



## Fiscal Estimate Narratives

DNR 2/14/2006

LRB Number	<b>05-4532/1</b>	Introduction Number	<b>AB-999</b>	Estimate Type	<b>Original</b>
<b>Description</b> Identification and cleanup of properties that are environmentally contaminated; properties with residual contamination; modifying the environmental remediation tax incremental financing program; exempting local governmental units from solid waste management standards with respect to certain properties; the liability of certain persons for environmental contamination on property on which a cleanup has been conducted; and granting rule-making authority					

### Assumptions Used in Arriving at Fiscal Estimate

This fiscal estimate will separately address the following four provisions included in SB 546: (1) property with residual contamination after a cleanup; (2) environmental remediation tax incremental financing; (3) local governmental exemption from solid waste management standards; and (4) voluntary party liability exemptions. Both the state and local fiscal estimates for this bill are indeterminate for reasons listed separately for each provision below. It is assumed that this bill will not result in a significant fiscal impact to the state or local governments.

#### 1. Property with residual contamination after a cleanup - s. 292.12, Wis.Stats.

Provision Summary: This bill creates statutory language to ensure that engineering controls and other restrictions placed on a property at the completion of an environmental clean up are maintained by the owner of the property. The bill also requires DNR to maintain a database of sites for which cleanup has been approved but that have residual contamination; persons applying for this approval must pay a fee and have the site listed in the database. The bill also requires a person, if not the property owner, who applies for approval of a cleanup that includes residual contamination, to notify the property owner of the contamination. The bill requires violators of these requirements to pay a civil forfeiture of \$10 to \$5,000 for each day of violation.

State Fiscal Estimate: Indeterminate. The proposal would replace the state's reliance on the use of deed restrictions to ensure compliance. The DNR database and a fee system currently exist, as does the ability to seek civil forfeiture.

Local Fiscal Estimate: Indeterminate. This bill draft would eliminate the requirement for a property owner to file a restriction on a deed, thus eliminating a source of revenue for a county. However, this is offset by the fact that the county no longer has the administrative or staff expense of placing those restrictions on the deed. All local units of government will be affected, as they will no longer have to place a restriction on the deed of a property that they are cleaning up (e.g., an expense).

#### 2. Environmental remediation tax incremental financing (ER TIF)

Provision Summary: This bill draft modifies the existing statute relating to environmental remediation tax incremental financing districts (ER TIFs). These districts may be established by a political subdivision to reimburse a political subdivision for eligible costs incurred in purchasing, investigating, and cleaning up a brownfields (i.e., contaminated property). The community uses the incremental increase in taxes on the property (e.g., the increment would be the difference of the property tax when it was still contaminated and the new, improved value over time when it is redeveloped). The eligible costs and future tax increment will vary greatly depending on the contamination levels and type of development. The bill increases the maximum period of certification and expenditure for ER TIFs - providing a greater opportunity to create revenue to offset expenditures. The bill makes a number of technical changes to the current language including: adding definitions; adding the cancellation of unrecovered delinquent property taxes to eligible costs; adding a termination process like the TIF law; adding 180-day time constraints for notification to DOR; requiring a final certified audit; requiring that DOR receive final costs and expenditures; modifying certain parcel and contiguous parcel language; and authorizing DOR to collect a \$1,000 fee to determine or redetermine the tax incremental base of ER TIFs.

State Fiscal Effect: This bill would increase revenue to the Department of Revenue, resulting from the \$1,000 per ER TIF, one-time administrative charge. The level of increased revenue depends on the number created. (E.g. Since 1999, less than one dozen ER TIFs have been created.)

Local Government Fiscal Effect: Indeterminate. This bill draft may result in increased revenues to a local government, from the incremental increase in tax revenues from the ER TIF. Revenues will be offset to some degree by the expenses the local government incurred in acquiring, assessing, demolishing, and cleaning up the brownfields property. All local units of government will be affected, such as counties, villages, cities and towns, as they have the authority to create an ER TIF. School and WTCS districts will be impacted because the increased tax revenue will be used to reimburse the local government for eligible expenses, and will not be allocated to the taxing jurisdictions until the ER TIF eligible expenses are paid or the maximum reimbursement time period has expired. This bill provides certain political subdivisions with a more lengthy mechanism from which to generate revenue in order to reimburse the political subdivision for eligible costs at a brownfields site. It also provides the local government with the opportunity to be reimbursed for acquisition costs associated with tax delinquent properties, if those costs have not already been paid back to the local government.

### 3. Local governmental exemption from solid waste management standards.

Provision Summary: This bill draft would provide a liability exemption from certain solid waste requirements for local governments that take title in limited ways to a property with an unlicensed landfill on it. The bill requires a local government unit to obtain permission from DNR for any construction on the property, and the local government must maintain any health and safety standards DNR required before the local government acquired the property.

State Fiscal Effect: Indeterminate. On one hand, the state may have to conduct an investigation and cleanup at the unlicensed landfill that a local government would acquire through these means. On the other hand, it is likely that in such a case the former owner of the landfill property had little or no financial means to conduct the necessary environmental work. Thus, the state would likely be conducting an environmental action regardless.

Local Fiscal Effect: Indeterminate. There may be permissive costs, relating to the requirement that the local government maintain existing engineering controls on the unlicensed landfill, if there are any. This provision could increase property tax revenues if the property was redeveloped and new, increased property tax revenues were generated.

### 4. Voluntary Party Liability Exemption.

Provision Summary: This bill draft would provide a liability exemption from certain solid waste requirements to local governments if they clean up the property with an unlicensed landfill on it, regardless of how they purchased it. It would also provide these protections to non-local government entities. In addition, this bill provides that, in order to qualify for exemption on a DNR-determined natural attenuation property, the party must provide access to check the attenuation for failure and, if it has failed, allow for further cleanup.

State Fiscal Effect: Indeterminate. Once an exemption is provided at a property, if additional historic contamination is found, the persons covered by the exemption are not required to take action. If the state cannot find a responsible party and the contamination poses a high priority, the state can elect to take the necessary environmental actions. In the case of natural attenuation failing after an exemption is issued, the state has environmental insurance to cover a share of those costs.

Local Fiscal Effect: Indeterminate. There may be some permissive or elective costs associated with the investigation and cleanup of the property that contains an unlicensed landfill. The bill also could increase revenues if the property was redeveloped and new, increased property tax revenues were generated. All local units of government that would elect to pursue this exemption would be affected.

## **Long-Range Fiscal Implications**

## Fiscal Estimate Worksheet - 2005 Session

Detailed Estimate of Annual Fiscal Effect

Original     
  Updated     
  Corrected     
  Supplemental

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<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>			
<b>II. Annualized Costs:</b>		<b>Annualized Fiscal Impact on funds from:</b>	
		Increased Costs	Decreased Costs
<b>A. State Costs by Category</b>			
State Operations - Salaries and Fringes		\$	
(FTE Position Changes)			
State Operations - Other Costs			
Local Assistance			
Aids to Individuals or Organizations			
<b>TOTAL State Costs by Category</b>		<b>\$</b>	<b>\$</b>
<b>B. State Costs by Source of Funds</b>			
GPR			
FED			
PRO/PRS			
SEG/SEG-S			
<b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)</b>			
		Increased Rev	Decreased Rev
GPR Taxes		\$	\$
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
<b>TOTAL State Revenues</b>		<b>\$</b>	<b>\$</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>			
		State	Local
NET CHANGE IN COSTS		\$	\$
NET CHANGE IN REVENUE		\$	\$
<b>Agency/Prepared By</b>		<b>Authorized Signature</b>	<b>Date</b>
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