

1995-96 SESSION
COMMITTEE HEARING
RECORDS

Committee Name:

Joint Committee on
Finance (JC-Fi)

Sample:

Record of Comm. Proceedings ... RCP

- 05hrAC-EdR_RCP_pt01a
- 05hrAC-EdR_RCP_pt01b
- 05hrAC-EdR_RCP_pt02

➤ Appointments ... Appt

➤ **

➤ Clearinghouse Rules ... CRule

➤ **

➤ Committee Hearings ... CH

➤ **

➤ Committee Reports ... CR

➤ **

➤ Executive Sessions ... ES

➤ **

➤ Hearing Records ... HR

➤ **

➤ Miscellaneous ... Misc

➤ 95hrJC-Fi_Misc_pt64

➤ Record of Comm. Proceedings ... RCP

➤ **

IV. Department of Development -- William McCoshen, Secretary

This item was submitted to the Committee under s. 16.515 on December 12, 1995; the Committee chose to schedule it for review at the April 16 meeting under s. 13.10.

The Department of Development is seeking approval of its GPR lapse plan. Under s. 9116(6g) of 1995 Act 27, the department is required to lapse \$500,000 GPR in each year of the biennium. The department has proposed reductions in the Wisconsin Development Fund, the Technology and Pollution Control and Abatement Grants and Loan Program, the American Indian Economic Development Program, the Rural Economic Development Program, the Minority Business Projects Program and the Heritage Tourism Program.

Governor's Recommendation

Approve the request.

DEVELOPMENT

Act 27 Expenditure Reduction--Agenda Item IV

Passes
9/7

Motion:

Move to modify the GPR expenditure reductions recommended by the Secretary of the Department of Development (DOD) to eliminate the recommended funding reduction of \$50,000 GPR in 1996-97 for the Rural Economic Development Program (REDP) and, instead, increase the reduction in funding for the Wisconsin Development Fund (WDF) by \$50,000 GPR in 1996-97. Also, require DOD to increase its planned base level funding reduction for the WDF by \$50,000 GPR and to eliminate its planned base level funding reduction for the REDP for the 1997-99 biennium.

Note:

Under the provisions of 1995 Wisconsin Act 27 (the 1995-97 budget) DOD is required to reduce GPR expenditures from one or more of its appropriations to generate \$500,000 of savings annually in the 1995-97 biennium. To reflect the expenditure reductions, DOD must reduce its base level appropriations by a total of \$500,000 when it submits its 1997-99 agency budget request to the Department of Administration.

This motion would modify the expenditure reductions that were recommended by the Secretary of DOD to eliminate a planned reduction of \$50,000 GPR for the REDP in 1996-97 and, instead, increase the recommended reduction in funding for the WDF by \$50,000 in 1996-97. In addition, the motion would require DOD to reflect this modification in its base level funding reductions for the 1997-99 biennium. Under this motion, total GPR funding for the WDF would be reduced from \$8,682,300 to \$8,232,300 in 1996-97, which reflects the Department's recommended reduction of \$400,000 as well as the additional \$50,000 reduction in the motion. Total GPR funding for the REDP would be \$271,500 GPR in 1996-97.



Legislative Fiscal Bureau

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

April 16, 1996

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Development--Act 27 GPR Expenditure Reduction--Agenda Item IV

The Secretary of the Department of Development (DOD) has submitted a letter to the Committee with the Department's recommendations for reducing GPR expenditures in the 1995-97 biennium in accordance with provisions of 1995 Wisconsin Act 27 (the 1995-97 budget).

BACKGROUND

Under Act 27, DOD is required to reduce GPR expenditures from one or more of its sum certain appropriations to generate \$500,000 of savings annually in the 1995-97 biennium. On or before January 1, 1996, the Department is required to submit to the Joint Committee on Finance a plan identifying the Department's preferences for allocating the required reductions among its appropriations for the Committee's review and approval. If the Co-chairs of the Committee do not notify the Department that the Committee has scheduled a meeting for the purpose of reviewing the Department's proposed plan within 14 days after the date that the Department submits the plan, DOD would be authorized to implement the plan. If within 14 days after the date that the Department submits its GPR expenditure reduction plan the Committee notifies DOD that it has scheduled a meeting for the purpose of reviewing the plan, DOD could not implement the plan until it was approved or modified by the Committee.

Act 27 directs the Secretary of Administration (DOA) to lapse to the general fund at the end of the 1995-97 biennium a total of \$1,000,000 GPR from the appropriations identified by DOD in its plan and approved by the Joint Committee on Finance. To reflect the expenditure reductions, DOD must reduce its base level appropriations by a total of \$500,000 GPR annually when it submits its 1997-99 agency budget request to DOA.

The Secretary of Development submitted the plan for the required annual appropriation reductions as well as base level funding reductions on December 15, 1995. An objection was raised to the plan and it has been scheduled for Committee approval or modification at this meeting.

ANALYSIS

Table 1 shows the Department's proposed reductions for the 1995-97 biennium and the 1997-99 proposed base funding level reductions for the 1997-99 biennium.

TABLE 1

**Department of Development
Recommended Appropriation Reductions**

<u>Appropriation</u>	<u>Amount of Reduction</u>	
	<u>1995-96</u>	<u>1996-97*</u>
Wisconsin Development Fund [s. 20.143(1)(c)]	\$255,000	\$400,000
Technology and Pollution Control and Abatement Grants and Loans [s. 20.143(1)(cb)]	200,000	0
Minority Business Development Project; Grants and Loans [s. 20.143(1)(fm)]	0	50,000
Rural Economic Development Program [s. 20.143(1)(er)]	0	50,000
American Indian Economic Development Liaison [s. 20.143(1)(dg)]	25,000	0
Heritage Tourism Pilot Program [s. 20.143(2)(bm)]	<u>20,000</u>	<u>0</u>
	\$500,000	\$500,000

*These amounts would also be the base level reductions.

The appropriations that would be reduced include:

Wisconsin Development Fund [s. 20.143 (1) (c)]. The Wisconsin development fund (WDF) consists of six programs that provide grants and loans to businesses other related entities

*6300,000
1-pxd at
end of
97-8
biennium*

for specific types of economic development projects. The WDF programs are: (1) technology development grants and loans; (2) customized labor training grants and loans; (3) small business innovation research bridge financing; (4) major economic development grants and loans; (5) employe ownership assistance loans; and (6) Wisconsin trade project reimbursements.

Under DOD's plan, total GPR funding for WDF programs would be reduced from \$6,832,300 to \$6,577,300 in 1995-96 and from \$8,682,300 to \$8,282,300 in 1996-97. In addition, expenditure authority for the program revenue repayments appropriation is \$2,365,500 in 1995-96 and \$665,500 in 1996-97. As a result, total funding available for WDF programs under the Department's proposal would be \$8,942,800 in 1995-96 and \$8,947,800 in 1996-97.

As of April 1, a total of \$4,054,926 in grants and loans had been awarded through the WDF. If the remaining funding is reduced as proposed, a total of \$13,835,674 would be available for funding WDF programs through the rest of the biennium. DOD also indicates that the enterprise development zones program created in Act 27 will be an additional source of economic development assistance.

DOD indicates that base level funding for the WDF would be reduced by \$400,000 annually for the 1997-99 biennium.

Technology and Pollution Control and Abatement Grants and Loans [s. 20.143(1)(cb)]. Act 27 created the technology and pollution control and abatement program to provide grants and loans for technical assistance, feasibility studies, production and development of products, development and construction of treatment facilities for certain types of projects related to the processing, control or abatement of industrial waste, postconsumer waste, air pollution and water pollution. In 1995-96, funding of \$1,200,000 was provided for grants and loans as in separate GPR and SEG appropriations follows: \$400,000 GPR transferred from the WDF; \$400,000 SEG transferred from the Recycling Market Development Board's financial assistance appropriation; and \$400,000 SEG transferred from the balance of the environmental repair account of the environmental fund. No funds can be encumbered from these appropriations after July 1, 1997.

DOD recommends that the GPR appropriation for technology and pollution abatement grants and loans be reduced by \$200,000 in 1995-96. As a result, a total of \$200,000 GPR and \$800,000 SEG would be available for awards.

DOD indicates that \$750,000 has been awarded through the program and an additional award of \$130,000 is possible. *there when? pending now* If the additional award is made and the Department's recommended reductions are adopted, funding of \$120,000 would remain for the program for the biennium

Minority Business Development Fund [s. 20.143(1)(fm)]. The minority business development fund (MBDF) provides funding for two programs: minority business early planning grants; and minority business grants and loans. The early planning grant program funds projects

that involve the preliminary stages of considering and planning the start-up of a minority business. The grants and loans program provides funding for projects undertaken by minority businesses and to local development corporations. Grants may be used for working capital, machinery, equipment, land and buildings, to acquire existing businesses and for related expenses.

The DOD plan would reduce funding for the MBDF by \$50,000 GPR in 1996-97. As a result, total GPR funding for the MBDF would be \$479,200 in 1995-96 and \$429,200 in 1996-97. In addition, Act 27 transferred \$100,000 annually from the WDF repayments appropriation to the MBDF and an additional \$190,000 PR in 1995-96 and \$202,300 PR in 1996-97 is provided through the MBDF loan repayments appropriation. Under the DOD recommendation a total of \$769,200 in 1995-96 and \$731,500 in 1996-97 would be provided for the MBDF.

Through April 1, a total of \$204,000 had been awarded from the MBDF. If the Department's recommended reductions are implemented a total of \$1,269,700 would remain available for MBDF grants and loans in this biennium. DOD notes that in previous biennia certain amounts from the MBDF have been designated for specific projects. For example, in the 1993-95 biennium \$100,000 was set aside for both the Milwaukee Extension Center North and the Milwaukee Extension Center South annually. However, for the 1995-97 the entire amount appropriated to the MBDF is available for minority business early planning grants and minority business grants and loans.

DOD also recommends that base level funding for the MBDF be reduced by \$50,000 GPR annually for the 1997-99 biennium.

*0
Legend
at end
93-5
biennium*

Rural Economic Development Grants and Loans [s. 20.143(1)(er)]. The rural economic development program (REDP) provides grants and loans for professional services and loans for working capital and fixed asset financing for starting or expanding a business in a rural municipality and for certain employe relocation costs. DOD recommends that GPR funding for the REDP be reduced by \$50,000 in 1996-97. If the reduction was implemented total GPR funding for the REDP would be \$209,200 in 1995-96 and \$221,500 in 1996-97. In addition, funding of \$131,800 PR in 1995-96 and \$79,500 PR in 1996-97 is provided through the REDP program revenue appropriation. Thus, total funding for the REDP would be \$341,000 in 1995-96 and \$301,000 in 1996-97.

Through April 1, a total of \$106,700 had been awarded. Under DOD's recommended reduction a total of \$535,300 would be available for the REDP for the remainder of the 1995-97 biennium.

DOD has also indicated that base level funding for the REDP would be reduced by \$50,000 GPR annually for the 1997-99 biennium.

American Indian Economic Development; Liaison [s. 20.143(1)(dg)]. This appropriation funds a program planning analyst to provide technical and economic development

assistance to native American entrepreneurs and tribal communities. DOD recommends that the appropriation be reduced by \$25,000 GPR in 1995-96.

In 1995-96, funding of \$50,100 GPR is provided through the appropriation for the liaison position and related expenses. The position is currently vacant and is in the process of being filled. Consequently, the Department indicates that the appropriation can be reduced by \$25,000 without any adverse effect on program operations.

Heritage Tourism [s. 20.143(2)(bm)]. The Heritage Tourism program is intended to promote tourism that has as its primary objective the enjoyment of historic and prehistoric resources. The Department is authorized to designate and make grants to two areas in the state for participation in the program and to make grants to selected areas if certain conditions are met.

Under DOD's plan funding for the program would be reduced by \$20,000 GPR in 1995-96. The reduction would be supplies and services funding in excess of that needed to cover necessary expenses in 1995-96. (This program and associated funding was transferred to the Department of Tourism, effective January 1, 1996. The recommended reduction would not affect the Department of Tourism's appropriation for this program.)

CONCLUSION

Because the Department's recommended appropriation reductions would be consistent with the provisions of Act 27, the Committee may wish to approve the GPR funding reductions shown in Table 1. In conformance with Act 27, the funding reductions shown in Table 1 for 1996-97 would be treated as reductions in the Department's base level appropriations for purposes of its 1997-99 budget request.

Prepared by: Ron Shanovich



Legislative Fiscal Bureau

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

April 16, 1996

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Natural Resources--Section 13.10 Request Related to Well Compensation and Leaking Underground Storage Tank (LUST) Programs--Agenda Item V

BACKGROUND

Department of Natural Resources Request

The Department of Natural Resources (DNR) requests an increase in expenditure authority of \$1,134,600 SEG in the following two DNR petroleum inspection fund (PIF) appropriations: (a) \$454,000 SEG in 1995-96 in the PIF supplement to the environmental repair account of the environmental fund; and (b) \$680,600 SEG in 1996-97 in the petroleum spills administration appropriation. DNR has identified offsetting revenues of \$1,669,931 SEG which will lapse to the PIF from the continuing balance of the stage two vapor recovery grant appropriation after final grant payments are made. This lapse is expected to occur by the end of 1996-97, but may take place later if all grant payments are not completed by June 30, 1997.

In addition, DNR requests: (a) an increase in expenditure authority of \$454,000 SEG from the environmental fund in the well compensation appropriation in 1995-96, which would equal the additional amount transferred from the petroleum inspection fund; (b) the creation of 12.0 SEG one-year project positions in the SEG PIF petroleum spills administration appropriation; and (c) the deletion of \$680,600 FED and 12.0 FED permanent positions in 1996-97 from the federal leaking underground storage tank (LUST) program appropriation.

The 12.0 project positions funded from the petroleum inspection fund would complete a one-year pilot project to evaluate the effectiveness of and ongoing need for engineered groundwater remediation technologies at LUST sites. The SEG positions would expire July 1, 1997 and would be included in DNR's base level of funding and staffing for 1997-98.

Stage Two Vapor Recovery Grant Program

DNR administers the stage two vapor recovery program which provides grants to owners of gasoline dispensing facilities that are required to install gasoline vapor recovery equipment in order to comply with the federal Clean Air Act requirements (areas of the state classified as moderate ozone nonattainment or worse). Affected counties include Kenosha, Kewaunee, Manitowoc, Milwaukee, Ozaukee, Racine, Sheboygan, Washington and Waukesha.

Gasoline dispensing facilities that are required to install vapor recovery equipment are eligible for grants for up to 95% of the first \$25,000, and up to 90% of the next \$15,000 in eligible costs incurred after August 15, 1990, for installation of the equipment. Prior to enactment of 1995 Act 144, eligible costs generally included the costs of vapor recovery equipment installed on tanks that existed prior to August 15, 1991, and on the portions of tanks installed after August 15, 1991, that do not increase the tank capacity that existed prior to that date. However, Act 144 extended grant eligibility to include the costs associated with the installation of vapor recovery equipment on gasoline dispensing facilities constructed prior to May 15, 1993. As of December, 1995, no vapor recovery grant may be awarded to facilities other than those made eligible for grants under Act 144, in which case no grant may be awarded after June 30, 1996.

The stage two vapor recovery grant program is funded from the segregated petroleum inspection fund. Approximately \$22.7 million has been appropriated for vapor recovery grants.

Well Compensation Program

DNR administers the well compensation program, which provides grants to private well owners for a portion of the costs of replacing the water supply for wells that have become contaminated and unusable for drinking water purposes. A replacement water supply includes new or reconstructed private wells, providing for a municipal water supply or providing a connection to a public or private well water supply. Eligible grant amounts are equal to: (a) 75% of eligible costs for families with annual incomes of less than \$45,000; and (b) 75% of eligible costs for families with annual incomes of \$45,000 to \$65,000 less 30 cents for every dollar of annual income over \$45,000. The well compensation program is funded at \$300,000 annually from the segregated environmental repair account of the environmental fund.

Leaking Underground Storage Tank Program

DNR administers the leaking underground storage tank (LUST) program, which is a federal program to manage the cleanup of leaks from federally-regulated petroleum and non-petroleum underground storage tanks. The U.S. Environmental Protection Agency (EPA) and DNR have entered into a grant agreement through which EPA provides funds to DNR for cleanup of high-priority petroleum LUST sites and DNR acts as the lead agency in all cleanup actions. DNR staff provide direct case management for high-priority sites that present an actual or imminent threat to human health or a substantial adverse impact to the environment.

Due to nationwide federal LUST funding reductions, 1995 Act 27 reduced DNR's LUST staff levels from 54 positions to 35.5 positions. It also converted funding for four of the deleted federal positions to SEG utilizing the petroleum inspection fund. DNR is authorized eight other SEG petroleum inspection fund positions to review cleanup activities at PECFA (petroleum environmental cleanup fund award program) sites. Thus, in 1995-96, DNR is authorized 35.5 FED and 12.0 SEG positions for LUST and PECFA activities.

Act 27 transfers jurisdiction over cleanup of low- and medium-priority petroleum storage tank site cleanups (PECFA-eligible and non-PECFA eligible) from DNR to the new Department of Commerce and also transfers the 12.0 SEG positions from DNR to Commerce. Act 27 retained jurisdiction over high-priority sites and the 35.5 FED positions within DNR.

As of early April, 1996, EPA is not operating under an approved budget for federal fiscal year 1996. The budget submitted by Congress to the President included a reduction of nationwide LUST funding of approximately 34% from federal fiscal year 1995. DNR officials indicate that the agency currently has insufficient federal funds for 13.0 of 35.5 FED LUST positions. This is based on estimated federal fiscal year 1996 funding of no more than 70% (\$1.5 million) of the \$2.1 million Wisconsin received in federal fiscal year 1995. DNR has or will transfer the 13.0 people out of those positions to temporary or permanent assignments in other programs.

ANALYSIS

Stage Two Vapor Recovery Grant Program

DNR awarded 748 grants to gasoline dispensing facilities prior to the December 31, 1995, program deadline for most stations. To date, 495 of these facilities have received final grant payments totalling \$13.7 million. The remaining 253 stations have been awarded grants totalling \$6.5 million, but have not yet received final payments. Further, DNR estimates that by June 30, 1996, 30 facilities will be awarded grants totalling approximately \$700,000 as a result of Act 144. Therefore, it is estimated that total program expenditures could be as high as \$21.0 million. However, Department officials indicate overall program costs could be somewhat lower because: (a) average grant amounts have been declining since the program's inception; and (b) the actual number of stations that will be awarded a grant under Act 144 may be less than the 30 that is currently estimated.

Currently, \$22.7 million has been made available for the stage two vapor recovery grant program. Therefore, estimated program expenditures of \$21.0 million would result in at least a \$1.7 million unexpended program balance after all grant awards are paid which would lapse to the petroleum inspection fund. To the extent that grant expenditures are lower, the unexpended balance would increase.

Environmental Fund Balance

The segregated environmental fund receives revenues from several sources, such as landfill tipping fees, transfer from the petroleum inspection fund, waste and hazardous waste generator fees, fertilizer and pesticide fees, sanitary permit surcharges, reimbursement of state-funded cleanups from responsible parties, civil action damages and vehicle title transfer fees. The environmental fund is allocated for several environmental repair, groundwater and nonpoint source activities. Among funded programs are well compensation and state-funded cleanup activities where the responsible party is unable or unwilling to pay for the cleanup.

The estimated balance of the environmental fund will be approximately \$1.2 million on June 30, 1997. While this estimated fund balance would be sufficient to fund all or a portion of DNR's current request, the fund is structurally out of balance, as annual appropriations exceed annual revenues. In 1996-97, estimated revenues are \$19.7 million and estimated expenditures are \$20.9 million.

It should also be noted that Act 27 reduced base funding for the environmental repair cleanup appropriation by \$1.6 million annually from \$4.0 million to \$2.4 million to reflect a sizable continuing balance that has accumulated in the appropriation. In order to continue the current level of cleanups (an average of \$3.6 million annually over the last four years), it is likely that a similar amount will need to be restored in future biennia after the continuing balance has been drawn down.

Petroleum Inspection Fund Balance

The segregated petroleum inspection fund (PIF) receives revenues from the three cents per gallon petroleum inspection fee imposed on all petroleum products brought into Wisconsin. The fee generates over \$100 million annually with appropriations of over \$99 million each year. The primary use of the PIF is to fund the PECFA program, which reimburses owners for a portion of the cleanup costs of discharges from certain petroleum product storage systems and home heating oil systems. Act 27 provides \$84.0 million annually for PECFA awards and \$1.8 million annually for PECFA administration with 29.8 SEG positions.

The estimated balance of the PIF will be at least \$30 million on June 30, 1997. DILHR has paid PECFA awards totalling \$89.2 million as of the end of March, 1996. This includes expenditure of the full \$84.0 million appropriated in 1995-96 and \$5.2 million transferred from the biennial appropriation of \$84.0 million in 1996-97. At the current rate of expenditure of \$10.5 million per month, the 1995-97 PECFA awards appropriation would be depleted by approximately October, 1996. At the end of March, 1996, there were over 1,100 PECFA claims totalling over \$79 million waiting to be processed. Claims have been received averaging over \$13 million per month during the last six months so current expenditure levels are not sufficient to reduce the backlog.

168

9/28/97
4-5-97

claims in: 12
pay out: 8

claims out: 12
revenue

12/98 find
deadline
for
insure

June 98

DILHR plans to begin limiting PECFA award expenditures to no more than available petroleum inspection fee revenues beginning in April, 1996. This will allow PECFA award expenditures of \$7.0 to \$8.0 million per month for a longer time during 1995-97. However, at that rate of expenditure, additional expenditure authority of more than \$30 million would still be required during the biennium. DILHR has indicated that it will submit a s. 13.10 request for an increase in PECFA awards expenditure authority. Even if the program is able to continue making PECFA awards at the rate of \$7.0 to \$8.0 million per month, the backlog could exceed \$150 million by June 30, 1997.

Well Compensation

DNR indicates that the requested \$454,000 in 1995-96 for the well compensation program is needed to address the unexpected grant demand associated with the emergency water supply needs of approximately 113 contaminated wells adjacent to the City of Oshkosh. Approximately 100 of the contaminated wells are located in an area recently annexed by the City of Oshkosh and could be connected to city water mains. New wells would likely be needed for the remaining 13 contaminated private wells.

Department officials indicate that the connection of 100 recently annexed residences to City water mains, which would be the lowest cost solution for these homes, would require \$3,500 on average with a total cost of \$350,000. Further, DNR's request indicates that replacing the remaining 13 wells would cost \$8,000 on average for a total cost of \$104,000.

However, subsequent to its request, DNR staff indicate that actual data on approximately 38% (38 claims) of anticipated Oshkosh water main connection claims indicate the average grant was \$2,924 per claim rather than the \$3,500 estimate in their request. In addition, approximately 23% (three claims) of the new well claims indicate that the average claim was \$8,512 rather than the \$8,000 estimated in their request. While the available data are on a small percentage of claims, the Department indicates that the funding need for the Oshkosh contamination case could be reduced by \$50,900 to \$403,100 to reflect the reestimate. In addition, DNR has reestimated the non-Oshkosh program needs from \$300,000 to \$278,500 in 1996-97, therefore the Committee could further reduce the Department's request by \$21,500 to \$381,600 to reflect the reestimated need. In the event that actual grants exceed the levels indicated by grant claims received to date, the Department could submit another s. 13.10 request for additional funding in the biennium.

DNR requests that the funding needed for the Oshkosh contamination site be transferred from the anticipated unexpended petroleum inspection fund revenues appropriated to the stage two vapor recovery grant program. The transfer would be a one-time transfer in that it would impact 1995-96 funding levels. The Department contends that such a transfer would be consistent with the fact that the environmental repair account of the environmental fund already receives petroleum inspection fund revenues for well compensation and other environmental repair program purposes. PIF revenues of \$1,049,400 annually (including \$80,000 designated for well compensation) are provided to the environmental repair account of the environmental fund.

Alternatively, the Committee could provide a one-time increase in expenditure authority from the environmental fund balance. This would decrease the estimated environmental fund balance from \$1.2 million to \$0.8 million on June 30, 1997. By utilizing the environmental fund, approximately \$400,000 would remain available for future allocation for PIF activities such as PECFA. However, given the structural deficit in the environmental fund, any fund balance may be needed for existing environmental programs and to assist in balancing the environmental fund in future biennia.

LUST Cost-Control Pilot Project

DNR requests that 12.0 SEG petroleum inspection fund project positions with funding of \$680,600 SEG be assigned to a one-year pilot project to evaluate the operation of existing engineered remedial systems at LUST sites and the feasibility of natural attenuation of contamination. The calculation of 12.0 positions is based on an estimate of 3,500 engineered systems and six hours of DNR review time per system.

Engineered remedial systems are systems that use machines to pump petroleum products and other contamination out of the groundwater, to extract petroleum vapors or other contamination from the soil, or use a combination of mechanical techniques. Natural attenuation means allowing naturally-occurring physical, chemical or biological processes to degrade contamination in groundwater over a period of time. DNR's request indicates that at the end of the year, the Department would prepare a report documenting the number and types of engineered systems that were closed and the cost-savings accrued from these actions.

Engineered systems require annual expenditures for operation, maintenance, monitoring and reporting. Some engineered systems have operated for years and may continue to operate for an unknown number of years. After engineered systems reach their limit of effectiveness (treatment has been conducted to the extent practicable), groundwater contamination may still exceed required groundwater quality standards. Depending on the conditions at specific sites, it may be feasible to stop operating some engineered systems. DNR is currently promulgating administrative rules intended to assist responsible parties in determining when a system should be turned off and to allow for: (a) case closure (if ground water standards have been met); (b) case closure with a well restriction on the property deed which states that a water supply well may not be installed on the property until groundwater standards are met; or (c) monitoring with natural attenuation if certain criteria are met. If any of these alternatives are possible, future costs of operating and maintaining engineered systems can be reduced. DNR is currently holding public hearings on the rules and intends to submit the proposed rules to the Legislature in the fall of 1996. (Promulgation of the rules is needed before a site can be closed with a well restriction if the groundwater standards are not met.)

The growing costs of engineered systems have been of increasing concern in the last few years. Earlier estimates of total PECFA program costs of approximately \$1.3 billion did not factor in the extensive costs for operating and maintaining engineered systems that are currently

being incurred. It now appears that operation and maintenance of these systems will increase total program costs beyond \$1.3 billion.

DNR's request estimates that there may be 3,500 engineered systems with average annual operation and maintenance costs of \$30,000 per system. DNR has indicated that future costs of up to \$43.8 million per year could be avoided if: (a) 25% of the systems could be shut down and the site cleanup closed, with annual savings of \$26.3 million (\$30,000 for each of 875 sites); and (b) 25% of the systems could be closed and the system moved to monitoring of natural attenuation, with annual savings of \$17.5 million (\$20,000 for each of 875 sites would no longer be incurred).

The actual number of engineered systems in the state is unknown. Recent conversations with DNR and DILHR staff indicate that the estimate of 3,500 engineered systems may include 2,300 systems that are pumping contamination from groundwater and 1,200 systems that are either monitoring natural attenuation or extracting petroleum vapors from soil. A DILHR survey of PECFA consultants in 1995 resulted in identification of 1,460 engineered systems, but not all consultants responded. The DILHR survey identified average annual system operation and maintenance costs of \$20,100 for a soil vapor extraction system, \$28,200 for a groundwater pump and treat system and \$42,400 for a combination of the two systems. DILHR officials indicate that long-term monitoring costs approximately \$7,000 per site annually.

Although additional study may show that the number of engineered systems is less than 3,500, it is probable that the number is at least 1,400 to 2,300 and that significant future costs can be avoided if engineered systems can be shut off and moved to monitoring or site closeout. For every groundwater pump and treat system that currently costs an average of \$28,200 to operate and maintain each year and can be moved to a monitoring phase, costs could be reduced by approximately \$21,200 per year. If the site can be moved from operation and maintenance to site closeout, costs could be reduced by approximately \$28,200 per year. Using this example, if the DNR pilot project can identify 32 engineered sites that can be moved from operation and maintenance to monitoring, the resulting avoidance of one year of costs would equal the cost of the requested 12 positions. DNR believes that several hundred sites can be moved to monitoring or site closeout.

DNR officials indicate that the pilot project should help determine whether the system was properly designed to remove the contamination at the site, whether the system is still removing significant amounts of contamination, what turning off the system would do to concentrations of contaminants on the site, whether site conditions are appropriate for natural attenuation and what type of monitoring could be done. DNR officials indicate that the project could help determine when DNR should perform interim review of site cleanups. As a response to the decrease of federal LUST funding, DNR has almost completely eliminated interim review of site cleanups and, for most sites, reviews sites only when the responsible party submits a request to close the site after cleanup is completed.

Implementation of the pilot project on May 1, 1996, instead of July 1, 1996, could be considered for several reasons. The magnitude of the costs of operating and maintaining engineered systems suggests that the sooner review of the systems can begin, the sooner systems can be identified for moving to monitoring or site closeout. Actions that can reduce future PECFA costs for these sites will allow PECFA funds to be utilized for the current program demand for site investigations and remedial action activities. DNR has already lost the federal funding for the positions and while it has found temporary or permanent assignments for the incumbents elsewhere in the Department, earlier implementation of the pilot project could help retain experienced staff within the LUST program.

Earlier implementation of the pilot project would allow an additional two months of evaluation results to be available as DNR and the Governor develop the 1997-99 biennial budget request and as the Legislature considers the budget during 1997. An additional two months of funding would cost approximately \$113,400. DNR could be directed to prepare an interim evaluation report about the project to be included with the 1997-99 biennial budget request to the Governor in the fall of 1996. An interim report that could be used during 1997-99 budget deliberations could be more timely than DNR's suggested report after the one-year pilot would be completed on July 1, 1997. The report could be useful for anticipated discussions during 1997-99 budget deliberations related to funding for the PECFA program and DNR staff who administer cleanup of high priority sites.

Allocation of petroleum inspection funds for the pilot project would make those funds no longer available for PECFA awards. However, if successful, the pilot project may reduce future PECFA costs by a much larger amount than the cost of the project staff.

ALTERNATIVES

A. Well Compensation Program

1. Approve DNR's request to increase by \$454,000 SEG in 1995-96 the amounts transferred from the petroleum inspection fund to DNR's supplemental PIF appropriation for environmental repair and well compensation. Further, approve the Department's request for \$454,000 SEG in 1995-96 for the well compensation grant program.

2. Modify DNR's request and approve an increase in the amounts transferred by \$381,600 SEG in 1995-96 from the petroleum inspection fund to DNR's supplemental PIF appropriation for environmental repair and well compensation. Further, approve \$381,600 SEG in 1995-96 for the well compensation grant program to reflect the unfunded emergency need associated with the Oshkosh site.

3. Modify DNR's request and increase the funding for the well compensation grant program by \$381,600 SEG from the environmental fund in 1995-96. (This alternative would fund

why does Gov. want #3?

the request from existing environmental fund revenues and would not increase the level of petroleum inspection fund revenues used for well compensation.)

4. Deny the request.

B. Leaking Underground Storage Tank Program

1. Approve DNR's request to provide \$680,600 SEG petroleum inspection fund in 1996-97 and create 12.0 SEG one-year project positions for a pilot project to evaluate the effectiveness of engineered systems at LUST sites. Approve DNR's request to delete \$680,600 and 12.0 permanent LUST positions in 1996-97 for which federal funding has terminated.

2. Modify DNR's request to create the 12.0 project positions on May 1, 1996, instead of July 1, 1996, and to provide \$113,400 SEG in 1995-96 in addition to the requested \$680,600 SEG in 1996-97. Direct DNR to submit an interim evaluation report with the 1997-99 biennial budget submission to the Governor. Delete the 12.0 FED positions on May 1, 1996, instead of July 1, 1996, and delete \$113,400 FED in 1995-96 in addition to \$680,600 FED in 1996-97.

3. Deny the request.

what is Gov. recommendation re: unallotted revenue?

Prepared by: Kendra Bonderud and Al Runde