

Fiscal Estimate - 2019 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 19-3192/1	Introduction Number AB-0838	
Description method for establishing proof of financial responsibility for solid waste facilities owned or operated by a municipality and granting rule-making authority		
Fiscal Effect State: <input type="checkbox"/> No State Fiscal Effect <input checked="" type="checkbox"/> Indeterminate <input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Increase Existing Revenues <input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Decrease Existing Revenues <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Create New Appropriations <input type="checkbox"/> Decrease Costs		
Local: <input type="checkbox"/> No Local Government Costs <input checked="" type="checkbox"/> Indeterminate 1. <input type="checkbox"/> Increase Costs 3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 2. <input checked="" type="checkbox"/> Decrease Costs 4. <input type="checkbox"/> Decrease Revenue <input checked="" type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 5. Types of Local Government Units Affected <input checked="" type="checkbox"/> Towns <input checked="" type="checkbox"/> Village <input checked="" type="checkbox"/> Cities <input checked="" type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts		
Fund Sources Affected Affected Ch. 20 Appropriations <input type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS		
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Fiscal Estimate Narratives

DNR 2/10/2020

LRB Number	19-3192/1	Introduction Number	AB-0838	Estimate Type	Original
Description method for establishing proof of financial responsibility for solid waste facilities owned or operated by a municipality and granting rule-making authority					

Assumptions Used in Arriving at Fiscal Estimate

The bill allows an owner or operator of a solid or hazardous waste facility that is a municipality to use an alternative method to establish proof of financial responsibility to ensure compliance with closure and long-term care requirements, similar to that allowed for local governments under federal law. It expands existing state law to establish a new net worth test for municipalities similar to the existing net worth test for privately-owned solid waste facilities under Wis. Stat. § 289.41 (2020). The bill also requires DNR to establish additional rules relating to the alternative method established under this bill.

State Fiscal Effect

Proof of owner financial responsibility (OFR) exists to ensure that facility owner/operators have adequate financial resources to comply with facility closure and long-term care maintenance, and it ensures that the Department can fulfill facility closure/long term care requirements if the owner/operator fails to do so.

The bill proposes to expand the number of entities authorized to use a net worth test, which presents a potential cost to the Department. If a facility is unable to cover costs of closure and long-term care, non-facility owner/operator financial resources would be needed to properly close and maintain a facility to mitigate impacts to human health, welfare, and the environment. Since the Department cannot use an OFR set-aside for one facility to fund the costs of closure or long-term care for a different facility, each facility using a net-worth test is a standalone financial risk. The Department has no identifiable financial mechanism to fund the closure and long-term care of any facility using a net-worth test which subsequently is unable to meet its financial obligations.

This bill does not directly affect Department costs or revenues; however, if the Department must fund the closure and long-term care of a municipally-owned facility, costs may range from \$30,000 to \$14,410,000 per facility. This exposure is in addition to the range of \$218,000 to \$13,430,000 (a total of \$124,118,000) per private company-owned facility already using a net worth test, should one of these companies go bankrupt.

The overall state fiscal effect is characterized as indeterminate due to the inability to calculate the probability with which the Department would be required to fund the closure and/or long-term care of a municipally-owned facility.

Local Fiscal Effect

OFR mechanisms, aside from the net worth test, require financial resources up front, including bonds, letters of credit, cash deposits with the department, escrow accounts or trust accounts. Each mechanism has costs including up-front and/or annual ongoing costs. The net worth test does not require the facility owner/operator to actually set aside or pay for the availability of funds. Therefore, allowing municipalities to utilize a net worth test could reduce their costs by an indeterminate amount.

Long-Range Fiscal Implications