



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873
Email: fiscal.bureau@legis.wisconsin.gov • Website: <http://legis.wisconsin.gov/lfb>

May 5, 2015

Joint Committee on Finance

Paper #478

Environmental Management Account Overview (DNR -- Environmental Quality)

[LFB 2015-17 Budget Summary: Page 324, #8]

CURRENT LAW

The segregated environmental management account provides funding for: (a) recycling financial assistance to local governments; (b) Department of Natural Resources (DNR) administration of contaminated land, brownfields cleanup, and recycling programs, including staff in remediation and redevelopment, solid waste management, air management, groundwater management, and central administrative programs; (c) brownfields and well compensation grant programs; (d) debt service costs for general obligation bonds issued for state-funded cleanup of contaminated land and sediment, a former point source water pollution abatement grant program and for DNR administrative facilities; (e) state-funded cleanup of contaminated properties where there is no responsible party able or willing to pay for the cleanup; (f) the UW System Bioenergy Initiative; (g) certain environmental and recycling programs in the UW System, and the Departments of Agriculture, Trade and Consumer Protection (DATCP), Corrections, Health Services, and Military Affairs; and (h) remediation of specific sites using moneys received under court-approved settlement agreements or orders (primarily for Fox River cleanup). In the 2013-15 biennium, approximately 88% of revenue to the environmental management account is anticipated to be received from solid waste tipping fees totaling \$9.64 per ton (out of state tipping fees totaling \$12.997 per ton). The remaining 12% of revenues include a transfer from the segregated petroleum inspection fund, several license and other environmental fees, and revenues received for designated purposes.

GOVERNOR

Major changes that would reduce overall expenditures from environmental management account SEG by approximately \$8.3 million for the biennium are shown in Table 1. In addition

to the reductions shown in the table, the Executive Budget Book states that the Governor recommends lapsing \$2 million in each year from annual appropriations (reduce expenditures below authorized levels) funded from the environmental management account to ensure a positive account balance. The administration did not indicate how these expenditure reductions would be managed, or which programs might be affected.

TABLE 1

Environmental Management Account Expenditures - Change to Base

	<u>2015-16</u>	<u>2016-17</u>
DNR Reduce Recycling Grants to Local Governments	-\$4,000,000	\$0
DNR Shift GPR Debt Service to SEG	4,900,700	0
DNR Debt Service Reestimate	-237,700	-571,300
DNR Position Reductions: 1.0 Recycling and 0.5 Business Support	-129,800	-129,800
DNR Law Enforcement Equipment and Overtime	25,700	25,700
DNR Environmental Enforcement	300,000	300,000
DNR Transfer Private Onsite Wastewater Treatment System Funding from DSPPS	395,100*	790,100*
Corrections - Eliminate funding for Computer Recycling	-256,200	-256,200
UW System - Eliminate funding for UW Bioenergy Initiative	-4,069,100	-4,069,100
UW System - Eliminate funding for Extension Recycling Education	-394,100	-394,100
UW System - Eliminate funding for Solid Waste Research and Experiments	-156,100	-156,100
UW System - Eliminate funding for Environmental Education from Environmental Assessments	<u>-130,500</u>	<u>-130,500</u>
Total - Major Items	-\$3,752,000	-\$4,591,300

*Revenue associated with this program totals approximately \$814,000 in 2015-16 and \$1,629,000 in 2016-17.

DISCUSSION POINTS

1. This paper provides a general overview of the environmental management account of the segregated environmental fund, the estimated condition of the account, and general information about revenues and expenditures in the account. It does not include alternatives for individual budget issues.

2. Separate budget papers provide detail about several specific budget issues related to expenditures from the environmental management account, and include alternatives related to the individual items. However, consideration of any changes in expenditures from the amounts included in the bill for specific budget issues will impact the balance of the account, and the amount that will be available for expenditure for other appropriations funded from the environmental management account.

3. Wisconsin landfills pay state solid waste tipping fees for each ton of solid waste disposed of in the landfill. Table 2 shows the state tipping fee rates per ton. State tipping fee rates

are almost \$13 per ton for municipal solid waste and non- high-volume industrial waste. The recycling and solid waste landfill administration tipping fees are assessed and collected quarterly. The other environmental management (environmental repair, groundwater, and well compensation), nonpoint, and Solid Waste Facility Siting Board fees are assessed annually in May for tons disposed of during the previous calendar year. Of the total state tipping fees, \$9.64 per ton of municipal solid waste and non- high-volume industrial waste is deposited in the environmental management account. High-volume industrial waste is subject to tipping fees of \$0.34 per ton deposited in the account. The state tipping fee increased from \$3.80 per ton to \$5.90 per ton in the fall of 2007 and to \$13 per ton by the fall of 2009.

TABLE 2
State Solid Waste Tipping Fees Per Ton

<u>Fund, Fee</u>	<u>Type</u>	<u>Municipal and Non- High-Volume Industrial Waste</u>	<u>High-Volume Industrial Waste</u>	<u>PCB- Contaminated Sediment</u>
Recycling	SEG	\$7.000	\$0.000	\$0.000
Environmental repair	SEG	2.500	0.200	0.850
Groundwater	SEG	0.100	0.100	0.100
Well compensation	SEG	<u>0.040</u>	<u>0.040</u>	<u>0.040</u>
Subtotal Environmental Management		\$9.640	\$0.340	\$0.990
Nonpoint account	SEG	3.200	0.000	3.200
DNR Solid Waste landfill administration	PR	0.150	0.150	0.150
DOA Solid Waste Facility Siting Board	PR	<u>0.007</u>	<u>0.007</u>	<u>0.007</u>
Subtotal Nonpoint/Program Revenue Accounts		\$3.357	\$0.157	\$3.357
Total State Tipping Fee		\$12.997	\$0.497	\$4.347

-High-volume industrial waste includes fly ash, bottom ash, paper mill sludge and foundry process waste.

-Municipal and non- high-volume industrial waste includes solid waste generated by residences, business, commercial, government facilities, construction and demolition, and industrial uses that are not high-volume.

-PCB (polychlorinated biphenyls) contaminated sediments are subject to the rates in the table if they are removed from a navigable water of the state in connection with a phase of a project to remedy contamination of the bed of the navigable water, and the quantity of sediments removed will exceed 200,000 cubic yards. If the PCB sediments do not meet these criteria, they are subject to the fees for non- high-volume industrial waste.

-Waste used as daily cover, lining, capping or constructing berms, dikes or roads in the facility is exempt from the fees if use for that purpose is approved by DNR and the waste is used in that way.

4. Programs funded by tipping fees other than environmental management fees, and listed in Table 2, are not described in detail in this paper. The environmental fund also includes the nonpoint account, which supports programs in DNR and DATCP related to abatement of runoff from agricultural and urban sources. The DNR solid waste landfill administration program revenue (PR) appropriation funds DNR administration of: (a) landfill plan review and licensing; (b) licensing of solid waste collectors and transporters; and (c) plan review and licensing of hazardous waste facilities and transporters. The Solid Waste Facilities Siting Board, attached to the Department of Administration (DOA), supervises mandated negotiation and arbitration procedures

related to the siting of solid or hazardous waste facilities.

5. Table 3 shows the total tons of solid waste disposed of in Wisconsin landfills for the past six years of available data, from 2009 through preliminary data for calendar year 2014. Tonnages are shown on a calendar-year basis, and fees are mostly received before the end of the succeeding fiscal year (that is, fees for calendar year 2013 disposal were primarily received as fiscal year 2013-14 revenues).

TABLE 3
Tons of Solid Waste Landfilled in Wisconsin
by Category and Year

Type of Waste	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u> (preliminary)
Municipal Solid Waste and Construction and Demolition Waste	5,217,029	4,568,074	4,443,342	4,358,897	4,217,321	4,346,568
Other Non- High-Volume Industrial Waste	528,152	510,689	809,264	714,297	495,227	601,772
PCB Contaminated Sediment	<u>341,580</u>	<u>385,265</u>	<u>124,713</u>	<u>833,588</u>	<u>295,865</u>	<u>342,970</u>
Subtotal Tons subject to nonpoint and environmental tipping fees *	6,144,553	5,525,928	5,428,100	5,970,760	5,094,088	5,383,896
High-volume industrial waste subject to environmental tipping fees **	<u>1,028,743</u>	<u>914,262</u>	<u>1,045,635</u>	<u>880,082</u>	<u>1,136,766</u>	<u>1,267,339</u>
Tons subject to state tipping fees	7,173,296	6,440,190	6,473,735	6,850,842	6,230,854	6,651,235
Tons exempt from all state tipping fees	<u>1,560,408</u>	<u>1,829,755</u>	<u>1,560,164</u>	<u>1,859,000</u>	<u>1,619,116</u>	<u>1,558,091</u>
Total waste landfilled in Wisconsin	8,733,704	8,269,945	8,043,899	8,709,842	7,849,970	8,209,326
Percent change in tons subject to Environmental tipping fees		-10.2%	0.5%	5.8%	-9.0%	6.7%
Percent change in total tons landfilled in Wisconsin		-5.3%	-2.7%	8.3%	-9.9%	4.6%
Landfilled tons from out-of-state	1,196,170	526,437	425,986	385,736	375,266	347,253

*Some of these tons are subject to reduced rates for, or exemption from, certain state tipping fees.

**Includes utility power plant ashes and sludges, pulp and papermill waste, foundry manufacturing waste, and energy recovery incinerator ash. These wastes are not subject to nonpoint or recycling tipping fees.

6. The waste shown in Table 3 as exempt from state tipping fees is mostly waste used as daily cover, lining, capping or for constructing berms, dikes or roads in the facility is exempt from the fees if use for that purpose is approved by DNR and the waste is used in that way. Under 2011 Act 32, solid waste is exempt from all state solid waste tipping fees if it is waste generated from a natural disaster and if certain conditions apply. (Approximately 700 tons has been exempt from tipping fees under this provision in 2012 through 2014.) Under 2013 Act 301, additional exemptions were created from all state tipping fees, effective with waste disposed of on or after January 1, 2015, that are anticipated to exempt approximately 82,200 tons from fees, including: (a)

certain residual waste from qualified materials recovery facilities, where recyclable materials that are banned from landfills are processed for reuse or recycling; and (b) certain waste generator bad debt, where waste generators fail to pay landfill operators the required tipping fees. Any tons provided an exemption from tipping fees under 2013 Act 301 will first show as exempt tons in calendar year 2015, and are expected to reduce environmental management account revenues by approximately \$800,000 annually beginning in 2015-16.

7. Table 3 shows that the amount landfilled in Wisconsin declined steadily from 2009 through 2011 as economic activity slowed and state tipping fees increased. The amount of solid waste subject to tipping fees increased in 2012 due to an unusually high year for disposal of PCB-contaminated sediments related to the Fox River and Sheboygan River cleanup projects. If not for those projects, the number of tons subject to tipping fees would have been lower than 2010 and 2011. The amount of waste landfilled in the state declined by 9.9% in 2013 and increased by 4.6% in 2014. A contributing factor to the declining disposal trend has been out of state waste disposal in Wisconsin landfills. The number of tons of waste from out of state disposed of in Wisconsin reached a high of over 2.1 million tons in 2004, declined to 1.2 million tons in 2009, and has continued to decline to 347,300 tons in 2014.

8. Table 4 shows the estimated condition of the environmental management account in 2013-14 through 2016-17. In 2016-17, revenues are expected to total approximately \$56.7 million, and authorized expenditures under the bill will total approximately \$54.5 million with 113.29 positions. Estimated tipping fee revenues shown in the table reflect an estimate of modest growth in municipal solid waste and non- high-volume industrial waste landfilled in the state of approximately 1.5% in 2015 and 1.0% in 2016, and a modest growth of approximately 1.5% annually in the amount of high-volume industrial waste. The actual amounts landfilled will depend on changes such as in consumption by residents, amount of packaging of products, and production by businesses and industry. Estimated revenues in Table 4 also reflect the tipping fee exemptions enacted in 2013 Act 301.

9. The opening cash balance and anticipated revenues of the environmental management account are estimated to be sufficient to fund expenditures recommended under the bill. Further, it is anticipated the June 30, 2017, closing available balance will be approximately \$4.6 million. Based on current estimates of the available balance in the environmental management, it is anticipated the Governor's recommended \$2 million in lapses from annual appropriations will not be needed. Further, the Committee could consider restoring some, but not all, of the expenditure reductions made under the bill.

10. In the 2015-17 biennium, 87% of revenue to the account (other than site specific revenues) is anticipated to be received from the environmental and recycling state solid waste tipping fees. This includes the \$7 per ton recycling tipping fee and the \$2.64 per ton environmental management tipping fees (environmental repair, groundwater, and well compensation). Approximately one-third of budgeted expenditures for the 2015-17 biennium (excluding site specific expenditures) are for municipal recycling grants and almost 30% are for debt service payments.

TABLE 4**Environmental Management Account Condition**

	2013-14 <u>Actual</u>	2014-15 <u>Base Funding</u>	2015-16 <u>Bill</u>	2016-17 <u>Bill</u>	2016-17 <u>Staff</u>
Opening Balance -- July 1	\$18,750,200	\$12,872,500	\$10,732,200	\$10,622,200	
Revenues					
Solid Waste Tipping Fees - Recycling *	\$33,043,500	\$33,946,100	\$34,004,300	\$34,354,300	
Solid Waste Tipping Fees - Environmental	11,022,100	16,478,500**	14,012,200	14,096,600	
Transfer to Nonpoint Account	-650,000	-1,300,000	0	0	
Transfer from Petroleum Inspection Fund	1,704,800	1,704,800	1,704,800	1,704,800	
Pesticide and Fertilizer Fees	1,625,400	1,550,000	1,550,000	1,550,000	
Hazardous Waste Generator Fees	977,600	950,000	950,000	950,000	
Site Specific Remediation	1,164,500	1,000,000	1,000,000	1,000,000	
Private Onsite Wastewater Fees (transfer from DSPS)	0	0	814,000	1,629,000	
Other Fees and Income - Environmental	1,138,800	1,067,500	1,067,500	1,067,500	
Other Fees and Income - Recycling *	<u>1,070,500</u>	<u>320,000</u>	<u>310,000</u>	<u>310,000</u>	
Total Revenue	\$51,097,200	\$55,716,900	\$55,412,800	\$56,662,200	
Total Revenue Available	\$69,847,400	\$68,589,400	\$66,145,000	\$67,284,400	
Expenditures					
DNR Recycling Grants to Local Governments *	\$20,000,000	\$20,000,000	\$16,000,000	\$20,000,000	
DNR Administration - Environmental	10,976,100	11,114,200	12,143,800	12,558,400	90.89
DNR Administration - Recycling *	2,562,200	2,896,500	2,871,100	2,944,300	20.40
DNR Brownfields or Well Grants	218,600	276,000	276,000	276,000	
DNR State-funded Cleanup	1,511,900	2,292,700	2,292,700	2,292,700	
DNR Site Specific Remediation	1,108,600	1,000,000	1,000,000	1,000,000	
Debt Service for General Obligation Bonds	13,498,300	13,602,700	18,604,300	13,370,100	
UW System Bioenergy Initiative *	4,176,100	4,069,100	0	0	0.00
WEDC Brownfields Grants	1,000,000	1,000,000	1,000,000	1,000,000	
Other Agencies - Environmental ***	443,800	436,200	584,900	325,300	2.00
Other Agencies - Recycling *	1,479,300	1,555,700	750,000	750,000	0.00
Expenditure of prior year encumbrances		<u>114,100</u>			
Expenditures	\$56,974,900	\$58,357,200	\$55,522,800	\$54,516,800	113.29
Reserves/Lapses		<u>-500,000</u>			
Total Expenditures	\$56,974,900	\$57,857,200	\$55,522,800	\$54,516,800	
Cash Balance	\$12,872,500	\$10,732,200	\$10,622,200	\$12,767,600	
Encumbrances, Continuing Balances ****	-\$8,756,300	-\$8,592,200	-\$8,291,200	-\$8,186,200	
Closing Available Balance -- June 30	\$4,116,200	\$2,140,000	\$2,331,000	\$4,581,400	

* Revenues to or appropriations funded from the recycling fund prior to 2011-12. Other agencies include Department of Agriculture, Trade and Consumer Protection clean sweep grants, Department of Corrections computer recycling, UW Extension recycling education, and UW System solid waste research and experiments.

** Includes approximately \$2.4 million of environmental solid waste tipping fees assessed in 2013-14 for calendar year 2013 and expected to be collected in 2014-15.

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

**** In 2013-14, includes \$4.2 million for DNR state-funded cleanup, \$2.6 million for DNR site specific remediation, \$0.7 million for DATCP clean sweep grants, \$0.6 million for DNR well compensation, \$0.3 million for UW environmental education, \$0.3 million for electronics recycling, and \$0.1 million for other programs.

11. One of the revenues received by the environmental management account is an ongoing appropriation of \$1,704,800 annually from the segregated petroleum inspection fund. A separate budget paper related to the petroleum environmental cleanup fund award program (PECFA) describes the petroleum inspection fund, uses of the fund, and the substantial anticipated balance at the end of the 2015-17 biennium (estimated to be \$23.7 million under the bill as introduced). The Committee could consider utilizing a portion of the petroleum inspection fund balance to address funding issues in the environmental management account.

12. The attachment shows all appropriations funded from the environmental management account under the bill in the 2015-17 biennium. It also includes actual expenditures for the appropriations funded from the account in 2013-14 and base funding amounts for 2014-15.

Prepared by: Kendra Bonderud
Attachment

ATTACHMENT

**Environmental Management Account Appropriations
2013-14 Through 2016-17**

<u>Agency/Statutory Citation</u>	<u>Appropriation Name</u>	<u>2013-14 Expenditures</u>	<u>2014-15 Base Funding</u>	<u>2014-15 Positions</u>	<u>2015-16 Bill</u>	<u>2016-17 Bill</u>	<u>2016-17 Positions</u>
Natural Resources (DNR)							
DNR Operations:							
(2)(mq)	Air and waste operations	\$3,579,020	\$3,710,800	33.50	\$3,741,600	\$3,741,600	33.50
(2)(mr)	Brownfields operations	295,836	301,000	3.00	264,800	264,800	3.00
(2)(hq) ***	Recycling administration	1,474,417	1,524,400	14.50	1,477,800	1,477,800	13.50
(2)(hr) */***	Electronic waste recycling administration	316,284	370,000	1.00	350,000	415,000	1.00
(3)(mq)	Enforcement and science operations	1,729,668	1,160,300	8.58	1,877,100	1,877,100	11.20
(3)(mr) ***	Recycling enforcement	273,400	277,100	2.40	400,800	400,800	3.40
(4)(mq)	Water operations	2,960,812	3,496,000	29.67	3,914,000	4,309,000	38.57
(8)(mv)	Administration and technology operations	1,290,132	1,307,700	0.43	1,367,300	1,386,900	0.52
(9)(mv)	Customer assistance and external relations operations	1,007,779	1,046,500	6.61	887,100	887,100	4.10
(9)(is) ***	State recycling grants administration	98,663	304,200	3.00	216,300	216,300	2.00
(8)(iw) ***	Statewide recycling administration	413,000	420,800	0.50	426,200	434,400	0.50
DNR Cleanup and Recycling Assistance:							
(6)(bu) ***	Recycling financial assistance for responsible units	18,999,991	19,000,000		15,000,000	19,000,000	
(6)(bw)	Recycling consolidation grants	1,000,000	1,000,000		1,000,000	1,000,000	
(2)(dv)	Environmental repair; spills; abandoned containers (state-funded cleanup)	1,511,883	2,292,700		2,292,700	2,292,700	
(6)(cr)	Well compensation grants	88,579	276,000		276,000	276,000	
(2)(du) *	Site specific remediation	1,108,559	1,000,000		1,000,000	1,000,000	
(4)(au) *	Cooperative remedial action; contributions	0	0		0	0	
(4)(av) *	Cooperative remedial action; interest on contributions	0	0		0	0	
(4)(ar)	Groundwater management	99,360	91,900		91,900	91,900	
(6)(ev) ***	PCB-contaminated sediment transport grants	0	0		0	0	
(6)(et)	Brownfield site assessment grants	129,990	repealed		repealed	repealed	
(2)(fq)	Indemnification agreements	0	0		0	0	
DNR Debt Service:							
(7)(bq) **	Remedial action	3,421,627	3,311,400		3,277,300	3,109,600	
(7)(br) **	Contaminated sediment cleanup	1,410,909	1,595,300		1,724,500	2,104,500	
(7)(er) **	Administrative facilities	665,795	696,000		701,800	706,800	
(7)(ct) **	Water pollution abatement	<u>8,000,000</u>	<u>8,000,000</u>		<u>12,900,700</u>	<u>7,449,200</u>	
DNR Subtotal		\$49,875,704	\$51,182,100	103.19	\$53,187,900	\$52,441,500	111.29

Environmental Management Account Appropriations - (continued)

<u>Agency/Statutory Citation</u>	<u>Appropriation Name</u>	<u>2013-14 Expenditures</u>	<u>2014-15 Base Funding</u>	<u>2014-15 Positions</u>	<u>2015-16 Bill</u>	<u>2016-17 Bill</u>	<u>2016-17 Positions</u>
Agriculture, Trade and Consumer Protection							
(7)(va)	*** Clean sweep grants	\$844,061	\$750,000		\$750,000	\$750,000	
(1)(u)	*** Recyclable products regulation	0	0		0	0	
(4)(qm)	*** Grants for agricultural facilities	0	0		0	0	
Corrections							
(1)(qm)	*** Computer recycling	91,593	255,500	1.00	repealed	repealed	
Health Services							
(1)(q)	Groundwater and air quality standards	318,182	328,600	2.00	317,300	317,700	2.00
Military Affairs							
(3)(t)	Emergency response training	495	7,600		7,600	7,600	
University of Wisconsin System							
(1)(r)	* Environmental education; environmental assessments	123,798	100,000		260,000	repealed	
(1)(s)	*** Wisconsin bioenergy initiative	4,176,140	4,069,100	35.20	0	repealed	
(1)(tb)	*** Extension recycling education	388,200	394,100	4.00	0	repealed	
(1)(tm)	*** Solid waste research and experiments	155,400	156,100	1.00	0	repealed	
Wisconsin Economic Development Corporation							
(1)(s)	Brownfield site assessment grants	1,000,000	1,000,000		1,000,000	0	
Grants to Forward Wisconsin Development Authority							
(3)(s)	Brownfield site assessment grants	0	0		0	1,000,000	
Wisconsin Housing and Economic Development Authority							
(5)(q)	*** Transfer to development reserve fund	0	0		0	0	
Miscellaneous - Controller's Office							
NA	Payment of Cancelled Checks	<u>1,325</u>	<u>0</u>		<u>0</u>	<u>0</u>	
Subtotal Agencies Other than DNR		\$7,099,194	\$7,061,000	43.20	\$2,334,900	\$2,075,300	2.00
Total All Agencies		\$56,974,898	\$58,243,100	146.39	\$55,522,800	\$54,516,800	113.29

* Appropriations are continuing and show the estimated expenditures, rather than the Chapter 20 appropriations schedule amount.

** Debt service appropriations are sum sufficient and show actual expenditures in 2013-14, and estimated expenditures in 2014-15 through 2016-17. The water pollution abatement debt service appropriation is sum certain through 2014-15, and would be converted to sum sufficient in 2015-16 under the bill.

*** Appropriation was funded from the segregated recycling fund prior to 2011-12, and is funded from the environmental management account as of 2011-12.