and indirect costs of the operation permit program, including activities such as air quality monitoring, compliance and enforcement. States may also choose to use other funding sources such as general

purpose revenues, gas taxes and facility fees.

6. If EPA finds that state emission fees are inadequate to implement an operation permit program that complies with federal regulations, EPA may take action to implement the operation permit program in the state and charge fees to cover EPA program administration costs. EPA granted Wisconsin interim operation program delegation approval in March, 1995. EPA allowed all states to postpone submitting approval for permanent approval of the operation permit program while the states addressed any deficiencies cited by EPA in the interim approval. However, in early 2001, a settlement agreement in a federal lawsuit required states to obtain full approval of the operation permit by December, 2001, and EPA established a June 1, 2001, deadline for states to submit requests for full approval of the operation permit program.

7. On March 28, 2001, Governor McCallum submitted a request to EPA for approval of permanent program delegation to DNR for administration of the operation permit program. The request stated that resources are available to administer an adequate program. The request to EPA included supporting documentation prepared by DNR in January, 2001, that described DNR's budget request for a facility fee based on the level of emissions and adjusted annually based on the CPI and that indicated the additional revenues of \$2,007,100 in 2001-02 and \$2,047,200 in 2002-03 would improve funding of the program for the next four years. (DNR's proposed facility fee would have been at 150% of levels recommended by Governor Thompson in the 1999-01 biennial budget bill.) The Governor's submission also included a January 5, 2001, Attorney General's opinion indicating that DNR's program would meet EPA requirements based, in part, on the inclusion of DNR's budget request for additional resources generated through an annual facility fee. However, Governor McCallum's submission did not explain to EPA that the Governor's budget bill submitted to the Legislature the previous month did not include DNR's request for the creation of a facility fee or any additional revenues for the air management program. DOA indicates that if the state had not submitted the March request for permanent program delegation approval, EPA could have taken over the operation permit program in the state. (However, the EPA deadline for submission of requests is June 1, 2001.)

8. DOA indicates that the Governor's rationale for submitting a budget that includes no new air management revenues, reduces expenditures and moves program revenue expenditures to federal indirect revenues is that it remains unclear what level of funding will be needed to ensure Wisconsin's compliance with EPA regulations; thus, establishing new revenues for the program would be premature until the necessary funding level is determined.

9. When the state established emission tonnage fees, DNR anticipated that billable tons of emissions would total approximately 315,000 tons per year and that revenues collected would be sufficient to fund the air operating permit program activities. However, billable emissions have averaged approximately 282,000 tons per year and revenues have been insufficient to fully fund a level of staff that DNR believes may be needed to comply with federal requirements.

10. The actual and estimated emission fee revenues and expenditures are shown in Table 2. The assessed emission tonnage fees were \$9.3 million in 1998-99 for 281,000 billable tons of emissions in calendar year 1998, at a rate of \$33.19 per ton, and were \$9.8 million in 1999-00 for

289,200 billable tons of emissions in calendar year 1999, at a rate of \$33.80 per ton. Actual reported tons were 571,200. Most of the non-billable tons in excess of the cap were sulfur dioxide or nitrogen oxides. (A portion of the increase in estimated tons subject to the fee relates to increasing the cap from 4,000 to 5,000 tons.) Under the 1999 Act 9 provisions, the 2000-01 fee is \$35.71 per ton and will be assessed on approximately 295,000 tons. Fees would be assessed for a total of approximately \$10.5 million in 2000-01 (7% higher than the 1999-00 assessment). Table 2 shows actual and estimated fiscal year collections, which vary from the amount assessed because some revenues are received in the fiscal year after the fees are assessed. Under the bill, the emission tonnage fees assessed are expected to remain constant at an estimated \$10.5 million in each of 2001-02 and 2002-03.

TABLE 2
Air Emission Fees -- Revenues and Expenditures
(\$ Millions)

	1999-00 <u>Actual</u>	2000-01 <u>Estimated</u>	2001-02 <u>Estimated</u>	2002-03 <u>Estimated</u>
Revenues				
Opening Balance	-\$6.55	-\$1.99	-\$0.10	\$0.09
Emission Fees	<u>14.44 *</u>	<u>13.49*</u>	<u>10.53</u>	<u>10.53</u>
Total Available	\$7.89	\$11.50	\$10.43	\$10.62
Expenditures				
DNR Division of Air and Waste	\$8.37	\$9.25	\$9.85	\$9.85
DNR Division of Enforcement and Science	0.07	0.07	0.08	0.08
DNR Division of Administration and Technology	0.81	0.97	0.00	0.00
DNR Division of Customer Assistance and External Relations	0.49	0.51	0.59	0.59
Commerce Small Business Clean Air Assistance Program	0.14	0.17	0.20	0.20
Reserves	0.00	0.38	0.33	0.52
Lapses	<u>0.00</u>	<u>0.00</u>	<u>-0.71**</u>	<u>-0.71**</u>
Total Expenditures and Reserves	\$9.88	\$11.35	\$10.34	\$10.53
Encumbrances	<u>0.00</u>	<u>0.25</u>	<u>0.00</u>	<u>0.00</u>
Closing Balance	-\$1.99	-\$0.10	\$0.09	\$0.09

*In 1999-00, includes \$7.7 million from fees assessed in 1998-99 and excludes \$3.0 million assessed in 1999-00 and collected in 2000-01. In 2000-01, includes \$3.0 million assessed in 1999-00.

** Assumes that \$251,000 annual funding associated with 4.0 deleted Air and Waste positions will not be expended and assumes an additional 8.0 Air and Waste positions will be held vacant and associated funding of \$458,600 annually will not be expended.

11. Under the bill, emissions fees would no longer fund activities in the Division of Administration and Technology but would instead convert \$944,000 PR annually and 5.5 PR positions to federal indirect revenues. In addition to the 5.5 positions, expenditures would include \$198,600 for facility rent costs and \$333,700 related to non-staff program supplies and permanent property costs. DOA indicates that the intent of the funding conversion is to minimize expenditures from existing emissions fees.

12. In 2000-01, DNR is allocating \$536,000 in federal clean air grants, or 14% of the total \$3.8 million awarded to DNR by EPA, as federal indirect revenues to fund activities in the Division of Administration and Technology. While DNR believes that it is currently receiving

\$536,000 in air program-related services from the Division of Administration and Technology, the Department is not able to quantify the level of air-related support or positions provided by the Division. The Department indicates that the Division of Administration and Technology provides services to the air program such as human resources, information technology, legal services, finance, budget and rent costs.

13. If DNR continues to allocate the current \$536,000 in federal clean air grants towards existing air-related support, under the bill it could fund some or all of the converted \$944,000 in expenditure authority by: (a) recalculating the portion of federal clean air grants that is allocated to the Division of Administration and Technology instead of the Division of Air and Waste (this might reduce the federal resources available to the Division of Air and Waste); or (b) reallocating federal indirect revenues from other program grants to the Division of Administration and Technology activities currently funded from emissions fees. Alternatively, the Department could reduce expenditures in the Division of Administration and Technology. DOA indicates that DNR would have to make a decision about how to allocate federal revenues to meet the Department's programmatic and administrative needs.

14. DNR is currently holding 11.5 of 179.5 Air Management Bureau positions vacant that are funded from stationary sources emission fees because revenues are insufficient to fund the authorized positions. Further, DNR is holding 1.0 position vacant that would be transferred under the bill to the Division of Customer Assistance and External Relations, and has 3.5 other Air Management Bureau vacancies. This means that 16 (9%) of the authorized 179.5 Bureau positions are vacant, when a vacancy level of approximately 5.5 positions might be expected due to a normal 3% turnover. Table 3 shows staffing levels in 1999, in 2001 under current law and in the 2001-03 biennium under the bill. The staffing levels in the 2001-03 biennium assume that the Air Management Bureau would hold eight emissions fees-funded positions vacant and would have normal turnover of approximately 5.5 positions. Currently, the Air Management Bureau has more positions filled than in May of 1999. Under the bill, the Air Management Bureau would have less positions filled than currently but more positions filled than in May of 1999. However, this would be accomplished by converting expenditures in the Division of Administration and Technology from emissions fees to federal indirect revenues.

TABLE 3

Air Management Bureau Staffing Levels

	<u>SB 55</u>			
	<u>May, 1999</u>	<u>May, 2001</u>	<u>2001-02</u>	<u>2002-03</u>
Filled Positions	157.5	163.5	162.0*	162.0*
Authorized Positions	180.5	179.5	175.5	175.5

* Assumes an average of 5.5 vacancies due to normal turnover.

15. DNR officials have expressed concern that the current air management program may

have insufficient resources and staff levels to administer an adequate program to comply with federal requirements. DNR has also expressed concern that if EPA determines the DNR program to be inadequate, that EPA could act to take over the state program and directly administer Clean Air Act permitting and compliance activities. DNR officials believe the Department can provide quicker response than EPA to emission sources that are required to obtain operation permits. If EPA takes over the operation permit program in Wisconsin, it would collect fees to cover its administrative costs. Many regulated air emission sources in Wisconsin may prefer to be directly regulated by DNR rather than EPA.

16. EPA has increased federal enforcement, inspection and oversight activities in Wisconsin in the last four years, particularly in southeastern Wisconsin. In the current year, EPA and DNR agreed that EPA would conduct up to 40 inspections using approximately 2.3 EPA staff to address DNR's inspection shortfall. EPA and DNR have also agreed to have an EPA Region 5 employee work in Madison writing operation permit renewals on a temporary basis.

17. DNR has issued 744 federal operation permits and federally enforceable state operation permits as of April 1, 2001, plus 145 renewals or revisions. It has approximately 460 permits remaining to be completed. The Department estimates that there are 220 renewals or revisions that should be completed annually. The federal deadline for issuance of these permits was April, 1998, three years after EPA approval of the program. No state has met the EPA deadline.

18. EPA has not taken action to determine that the current DNR program is inadequate. However, it is probable that EPA will review state revenues provided for the operation permit program during its consideration of the state's request for permanent approval of the operation permit program. The EPA Office of the Inspector General has discussed funding resources with the DNR Air Management program. The Inspector General notified the Department on May 8, 2001, that the Wisconsin program will be audited as part of a nationwide evaluation of the operation permit program, with the intent of providing EPA and the states with suggestions for improving the process for issuing operating permits. While neither EPA nor DNR has identified the specific level of staff that would be required to demonstrate that DNR is administering an "adequate" program, EPA has placed increased attention on the issue of the availability of resources for the programs operated by DNR and other states.

19. 1999 Act 9 requested the Legislative Joint Committee on Audit to request the Legislative Audit Bureau to review DNR's air management programs, including a comparison of federally required aspects of the program and aspects required only by state law. To date, the Committee has not acted on the request.

20. As mentioned earlier, EPA is required, as a result of a recent legal settlement, to approve or reject the requests of all states for permanent delegation of authority to administer the operation permit program. EPA will have to take action on the submittal by Wisconsin and other states by December, 2001. It could approve full delegation of the program to the state, or deny the delegation and take over the operation permit program, or issue full delegation with a deficiency notice for portions of the submittal that are not acceptable to EPA. In the latter situation, the state would have one year to correct deficiencies. DOA indicates that if EPA objects to Wisconsin's

submittal, a review of the requirements needed to bring the state into compliance will be conducted and addressed based on the results of the review. DOA further indicates that the Governor and DNR will continue to work in cooperation with EPA to ensure that Wisconsin will meet permanent program delegation requirements.

21. DNR recently indicated that if the Division of Administration and Technology funding and 5.5 positions are converted to federal indirect revenues under the bill, the Department expects EPA may not approve the permanent delegation of the operation permit program to Wisconsin if EPA determines that Wisconsin is converting expenditures from emission fee revenues to federal indirect revenues to avoid paying for 100% of the costs of the operation permit program. However, DOA indicates that the budget bill should support the ongoing requirements of the operation permit program until a more thorough review of the program is completed.

22. If the Division of Administration and Technology funding and positions are maintained as funded from emissions fees and if no additional emissions fees revenues are provided, DNR would have to hold expenditures to \$944,000 less than authorized from emissions fees revenues to remain within available revenues. This would be in addition to the annual expenditure reductions of \$709,600 for four deleted positions and the eight positions held vacant in the Air and Waste Division under the bill. Total expenditures reductions of \$1,653,600 would be necessary. While past air program revenue shortfalls or expenditure reductions have generally been accomplished in the Air and Waste Division rather than in the support programs of the Division of Administration and Technology and the Division of Customer Assistance and External Relations, DNR officials indicate that an expenditure reduction of this magnitude may require review of departmentwide expenditures currently funded from emission fees.

23. The Committee could choose to obtain the \$1,653,600 in necessary annual expenditure reductions by reducing expenditure authority in all appropriations funded from stationary source fees by approximately 14% or by reducing expenditure authority in the Bureau of Air Management by approximately 17%. If the emission fee expenditure reductions would be allocated among all appropriations, the annual reductions would equal 18 of 115 current Air and Waste positions (13 of the 110 positions under the bill after deletion of the four and transfer of one to Customer Assistance and External Relations), 0.15 of 1.0 Enforcement position, 1.0 of 5.5 Administration and Technology positions, 0.85 of 5.75 Customer Assistance and External Relations positions (1.85 of 6.75 positions under the bill) and 0.25 of 2.0 positions in the Commerce small business clean air assistance program. Under this alternative, there would be position authority for 162.5 Bureau of Air Management positions and would allow approximately 157 filled positions, which would be less than current and 1999 staff levels. If the emission fee expenditure reductions would be allocated totally to the Bureau of Air Management, 21 positions (16 of the 110 positions under the bill) with \$1,653,600 PR annually could be deleted, leaving 159.5 positions in the Bureau.

24. The current requirement that DNR implement a fee structure beginning in 2001-02 that includes a five-year rolling average is expected to affect individual stationary emission sources in different ways, depending on whether the emissions of a facility increase or decrease. For example, if a facility's emissions decrease, the more recent lower emissions would be averaged with prior higher emissions and the facility would pay for a greater average number of tons than are

emitted in the current year. Conversely, if a facility's emissions are higher this year than in previous years, the facility would be assessed fees for a lower average number of tons than the current year emissions. The average emissions would be subject to the constant \$35.71 per ton fee that is in effect for 2000-01 and subsequent years. The five-year rolling average might lessen significant changes in fees from year to year if emissions increase or decrease by large amounts. While eliminating the five-year rolling average would increase or decrease fees for specific facilities, it is difficult to quantify the revenue impact for all emission sources. Recently, some industry representatives have indicated that they believe the five-year rolling average will not work as they had hoped because fees wouldn't decline as rapidly as had been hoped if emissions decrease.

25. Currently, beginning in 2001-02, and under the bill's elimination of the five-year rolling average, it is anticipated that stationary source emission fees will remain at approximately \$10.5 million tons. While DNR would still be required to promulgate a performance-based fee rule, the effect of the bill would be to assess the current fee of \$35.71 per ton on emissions in the last calendar year. This is the same fee calculation that existed prior to Act 9, but prior to Act 9, a CPI adjustment was applied to the fee rate annually, as included in the federal Clean Air Amendments as a presumptive minimum.

26. Some would argue that additional revenues should be provided to the air management program, to retain some of the authorized but unfunded positions, pay for costs that increase over time, and increase the likelihood that the DNR air program would obtain approval from EPA of delegation to administer the operation permit program. Others would argue that no additional revenues should be added until or unless EPA determines that Wisconsin's operation permit program does not meet federal requirements.

27. There are numerous options for providing revenues that would allow retention of some of the currently authorized but vacant positions in the Division of Air and Waste and/or fund the support activities provided by the Division of Administration and Technology.

28. One revenue option would be to restore the annual adjustment of the emissions tonnage fee based on the consumer price index, as included in the federal Clean Air Amendments as a presumptive minimum. For example, if the five-year rolling average would be eliminated under the bill, the CPI adjustment could be reinstated and the \$0.86 per ton fee added in 1999 Act 9 could be eliminated. Under this alternative, the fee would increase from \$35.71 per ton in 2000-01 to approximately \$36.00 in 2001-02 (3.3% increase) to generate approximately \$85,600 in additional revenue. The fee would increase to approximately \$36.76 in 2002-03 (2.1% increase) to generate approximately \$308,600 in additional revenue. This would provide sufficient revenues to retain four of the 12 positions in the Division of Air and Waste for which there are insufficient revenues under the bill. The Division of Air and Waste would have 171.5 authorized positions, of which approximately 166 would be filled under average turnover.

29. Another revenue alternative would be to reinstate the CPI adjustment and retain the \$0.86 per ton fee. Under this alternative, the fee would be approximately \$36.86 per ton in 2001-02 to generate approximately \$339,300 in additional revenue and approximately \$37.82 in 2002-03 to generate approximately \$562,300 in additional revenue. This would provide sufficient revenues to

retain eight of the 12 positions in the Division of Air and Waste for which there are insufficient revenues under the bill. The Division of Air and Waste would have 175.5 authorized positions, of which approximately 170 would be filled under average turnover.

30. Another revenue alternative would be to impose an annual facility fee on air emission sources, such as the structure proposed by DNR and Governor Thompson in the 1999-01 biennial budget bill. The 1999-01 biennial budget act did not include the facility fee. DNR again proposed a facility fee in the Department's 2001-03 biennial budget request, with a CPI annual adjustment of the fee rate. If a facility fee would be enacted using the structure and fee rates included in the Governor's 1999-01 budget, with a CPI annual adjustment, the facility fee would generate additional revenue of approximately \$1,338,100 in 2001-02 and \$1,364,900 in 2002-03. The minimum threshold would exempt emitters of small quantities less than five tons, which are currently exempt from the emission tonnage fee. Under this revenue alternative, the annual facility fee would be: (a) \$50 if the total amount of emissions is at least five tons but does not exceed 25 tons; (b) \$650 if the emissions exceed 25 tons but do not exceed 100 tons; (c) \$2,000 if the emissions exceed 100 tons but do not exceed 250 tons; (d) \$7,000 if the emissions exceed 250 tons but do not exceed 4,000 tons; and (e) \$20,000 if the emissions exceed 4,000 tons. This would provide sufficient revenues to retain eight of the 12 positions in the Division of Air and Waste for which there are insufficient revenues under the bill. It would also allow retention of emissions fee funding for the Division of Administration and Technology instead of converting it to federal indirect revenues (\$944,000 and 5.5 positions annually). The Division of Air and Waste would have 175.5 authorized positions, of which approximately 170 would be filled under average turnover.

31. If current law is maintained, there would be \$12.2 million annually in authorized expenditures from emissions fees revenues but available revenues would be \$10.5 million annually. DNR would have to reduce expenditures by approximately \$1.7 million annually and hold approximately 17.5 of 127.25 positions authorized from emissions fees vacant in order to maintain air emissions funded expenditures within existing fee revenues. DNR would have to continue its current process of promulgating an emissions fee rule for 2001-02 assessments that includes a five-year rolling average and would apply that system with a \$35.71 fee per ton.

ALTERNATIVES TO BASE

1. Approve the Governor's recommendation to: (a) delete \$944,000 PR annually and 9.5 PR air management positions funded from air emissions tonnage fees, including 4.0 positions in the Air and Waste Division and 5.5 positions in the Division of Administration and Technology; (b) provide \$944,000 FED annually and 5.5 FED positions to convert funding for the 5.5 PR air management program staff in the Division of Administration and Technology to federal indirect revenues; and (c) change the method of calculation of the annual air emissions fee so that the fees assessed beginning in 2002 (fiscal year 2001-02) would be based on actual emissions of pollutants in the preceding year, instead of the preceding five years.

Alternative 1	FED	PR	TOTAL
2001-03 FUNDING (Change to Base)	\$1,888,000	-\$1,888,000	\$0
[Change to Bill]	\$0	\$0	\$0]
2002-03 POSITIONS (Change to Base)	5.50	- 9.50	- 4.00
[Change to Bill]	0.00	0.00	0.00]

2. Approve the Governor's recommendation and, in addition: (a) delete \$251,000 PR annually associated with the four Air and Waste Division positions that are deleted under the bill; and (b) delete \$458,600 PR annually and 8.0 PR positions in the Air and Waste Division positions that would be held vacant under the bill to maintain air emissions funded expenditures within existing fee revenues.

Alternative 2	FED	PR	TOTAL
2001-03 FUNDING (Change to Base)	\$1,888,000	-\$3,307,200	-\$1,419,200
[Change to Bill]	\$0	-\$1,419,200	-\$1,419,200]
2002-03 POSITIONS (Change to Base)	5.50	- 17.50	- 12.00
[Change to Bill]	0.00	- 8.00	- 8.00]

3. Approve the Governor's recommendation to change the method of calculation of the annual air emissions fee so that the fees assessed beginning in 2002 (fiscal year 2001-02) would be based on actual emissions of pollutants in the preceding year, instead of the preceding five years. Restore \$944,000 PR annually and 5.5 PR positions in the Division of Administration and Technology from emission fee revenues instead of converting the expenditure authority and positions to federal indirect revenues. Delete annual expenditure and position authority in all emission fees appropriations as follows: (a) \$1,343,000 PR and 13.0 PR positions in the Division of Air and Waste; (b) \$9,800 PR and 0.15 PR position in the Division of Enforcement and Science; (c) \$130,300 PR and 1.85 PR positions in the Division of Customer Assistance and External Relations; (d) \$156,800 PR and 1.0 PR position in the Division of Administration and Technology; and (e) \$13,800 PR and 0.25 PR position in the Department of Commerce small business clean air assistance program. (This would reduce funding and position authority in every stationary source emission fees appropriation in DNR and Commerce by approximately 14%.)

Alternative 3	FED	PR	TOTAL
2001-03 FUNDING (Change to Base)	\$0	-\$3,307,200	-\$3,307,200
[Change to Bill]	-\$1,888,000	-\$1,419,200	-\$3,307,200]
2002-03 POSITIONS (Change to Base)	0.00	- 20.25	- 20.25
[Change to Bill]	- 5.50	- 10.75	- 16.25]

4. Approve the Governor's recommendation to change the method of calculation of the annual air emissions fee so that the fees assessed beginning in 2002 (fiscal year 2001-02) would be based on actual emissions of pollutants in the preceding year, instead of the preceding five years. Restore \$944,000 PR and 5.5 PR positions in the Division of Administration and Technology from emission fee revenues instead of converting expenditure and position authority to federal indirect

revenues. Delete \$1,653,600 PR and 16.0 PR positions in the Division of Air and Waste. (This would reduce Air and Waste funding by 17% to maintain expenditures within available revenues and includes deletion of funding for the 4.0 PR positions that are deleted under the bill.)

Alternative 4	FED	PR	TOTAL
2001-03 FUNDING (Change to Base)	\$0	- \$3,307,200	- \$3,307,200
<i>[Change to Bill]</i>	<i>- \$1,888,000</i>	<i>- 1,419,200</i>	<i>- \$3,307,200]</i>
2002-03 POSITIONS (Change to Base)	0.00	- 20.00	- 20.00
<i>[Change to Bill]</i>	<i>- 5.50</i>	<i>- 16.00</i>	<i>- 16.00]</i>

5. Approve the Governor's recommendation and in addition, approve the following: (a) restore the annual CPI adjustment of the emissions tonnage fee in 2001-02 and delete the \$0.86 per ton fee, to generate additional revenue of approximately \$85,600 PR in 2001-02 and \$308,600 PR in 2002-03; (b) delete \$251,000 PR annually associated with the four Air and Waste Division positions that are deleted under the bill; and (c) delete \$229,300 PR annually and 4.0 PR positions in the Air and Waste Division to maintain air emissions funded expenditures within existing fee revenues. (The five-year rolling average would be eliminated and the estimated stationary source emissions tonnage fee would be \$36.00 per ton in 2001-02 and \$36.76 in 2002-03.)

Alternative 5	FED	PR	TOTAL
2001-03 REVENUE (Change to Base)	\$0	\$394,200	\$394,200
<i>[Change to Bill]</i>	<i>\$0</i>	<i>\$394,200</i>	<i>\$394,200]</i>
2001-03 FUNDING (Change to Base)	\$1,888,000	- \$2,848,600	- \$960,600
<i>[Change to Bill]</i>	<i>\$0</i>	<i>- \$960,600</i>	<i>- \$960,600]</i>
2002-03 POSITIONS (Change to Base)	5.50	- 13.50	- 8.00
<i>[Change to Bill]</i>	<i>0.00</i>	<i>- 4.00</i>	<i>- 4.00]</i>

6. Approve the Governor's recommendation and in addition, approve the following: (a) restore the annual CPI adjustment of the emissions tonnage fee in 2001-02 and retain the \$0.86 per ton fee, to generate additional revenue of approximately \$339,300 PR in 2001-02 and \$562,300 PR in 2002-03; and (b) delete \$251,000 PR annually associated with the four Air and Waste Division positions that are deleted under the bill. (The five-year rolling average would be eliminated and the estimated stationary source emissions tonnage fee would be \$36.86 per ton in 2001-02 and \$37.62 in 2002-03.)

Alternative 6	FED	PR	TOTAL
2001-03 REVENUE (Change to Base)	\$0	\$901,600	\$901,600
<i>[Change to Bill]</i>	<i>\$0</i>	<i>\$901,600</i>	<i>\$901,600]</i>
2001-03 FUNDING (Change to Base)	\$1,888,000	- \$2,390,000	- \$502,000
<i>[Change to Bill]</i>	<i>\$0</i>	<i>- \$502,000</i>	<i>- \$502,000]</i>
2002-03 POSITIONS (Change to Base)	5.50	- 9.50	- 4.00
<i>[Change to Bill]</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00]</i>

7. Approve the Governor's recommendation to change the method of calculation of the annual air emissions fee so that the fees assessed beginning in 2002 (fiscal year 2001-02) would be based on actual emissions of pollutants in the preceding year, instead of the preceding five years. In addition, approve the following: (a) create an annual facility fee on stationary air emission sources to generate additional revenue of approximately \$1,338,100 in 2001-02 and \$1,364,900 in 2002-03 with fee amounts of: (1) \$50 if the total amount of emissions is at least five tons but does not exceed 25 tons (emitters of less than five tons would be exempt); (2) \$650 if the emissions exceed 25 tons but do not exceed 100 tons; (3) \$2,000 if the emissions exceed 100 tons but do not exceed 250 tons; (4) \$7,000 if the emissions exceed 250 tons but do not exceed 4,000 tons; and (5) \$20,000 if the emissions exceed 4,000 tons; (b) increase the facility fee annually according to the consumer price index; (c) provide \$944,000 PR annually and 5.5 PR positions for the Division of Administration and Technology instead of converting to federal indirect revenues under the bill; and (d) delete \$251,000 PR annually associated with the four Air and Waste Division positions that are deleted under the bill. (The stationary source emissions tonnage fee would remain at \$35.71 per ton in 2001-02 and subsequent years.)

<u>Alternative 7</u>	<u>FED</u>	<u>PR</u>	<u>TOTAL</u>
2001-03 REVENUE (Change to Base)	\$0	\$2,703,000	\$2,703,000
<i>[Change to Bill]</i>	\$0	\$2,703,000	\$2,703,000
2001-03 FUNDING (Change to Base)	\$0	-\$502,000	-\$502,000
<i>[Change to Bill]</i>	-\$1,888,000	\$1,386,000	-\$502,000
2002-03 POSITIONS (Change to Base)	0.00	0.00	0.00
<i>[Change to Bill]</i>	-5.50	5.50	0.00

8. Maintain current law. (DNR would have to reduce expenditures by approximately \$1,650,000 annually and hold approximately 17.5 of 127.25 positions authorized from emissions fees vacant in order to maintain air emissions funded expenditures within existing fee revenues. DNR would have to continue its current process of promulgating an emissions assessments that includes a five-year rolling average.)

<u>Alternative 8</u>	<u>FED</u>	<u>PR</u>
2001-03 FUNDING (Change to Base)	\$0	\$0
<i>[Change to Bill]</i>	-\$1,888,000	\$1,888,000
2002-03 POSITIONS (Change to Base)	0.00	0.00
<i>[Change to Bill]</i>	-5.50	9.50

MO# Alt 2

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

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

s -- Air, Waste and Co

AYE 16 NO 0 ABS

AGENCY: DNR

PAPER: #691

ISSUE: Solid & Hazardous Waste Staff

RECOMMENDATION: (Delayed)

SUMMARY: Delayed at request of Mayor Antaramian. He is very active on the Brownfields Study Group and feels that these folks aren't helping the overall effort on contaminated land cleanup.

BY: Barry



Legislative Fiscal Bureau

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

May 24, 2001

Joint Committee on Finance

Paper #691

Solid and Hazardous Waste Staff (Natural Resources -- Air, Waste and Contaminated Land)

[LFB 2001-03 Budget Summary: Page 498, #9]

CURRENT LAW

The DNR waste management program regulates the transportation, treatment, storage and disposal of solid and hazardous wastes. Program activities include plan review, licensing, inspection, compliance actions, technical assistance and outreach. The DNR receives a federal hazardous waste grant of approximately \$2,000,000 annually. DNR has 33.61 authorized full-time equivalent (FTE) positions from the grant, including 30.11 FTE in the waste management program, 2.0 FTE in the law enforcement program and 1.5 FTE in the remediation and redevelopment program. DNR receives program revenues for solid and hazardous waste disposal administration from landfill plan review fees, licenses and a 9¢ per ton solid waste landfill license surcharge and from hazardous waste facility licenses, transporter licenses and plan review fees. The DNR program revenue appropriation received \$2,829,000 PR in 1999-00 and will receive an estimated \$2,415,000 in 2000-01. In 2000-01, there will be estimated expenditures of \$2,401,400 from the program revenues for 33.0 positions, including 28.5 positions in the waste management program, 2.5 in the remediation and redevelopment program and 2.0 in the cooperative environmental assistance program. In 2000-01, the waste management program is also appropriated \$1,658,100 GPR for 21.5 GPR positions.

GOVERNOR

Make the following changes in solid and hazardous waste management program funding: (a) delete \$439,300 FED annually and 6.0 FED positions to reflect the anticipated level of federal hazardous waste grant funding; (b) provide \$67,900 PR in 2001-02 and \$88,600 PR in 2002-03 and 2.0 PR positions annually for hazardous waste management staff from current solid and hazardous waste plan review and license fees; (c) provide \$11,000 PR annually for limited-

term employees; and (d) provide \$60,000 PR annually for additional contracts with the State Lab of Hygiene.

DISCUSSION POINTS

1. The federal grant has been approximately \$2 million for the last five years and is currently sufficient to fund 26.5 of the 33.61 authorized federal positions. The unfunded 7.11 positions are vacant. The bill deletes 6.0 of the 7.11 unfunded FED positions. The remaining 1.11 FED position and \$55,800 FED annually could also be deleted to reflect available federal funding.

2. The recommended 2.0 PR positions would represent an increase of two staff for the solid and hazardous waste management program because the deleted FED positions have been vacant for three to four years.

3. The bill would provide a program planning analyst to coordinate administrative rule development and implementation and reduce the backlog of federal rules that have not been incorporated into the state's hazardous waste rules (currently 75 federal rules, which is an increase from 30 in September, 2000). DNR officials indicate that the Department has been behind on the process of incorporating federal rules into state administrative codes for several years, that the US EPA has indicated that the lack of progress in this area could be used as a basis for revoking EPA authorization of hazardous waste regulation to DNR for the state. However, DNR indicates that it is working on the rules backlog and EPA has not taken action to revoke DNR's authorization to administer the program.

4. The bill would provide a regional waste management specialist to inspect solid and hazardous waste plans, such as groundwater monitoring plan revisions, gas extraction plan revisions, alternative daily cover requests, leachate handling system design modifications and construction documentation reports. The backlog of plan review reports waiting for review was 111 in late-March, a decrease from 179 in September, 2000. The limited-term employee funding would be used for additional inspections, plan review and rule-making activities.

5. The \$60,000 provided for contracts with the State Laboratory of Hygiene would be in addition to the \$50,000 currently allocated from the federal hazardous waste grant and would be used for solid waste facility monitoring wells, mine-related monitoring and hazardous waste enforcement-related monitoring. DNR indicates that if the funds are not provided, the Department would probably continue to contract with the Laboratory of Hygiene at the current contract level. Alternatively, DNR could reallocate from existing activities related to plan review, inspections and rule development for additional contracts. This reallocation might increase backlogs for plan review and rule development.

6. On July 1, 2001, there will be a balance of approximately \$1.7 million in program revenue available for solid and hazardous waste disposal administration activities. Under the bill, current revenues would be sufficient to fund the proposed two positions and the June 30, 2003, balance would be approximately \$1.1 million. In 2002-03, annual revenues would be

approximately \$2.4 million and expenditures would be approximately \$2.7 million. This should be sufficient to fund the level of expenditures under the bill through the 2003-05 biennium. It is possible that after the 2003-05 biennium, revenues and expenditures would have to be monitored to maintain a positive balance, and DNR may need to review fee levels established in administrative rule. The appropriation receives both solid and hazardous waste fees. DNR indicates that hazardous waste plan review and license fees have not been increased in approximately six years.

7. The largest amount of fee revenue is from solid waste disposal landfill licenses (approximately \$900,000 annually) and a solid waste landfill license surcharge of 9¢ per ton on solid waste disposed of at landfills (approximately \$800,000 annually). The tonnage fee was incorporated in administrative rules as a landfill license surcharge effective October, 1997. Administrative rules require DNR to review the fee with the Natural Resources Board in October, 2002.

8. There should be a sufficient program revenue appropriation balance through the 2003-05 biennium to generate \$130,800 annual GPR savings by converting two of the existing 21.5 GPR waste management positions to program revenue funding beginning in 2001-03. However, this would increase expenditures to approximately \$2.8 million annually, as compared with \$2.4 million in annual revenues. Under this alternative, it is probable that DNR would have to review fee levels in the administrative rules to implement possible fee increases for the 2005-07 biennium.

ALTERNATIVES TO BASE

1. Approve the Governor's recommendation to: (a) delete \$439,300 FED annually and 6.0 FED positions to reflect the anticipated level of federal hazardous waste grant funding; (b) provide \$67,900 PR in 2001-02 and \$88,600 PR in 2002-03 and 2.0 PR positions annually for hazardous waste management staff from current solid and hazardous waste plan review and license fees; (c) provide \$11,000 PR annually for limited-term employees; and (d) provide \$60,000 PR annually for additional contracts with the State Lab of Hygiene.

<u>Alternative 1</u>	<u>FED</u>	<u>PR</u>	<u>TOTAL</u>
2001-03 FUNDING (Change to Base)	- \$878,600	\$298,500	- \$580,100
[Change to Bill]	\$0	\$0	\$0]
2002-03 POSITIONS (Change to Base)	- 6.00	2.00	- 4.00
[Change to Bill]	0.00	0.00	0.00]

2. Adopt Alternative 1 and, in addition, delete \$55,800 FED and 1.11 FED position annually to reflect the anticipated level of federal hazardous waste grant funding.

Alternative 2	FED	PR	TOTAL
2001-03 FUNDING (Change to Base)	- \$990,200	\$298,500	- \$691,700
<i>[Change to Bill]</i>	- \$111,600	\$0	- \$111,600]
2002-03 POSITIONS (Change to Base)	- 7.11	2.00	- 5.11
<i>[Change to Bill]</i>	- 1.11	0.00	- 1.11]

3. Delete \$495,100 FED and 7.11 FED hazardous waste positions annually. In addition, approve one of the following related to program revenue funding:

a. Provide \$78,900 PR in 2001-02 and \$99,600 PR in 2002-03 and 2.0 PR positions annually for hazardous waste management staff and limited-term employees. (This would provide no new funding for contracts with the State Laboratory of Hygiene.)

Alternative 3a	FED	PR	TOTAL
2001-03 FUNDING (Change to Base)	- \$990,200	\$178,500	- \$811,700
<i>[Change to Bill]</i>	- \$111,600	- \$120,000	- \$231,600]
2002-03 POSITIONS (Change to Base)	- 7.11	2.00	- 5.11
<i>[Change to Bill]</i>	- 1.11	0.00	- 1.11]

b. Provide \$33,800 PR in 2001-02 and \$44,400 PR in 2002-03 and 1.0 PR position annually for hazardous waste management activities. (This would provide no new funding for limited-term employees or contracts with the State Laboratory of Hygiene.)

Alternative 3b	FED	PR	TOTAL
2001-03 FUNDING (Change to Base)	- \$990,200	\$78,200	- \$912,000
<i>[Change to Bill]</i>	- \$111,600	- \$220,300	- \$331,900]
2002-03 POSITIONS (Change to Base)	- 7.11	1.00	- 6.11
<i>[Change to Bill]</i>	- 1.11	- 1.00	- 2.11]

c. Provide \$60,000 PR annually for contracts with the State Laboratory of Hygiene. (This would provide no new funding for staff or limited-term employees.)

Alternative 3c	FED	PR	TOTAL
2001-03 FUNDING (Change to Base)	- \$990,200	\$120,000	- \$870,200
<i>[Change to Bill]</i>	- \$111,600	- \$178,500	- \$290,100]
2002-03 POSITIONS (Change to Base)	- 7.11	0.00	- 7.11
<i>[Change to Bill]</i>	- 1.11	- 2.00	- 3.11]

d. Provide no new program revenue funding for hazardous waste management staff, limited-term employees or contracts with the State Laboratory of Hygiene.

<u>Alternative 3d</u>	<u>FED</u>	<u>PR</u>	<u>TOTAL</u>
2001-03 FUNDING (Change to Base)	- \$990,200	\$0	- \$990,200
[Change to Bill]	- \$111,600	- \$298,500	- \$410,100]
2002-03 POSITIONS (Change to Base)	- 7.11	0.00	- 7.11
[Change to Bill]	- 1.11	- 2.00	- 3.11]

4. Maintain current law. (DNR would retain FED expenditure and position authority but would not have sufficient federal revenues to fill the positions.)

<u>Alternative 4</u>	<u>FED</u>	<u>PR</u>	<u>TOTAL</u>
2001-03 FUNDING (Change to Base)	\$0	\$0	\$0
[Change to Bill]	\$878,500	- \$298,500	\$580,000]
2002-03 POSITIONS (Change to Base)	0.00	0.00	0.00
[Change to Bill]	6.00	- 2.00	4.00]

5. In addition to any of the above alternatives, convert \$130,800 GPR with 2.0 GPR positions annually to program revenue from the solid and hazardous waste management appropriation.

<u>Alternative 5</u>	<u>GPR</u>	<u>PR</u>	<u>TOTAL</u>
2001-03 FUNDING (Change to Base)	- \$261,600	\$261,600	\$0
[Change to Bill]	- \$261,600	261,600	\$0]
2002-03 POSITIONS (Change to Base)	- 2.00	2.00	\$0
[Change to Bill]	- 2.00	2.00	\$0]

Prepared by: Kendra Bonderud

NATURAL RESOURCES -- AIR, WASTE AND CONTAMINATED LAND

Air Staff in Cooperative Environmental Assistance Program

Motion:

Move to maintain 1.0 PR position in the Bureau of Air Management funded from stationary source emission tonnage fees instead of transferring it to the Bureau of Cooperative Environmental Assistance under the bill. Restore \$58,000 PR annually in the Bureau of Air Management and delete \$69,200 PR annually in the Bureau of Cooperative Environmental Assistance.

Note:

Under the bill, a department-wide decision item transfers funds and positions between programs and subprograms within DNR to make internal reallocations. As part of this decision item, the bill deletes 1.0 PR position and \$58,000 PR annually from the Bureau of Air Management (deletes \$47,500 for permanent salaries, deletes \$18,700 for fringe benefits and provides \$8,200 for supplies) and provides 1.0 PR position and \$69,200 PR annually to the Bureau of Cooperative Environmental Assistance (provides \$47,500 for permanent salaries, \$18,700 for fringe benefits and \$3,000 for supplies).

[Change to Base: - \$22,400 PR]

[Change to Bill: - \$22,400 PR]

MO#	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A
BURKE	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N
DECKER	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
MOORE																			
SHIBILSKI																			
BLACHE																			
WIRCH																			
DARLING																			
WELCH																			
GARD																			
KAUFERT																			
ALBERS																			
DUFF																			
WARD																			
HUEBSCH																			
HUBER																			
COGGS																			
	AYE	NO	ABS																

**NATURAL RESOURCES -- AIR, WASTE AND CONTAMINATED LAND
COMMERCE -- DEPARTMENT AND ECONOMIC DEVELOPMENT**

- Vehicle Environmental Impact Fee [LFB Paper #692]
- Brownfields and Site Assessment Grant Program [LFB Paper #693]
- Environmental Cleanup and Restoration Settlement Appropriation [LFB Paper #695]

Motion:

Move to make the following changes related to brownfields programs:

A. Vehicle Environmental Impact Fee [LFB Paper #692]

1. Recreate the \$6 per vehicle environmental impact fee on July 1, 2001, instead of October 1, 2001, under the bill. This would provide additional revenue of approximately \$2,200,000 SEG in 2001-02 to the environmental fund.
2. Repeal the vehicle environmental impact fee on December 31, 2003, instead of September 30, 2003, under the bill.
3. Increase the vehicle environmental impact fee by \$3 per vehicle to \$9 effective on the first day of the second month beginning after the effective date of the bill. This would provide additional revenue of approximately \$3,300,000 SEG in 2001-02 and \$4,500,000 SEG in 2002-03.

B. Site Assessment and Brownfields Grants [LFB Paper #693]

4. Maintain the current law site assessment grant program within DNR.
5. Provide \$1,700,000 SEG annually for site assessment grants in the current DNR appropriation.
6. Specify that asbestos abatement activities are eligible for a site assessment grant only if the activities are part of demolition of any structures, buildings or other improvements located on an eligible site or facility.
7. Expand the definition of an eligible site or facility under the site assessment grant program to include contiguous parcels of land, whether owned by one owner or multiple owners.

8. Maintain the current law Commerce and DNR staff levels for brownfields and site assessment grants. (This would retain the current level of 2.0 Commerce positions, and would delete 1.0 SEG position and \$50,600 petroleum inspection fund SEG from the bill in 2001-02 and \$58,500 SEG in 2002-03. This would retain the current DNR position with \$51,600 environmental fund SEG in 2001-02 and \$58,500 SEG in 2002-03.)

9. Provide the following level of funding for Commerce brownfields grants: \$7,000,000 environmental fund SEG in 2001-02 and \$7,000,000 SEG in 2002-03. This would be an increase from base funding of \$600,000 in each of 2001-02 and 2002-03. This would be an increase from the bill of \$500,000 in 2001-02 and a decrease from the bill of \$1,500,000 in 2002-03.

10. LFB Paper #693. Alternative D1. Make the following modifications to the brownfields grant program: (a) eliminate the requirement that Commerce must allocate a specified amount of total brownfields grant monies for grants of certain amounts; (b) expand the definition of entities that would be eligible to receive brownfields grants to include limited liability companies, nonprofit organizations, cities, towns, villages, counties, or trustees, including trustees in bankruptcy; and (c) provide that brownfields grant proceeds could not be used to pay DNR or federal EPA liens based on investigation or remediation activities or to pay delinquent property taxes or interest or penalties related to those taxes.

11. LFB Paper #693. Alternative D2 b. Require Commerce to adopt a semi-annual brownfields grant application cycle.

C. Other Provisions

12. LFB Paper #695. Approve Alternative 2 to create a settlement appropriation within the environmental fund, deposit specified monies in the fund and credit specified monies to the appropriation to carry out the purposes for which received.

13. Provide DNR with \$242,400 environmental fund SEG in 2001-02 and \$306,900 SEG in 2002-03 with 5.0 SEG two-year project waste management specialist positions to geo-locate brownfield properties and update DNR's web-based registry of closed sites.

14. Recreate the sustainable urban development zone program that was created in 1999 Act 9. Provide \$525,000 environmental fund SEG in 2001-02 in a biennial appropriation. Specify that the state funds may be used to investigate environmental contamination and cleanup brownfields properties in municipalities. Direct DNR to accept applications from municipalities for the funds.

15. Specify that the environmental fund would be used to pay a portion of the costs of GPR debt service for environmental repair general obligation bonds on an ongoing basis. Create a SEG annual debt service appropriation from the environmental fund and provide \$2,400,000 SEG

in 2001-02 and \$2,700,000 SEG in 2002-03. Provide a corresponding decrease of \$2,400,000 GPR in 2001-02 and \$2,700,000 GPR in 2002-03 in the environmental repair debt service appropriation.

16. Lapse \$1,000,000 from the unencumbered balance of the well compensation grant program appropriation to the SEG environmental fund on the effective date of the bill.

17. In DNR, provide \$1,000,000 environmental fund SEG in 2001-02 in a biennial appropriation and create a brownfields greenspace grant program. Direct DNR to make awards under the program to local units of governments for brownfields remediations projects that will have a long-term public purpose benefit, including preservation of green space, development of recreational areas or public development and use of a property by the local government.

18. Make the following changes in the land recycling loan program within the environmental improvement fund: (a) eliminate the requirement that applicants submit an intent to apply form by December 31 of the preceding fiscal year; (b) direct DNR to accept applications at least semi-annually; (c) specify that the 40% of funds that can be used for landfills would be calculated on a fiscal year basis; (d) allow applicants to use other credit quality collateral that will meet typical financial underwriting criteria to provide adequate security for land recycling loans, in addition to current requirements; (e) clarify that demolition is an eligible activity under the program when a necessary part of remediation; and (f) direct DNR to provide loans for Phase I and II environmental site assessments and site investigations, as allowed by US EPA, when a local government can demonstrate that a remediation will be necessary at the time of the loan application.

Note:

[Change to Base: - \$5,100,000 GPR, \$11,774,300 SEG and \$11,000,000 SEG-REV and 5.0 SEG positions]

[Change to Bill: - \$5,100,000 GPR, \$9,575,300 SEG and \$11,000,000 SEG-REV and 5.0 SEG positions]

MO#

2 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 15 NO 1 ABS

NATURAL RESOURCES -- AIR, WASTE AND CONTAMINATED LAND
 COMMERCE -- DEPARTMENT AND ECONOMIC DEVELOPMENT

Brownfields and Site Assessment Grant Program

[LFB Paper #693]

Motion:

Move to require the Department of Commerce to make brownfields grants of \$375,000 to each of the Milwaukee Economic Development Corporation (MEDC) and Menomonee Valley Partners, Inc. in each year of the 2001-03 biennium. Require that these grants be used to fund projects that would receive the funding based on: (a) the degree of blight and underutilization in the area; (b) the potential for redevelopment; and (c) the project's compatibility with the Menomonee Valley Land Use Plan. Provide that the grant could be used to fund the cost of acquisitions, demolition, Phase I and II environmental assessments, removal of underground storage tanks and abandoned containers, site investigations, remediation, monitoring and environmental costs associated with conducting such activities. Require the Department of Commerce to make the grants no later than 120 days after the effective date of the bill in 2001-02 and by October 1, 2002 in fiscal year 2002-03.

MO#			
1	BURKE	<input checked="" type="radio"/>	N A
	DECKER	<input checked="" type="radio"/>	N A
	MOORE	<input checked="" type="radio"/>	N A
	SHIBILSKI	<input checked="" type="radio"/>	N A
	PLACHE	<input checked="" type="radio"/>	N A
	WIRCH	<input checked="" type="radio"/>	N A
	DARLING	<input checked="" type="radio"/>	N A
	WELCH	Y	<input checked="" type="radio"/> N A
	GARD	Y	<input checked="" type="radio"/> N A
	KAUFERT	Y	<input checked="" type="radio"/> N A
	ALBERS	Y	<input checked="" type="radio"/> N A
	DUFF	<input checked="" type="radio"/>	N A
	WARD	Y	<input checked="" type="radio"/> N A
	HUEBSCH	Y	<input checked="" type="radio"/> N A
	HUBER	<input checked="" type="radio"/>	N A
2	COGGS	<input checked="" type="radio"/>	N A

AYE 9 NO 7 ABS _____

NATURAL RESOURCES -- AIR WASTE AND CONTAMINATED LAND

Site Assessment Grants Application Sunset

[LFB Paper #693]

Motion:

Move to specify that the state may not accept applications for the site assessment grant program after June 30, 2003.

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
2 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 7 NO 9 ABS

NATURAL RESOURCES -- AIR, WASTE AND CONTAMINATED LAND

~~WASTE~~ Air Monitoring Sites

Motion:

Move to direct DNR to move any monitoring sites so that they are at least one mile away from Lake Michigan.

MO#			
BURKE	Y	<input checked="" type="radio"/>	A
DECKER	Y	<input checked="" type="radio"/>	A
MOORE	Y	<input checked="" type="radio"/>	A
SHIBILSKI	Y	<input checked="" type="radio"/>	A
FLACHE	Y	<input checked="" type="radio"/>	A
WIRCH	Y	<input checked="" type="radio"/>	A
DARLING	<input checked="" type="radio"/>	N	A
WELCH	<input checked="" type="radio"/>	N	A
GARD	<input checked="" type="radio"/>	N	A
KAUFERT	<input checked="" type="radio"/>	N	A
ALBERS	<input checked="" type="radio"/>	N	A
DUFF	<input checked="" type="radio"/>	N	A
WARD	<input checked="" type="radio"/>	N	A
HUEBSCH	<input checked="" type="radio"/>	N	A
HUBER	Y	<input checked="" type="radio"/>	A
COGGS	Y	<input checked="" type="radio"/>	A

AYE 8 NO 8 ABS _____

NATURAL RESOURCES -- AIR, WASTE AND CONTAMINATED LAND

Water Testing Contracts

Motion:

Move to require DNR to contract with private laboratories for water testing if the private facility charges less than the Wisconsin Lab of Hygiene for the same test.

Note:

Any savings realized by DNR through the private contracts would be used for LTE staffing to reduce the backlog in plan reviews.

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 5 NO 11 ABS _____

AGENCY: DNR

PAPER: #692

ISSUE: Vehicle Environmental Impact Fee

RECOMMENDATION: (Part of Burke/Duff Motion)

SUMMARY: Issue included in Burke/Duff Motion.

BY: Barry



Legislative Fiscal Bureau

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

May 24, 2001

Joint Committee on Finance

Paper #692

Vehicle Environmental Impact Fee (DNR -- Air, Waste and Contaminated Land)

[LFB 2001-03 Budget Summary: Page 498, #10]

CURRENT LAW

A \$6 per vehicle environmental impact fee is assessed at the time of titling new and used vehicles. The Department of Transportation collects the fees and deposits them in the environmental management account of the environmental fund. The fee was created in 1997 Act 27, effective December 1, 1997, at a rate of \$5 per vehicle and was applied to the titling of new vehicles. Effective December 1, 1999, 1999 Act 9 increased the fee to \$6 per vehicle and expanded the applicability of the fee to used vehicles. The fee is repealed on June 30, 2001. The fee generated \$8,650,100 in 1999-00 and will generate an estimated \$8,700,000 in 2000-01.

GOVERNOR

Recreate the \$6 per vehicle environmental impact fee beginning on October 1, 2001, and repeal the fee on September 30, 2003. The DOA Budget Office estimated the fee would provide revenue of approximately \$7.0 million in 2001-02 and \$9.6 million in 2002-03.

DISCUSSION POINTS

1. Recent estimates of fee revenue show that, under the bill, the fee would generate revenues of approximately \$6.6 million in 2001-02 for nine months of collections (instead of DOA's estimate of \$7.0 million) and \$9.0 million in 2002-03 (instead of DOA's estimate of \$9.5 million).
2. When the fee was created in 1997 Act 27, the intent was to provide revenues for contaminated land cleanup programs funded from the environmental management account of the

environmental fund, mainly DNR administrative staff and state-funded response actions at contaminated sites where there is no responsible party able or willing to cleanup the property, and the Commerce brownfields grant program. The intent of the 1999 Act 9 fee increase from \$5 to \$6 and expansion to apply to used vehicles as well as new vehicles was to provide additional revenues for the Commerce brownfields grant program.

3. The 1999-01 biennial budget bill, as passed by the Legislature, would have repealed the current June 30, 2001, fee sunset date in order to provide a permanent funding source for contaminated land and brownfields cleanup programs. The Governor's partial veto maintained the June 30, 2001, sunset date. The Governor's veto message indicated that he objected to making the fee permanent and believed that the Legislature should review the need for the fee in the 2001-03 biennial budget.

4. DOA indicates that Governor Thompson did not want to make the fee permanent because it was created as a temporary, four-year fee. DOA further indicates that Governor McCallum wants to explore other funding options and that continuing the fee for two years would allow continued funding of contaminated land and brownfields cleanup programs while funding options are reviewed.

5. In 2000-01, the vehicle fee will provide approximately 44% of the estimated \$19.9 million in revenues to the environmental management account. The recreated fee would provide approximately 37% of the \$42.1 million in estimated revenues to the account during the 2001-03 biennium. The following table shows estimated revenues and expenditures for 1999-00 through 2002-03. Other revenues include solid waste tipping fees, funds transferred from the petroleum inspection fund, \$3 million transferred from tribal gaming revenues (as recommended under the bill), pesticide and fertilizer fees, and other environmental fees.

6. Under the bill, the environmental management account would have an estimated June 30, 2003, balance of \$165,000. Estimated account expenditures during the biennium would equal \$44.5 million, including \$20.5 million for DNR administration and 102.7 staff, \$15 million for Commerce brownfields grants, \$7.8 million for state-funded response, well compensation grants and household hazardous waste grants, and \$1.0 million for other agencies with 3.5 staff.

**Estimated Condition -- Environmental Management Account
of the Environmental Fund
(\$ Millions)**

	1999-00 <u>Actual</u>	2000-01 <u>Estimated</u>	2001-02 <u>Estimated</u>	2002-03 <u>Estimated</u>
Opening Balance -- July 1	\$12.1	\$3.5	\$2.6	\$0.3
Revenues				
Vehicle Environmental Impact Fee	\$ 8.7	\$8.8	\$6.7	\$9.0
Solid Waste Tipping Fees	7.1	5.1	5.2	5.3
Transfer from Petroleum Inspection Fund	1.9	1.8	1.8	1.8
Transfer from Tribal Gaming Revenues	0.0	0.0	0.5	2.5
Pesticide and Fertilizer Fees	1.3	1.3	1.3	1.3
Sanitary Permit Surcharge	0.6	0.6	0.6	0.6
Nonmetallic Mining Fees	0.0	0.0	0.5	0.5
Other Fees and Income	6.6	1.4	1.8	1.8
Interest Income	<u>0.7</u>	<u>1.1</u>	<u>0.6</u>	<u>0.5</u>
Total Revenue	\$26.9	\$19.9	\$18.9	\$23.2
 Total Revenue Available	 \$39.0	 \$23.4	 \$21.4	 \$23.5
Expenditures and Reserves				
DNR Administration	\$10.2	\$10.1	\$10.2	\$10.3
Commerce Brownfields Grants	1.0	6.4	6.5	8.5
DNR State-funded Response, Well Compensation Grants and Household Hazardous Waste Grants	4.8	3.9	3.9	3.9
Other Agencies *	0.3	0.4	0.5	0.5
Reserves and Lapses	0.0	0.0	0.0	0.2
Encumbrances and Continuing Balances **	<u>19.1</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total Expenditures	35.5	20.9	21.1	23.4
 Closing Balance -- June 30	 \$3.5	 \$2.6	 \$0.3	 \$0.2

* Includes Department of Health and Family Services groundwater and air quality standards, Department of Military Affairs emergency response training and UW System environmental education.

** Includes \$10.3 million for Commerce brownfields grants, \$3.8 million for DNR brownfields site assessment and sustainable urban development zone grants, \$3.2 million for DNR state-funded response, \$0.9 million for DNR well compensation and \$0.9 million for other encumbrances.

7. The Brownfields Study Group, a group of representatives of local and state government, businesses and other public and private entities, released a January, 2001, report that recommended that the sunset of the fee be repealed in order to maintain the fiscal health of the environmental fund. The Brownfields Study Group also recommended that the fee be increased to provide additional revenues for the Commerce brownfields grant program and the DNR site assessment grant program and to provide a stable source of funding for DNR remediation staff. The

report did not recommend a specific fee increase amount. In an April 20, 2001, letter to the Co-Chairs of the Joint Committee on Finance, the non-state agency members of the Brownfields Study Group recommended that the bill be amended to provide the vehicle environmental impact fee as a permanent source of funding for brownfields efforts and indicated the recommendation is a high priority for the group.

8. The Department of Transportation, which collects the fee when new and used vehicle titles are transferred, has indicated that the June 30, 2001, end date of the current fee, followed by an October 1, 2001, implementation date of the recreated fee, would be administratively difficult for DOT and DOT's third party agents to obtain the correct title fee from customers. DOT suggests a change in the effective date for recreating the fee to July 1, 2001, so that there would not be a stop and restart to collection of the fee. However, current law provides no authority for DOT to collect the fee after June 30, 2001. Further, the effective date of the biennial budget act is likely to be after July 1.

9. If the Committee wants to ensure that the effective date of the recreated fee would be after the budget act is signed and that there would be sufficient time for DOT to make necessary process and computer system changes, the bill could be amended to make the fee effective on the first day of the second month after the effective date of the bill instead of specifying an October 1, 2001, effective date. This would provide DOT with at least one month after the budget act is signed to make necessary changes to implement the recreated fee. The modified effective date would be consistent with the 1999 Act 9 effective date of the fee increase from the prior \$5 to the current \$6 per vehicle. If the biennial budget act becomes effective in August, 2001, the alternative effective date of the fee would still be October 1, 2001.

10. If the fee is sunset as recommended by the Governor, it may be appropriate to include a repeal date of December 31, 2003, instead of September 30, 2003, under the bill. This would ensure that after the 2003-05 biennial budget goes into effect, DOT would have sufficient time to make whatever process and computer system changes are necessary in the fall of 2003 related to the fee.

11. It could be argued that the fee should be made permanent in order to provide a permanent funding source for brownfields and contaminated land cleanup grants, state administration and state-funded response cleanup activities. During the four years that the fee has existed, conversion of the fee to permanent has generated support from proponents of state brownfields and contaminated land cleanup efforts. Further, rather than phasing out the program, the Governor and Legislature have increased brownfield grants in each biennium. Under this alternative, contaminated land and brownfields cleanup programs would be provided a stable funding source beyond a two-year timeframe.

12. The Brownfields Study Group recommended that the fee be increased to provide additional funds for contaminated land and brownfields cleanup activities. Each \$1 of fee increase would generate revenues of approximately \$1.1 million in 2001-02 and \$1.5 million in 2002-03.

13. If the fee is not recreated, if no alternative revenues are provided to the environmental management account, and if expenditure authority is not reduced to within available revenues, the Department of Administration would be responsible for ensuring that agencies limit expenditures to available revenues. If the Committee chooses to maintain the current law repeal of the fee on June 30, 2001, it could decrease the expenditure authority of appropriations from the environmental management account proportionate to the transfer. For example, DNR administrative appropriations comprise approximately 46% of the account appropriations and the Commerce brownfields grant appropriation comprises approximately 34% of the account appropriations. It should be noted that the necessary reductions of these appropriations would represent a decrease of approximately 37% in state funds spent on brownfields grants, state staff administration of contaminated land and brownfields cleanups and state-funded response cleanup. Alternatively, since the vehicle fee has been primarily linked to funding for the Commerce brownfields grant program, funding for that program could be eliminated and the remaining expenditure reductions necessary to maintain a positive balance could be made in the DNR state-funded response cleanup appropriation (currently funded at \$3,321,300 annually).

ALTERNATIVES TO BASE

1. Approve the Governor's recommendation to recreate the \$6 per vehicle environmental impact fee beginning on October 1, 2001, and repeal the fee on September 30, 2003. Reestimate fee revenue to \$6,600,000 in 2001-02 (a decrease of \$400,000) and to \$9,000,000 in 2002-03 (a decrease of \$600,000).

<u>Alternative 1</u>	<u>SEG</u>
2001-03 REVENUE (Change to Base)	\$15,600,000
[Change to Bill]	- \$1,000,000]

2. Approve the Governor's recommendation to recreate the \$6 per vehicle environmental impact fee, with the reestimated revenues. In addition, change the effective date to the first day of the second month beginning after the effective date of the bill (instead of on October 1).

<u>Alternative 2</u>	<u>SEG</u>
2001-03 REVENUE (Change to Base)	\$15,600,000
[Change to Bill]	- \$1,000,000]

3. In addition to Alternative 1 or 2, make one of the following changes in the repeal date of the fee.

a. Delete the September 30, 2003, sunset of the fee. This would make the fee permanent.

b. Sunset the fee on December 31, 2003, instead of September 30, 2003.

4. Maintain current law. (The vehicle environmental impact fee would end on June 30, 2001.) In addition, reduce the following appropriations to maintain a positive balance in the environmental management account: (a) reduce the Commerce brownfields grant appropriation by \$6,500,000 SEG in 2001-02 and \$8,500,000 SEG in 2002-03 to provide no funding for brownfields grants and site assessment grants; and (b) reduce the DNR state-funded response cleanup appropriation by \$100,000 SEG in 2001-02 and \$500,000 SEG in 2002-03.

Alternative 4	SEG
2001-03 REVENUE (Change to Base)	\$0
[Change to Bill]	- \$16,600,000]
2001-03 FUNDING (Change to Base)	- \$15,600,000
[Change to Bill]	- \$15,600,000]

5. Maintain current law. (The vehicle environmental impact fee would end on June 30, 2001.) In addition, reduce the following appropriations to maintain a positive balance in the environmental management account: (a) reduce the Commerce brownfields grant appropriation by \$2,300,000 SEG in 2001-02 and \$3,100,000 SEG in 2002-03; (b) reduce DNR administrative appropriations by \$3,000,000 SEG and 25.0 SEG positions in 2001-02 and \$4,130,000 SEG with 34.0 SEG positions in 2002-03; (c) reduce the DNR state-funded response cleanup appropriation by \$1,020,000 SEG in 2001-02 and \$1,400,000 SEG in 2002-03; (d) reduce the DNR well compensation grant appropriation by \$120,000 SEG in 2001-02 and \$160,000 SEG in 2002-03; (e) reduce the DNR household hazardous waste grant appropriation by \$50,000 SEG in 2001-02 and \$60,000 SEG in 2002-03; and (f) reduce the Department of Health and Family Services groundwater and air quality standards appropriation by \$110,000 SEG in 2001-02 and \$150,000 SEG in 2002-03 and 1.0 SEG position annually. (This would represent a 37% decrease in appropriations from the environmental management account.)

Alternative 5	SEG
2001-03 REVENUE (Change to Base)	\$0
[Change to Bill]	- \$16,600,000]
2001-03 FUNDING (Change to Base)	- \$15,600,000
[Change to Bill]	- \$15,600,000]
2002-03 POSITIONS (Change to Base)	- 35.00
[Change to Bill]	- 35.00]

6. Maintain current law. (The vehicle environmental impact fee would end on June 30, 2001. DOA and state agencies would have to manage the expenditures in appropriations from the environmental fund so that they are \$6,600,000 less than authorized in 2001-02 and \$9,000,000 less

than authorized in 2002-03.)

Alternative 6	SEG
2001-03 REVENUE (Change to Base)	\$0
<i>[Change to Bill]</i>	<i>[- \$16,600,000]</i>

Prepared by: Kendra Bonderud

AGENCY: DNR

PAPER: #693

ISSUE: Brownfields Site Assessment Grant Program

RECOMMENDATION: (Part of Burke/Duff Motion)

SUMMARY: Issue included in Burke/Duff Motion.

BY: Barry