



Legislative Fiscal Bureau

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February 10, 2016

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Senate Bill 340 and Assembly Bill 515: Recycling Grants to Local Governments

Senate Bill 340 and Assembly Bill 515 relate to funding for recycling grants to local governments. SB 340 was introduced on October 15, 2015, and referred to the Senate Committee on Natural Resources and Energy. On January 5, 2016, the Senate Committee on Natural Resources and Energy recommended adoption of Senate Amendment 1 to SB 340 by a vote of 5-0, and recommended passage as amended by a vote of 5-0.

Assembly Bill 515 was introduced on November 13, 2015, and referred to the Assembly Committee on Urban and Local Affairs. On January 20, 2016, the Assembly Committee on Urban and Local Affairs recommended adoption of Assembly Amendment 1 to AB 515 by a vote of 7-2, and recommended passage as amended by a vote of 7-2.

SB 340 and AB 515, as amended, are identical.

CURRENT LAW

The municipal and county recycling grant program is administered by the Department of Natural Resources (DNR) and provides financial assistance to eligible responsible units of local government for eligible recycling expenses. The program was appropriated \$19,000,000 annually in 2011-12 through 2014-15. Eligible uses of grant funds include expenses for planning, constructing or operating one or more of the components of an effective recycling program that meets state requirements, and for complying with requirements to keep certain recyclable materials out of state landfills. Responsible units receive a grant equal to the same percentage of the total grant funding as the responsible unit received, or would have received, in 1999. For example, if a responsible unit received 1% of the total grant funds in 1999, the responsible unit received 1% of the total grant funds in 2015.

In each of 2011-12 through 2014-15, an additional \$1,000,000 was appropriated for

recycling consolidation grants, to provide a per capita grant to responsible units that are counties, Indian Tribes, single or consolidated municipalities with a population of 25,000 or more, or municipalities that have taken certain actions to consolidate recycling programs. Combined funding for the two programs was \$20,000,000 annually.

Under 2015 Act 55, the 2015-17 biennial budget act, the appropriation for municipal and county recycling grants was reduced by \$4,000,000 in 2015-16, to provide \$15,000,000. Act 55 maintained funding of \$19,000,000 for municipal and county recycling grants in 2016-17, and maintained \$1,000,000 in each year of the biennium for recycling consolidation grants. Combined funding for the two programs totals \$16,000,000 in 2015-16 and \$20,000,000 in 2016-17. This represents a 20% reduction in funding from 2014-15 to 2015-16, and a restoration to 2014-15 funding levels in 2016-17.

The recycling grant programs are funded from the segregated environmental management account of the environmental fund. The account receives revenues primarily from several state solid waste tipping fees paid by Wisconsin landfills for each ton of certain solid wastes disposed of in the landfill.

SUMMARY OF THE BILL

Senate Bill 340 and Assembly Bill 515 would provide \$2,300,000 environmental management account SEG in 2015-16 to increase the appropriation for municipal and county recycling grants from \$15,000,000 to \$17,300,000. The bill would maintain the current \$1,000,000 annually for recycling consolidation grants. Combined funding for the two programs would total \$18,300,000 in 2015-16 and \$20,000,000 in 2016-17.

SUMMARY OF SENATE AMENDMENT 1 AND ASSEMBLY AMENDMENT 1

Senate Amendment 1 and Assembly Amendment 1 would provide \$3,000,000 instead of \$2,300,000, to increase the appropriation for municipal and county recycling grants from \$15,000,000 to \$18,000,000 in 2015-16. Combined funding for the two programs would total \$19,000,000 in 2015-16 and \$20,000,000 in 2016-17.

FISCAL EFFECT

Funding provided under the bill would come from the segregated environmental management account of the environmental fund. The bill, as amended, would increase expenditures from the environmental management account by \$3,000,000 SEG in 2015-16.

The environmental management account provides funding for: (a) recycling financial assistance to local governments; (b) 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 and certain environmental and recycling programs in the UW System and Corrections through 2014-15; (g) environmental programs in the Department of Agriculture, Trade, and Consumer Protection (DATCP), 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 89% of revenue to the environmental management account was received from solid waste tipping fees totaling \$9.64 per ton (out of total state tipping fees of \$12.997 per ton) for most solid waste disposed in this state. The remaining 11% of revenues include a transfer from the segregated petroleum inspection fund, several license and other environmental fees, and revenues received for designated purposes.

Under 2015 Act 55, no changes were made in the amount of revenues and fees deposited in the environmental management account. Major changes to expenditures from the account included: (a) reducing DNR recycling grants to local governments by \$4 million, from \$20 million to \$16 million, on a one-time basis in 2015-16; (b) shifting \$4,900,700 in GPR debt service to SEG from the account; (c) eliminating funding from the account for UW System programs, including the UW Bioenergy Initiative, solid waste research and experiments, UW Extension recycling education, and environmental education; (d) eliminating funding from the account for Department of Corrections computer recycling; (e) providing \$300,000 annually for environmental enforcement; (f) deleting \$76,000 annually from the well compensation grant appropriation; and (g) transferring \$320,000 in 2015-16 from the balance of the well compensation grant appropriation to the environmental management account balance.

As shown in the Attachment, the June 30, 2017, balance is estimated at \$4.4 million. This is somewhat higher than expected during biennial budget deliberations, primarily based on actual 2014-15 data. Further, a review of solid waste tons disposed of in the first three quarters of 2015, and other revenues and expenditures for 2015-17 to date, resulted in minor adjustments. In 2016-17, revenues are expected to total approximately \$53.5 million (excluding site specific revenues), of which approximately 90% will be received from solid waste tipping fees, and authorized expenditures total approximately \$52.6 million (excluding site specific expenditures). The account is expected to have a positive structural balance in the next biennium. That is, anticipated revenues in 2016-17 (the base year for consideration of the 2017-19 biennial budget) are expected to exceed authorized expenditures by approximately \$0.9 million, or 1.7%.

Under the bill, as amended, the estimated June 30, 2017, balance of the environmental management account would decrease from \$4.4 million to \$1.4 million. (The estimated balance would be \$0.5 million on June 30, 2016.) Given that the bill would provide a one-time funding increase in 2015-16, it would not affect the structural condition of the environmental management account in 2017-19.

Local governments were required to submit an application to DNR by October 1, 2015, with estimated net eligible recycling costs, for a recycling grant in 2015-16 for the 2016 calendar year. DNR will pay the 2015-16 grant award before June 1, 2016. As shown in the following table, local

governments estimate that net eligible recycling costs will total \$120.1 million in 2016 (although actual overall costs tend to come in somewhat lower than estimates). Under current law, the 2016 basic and consolidation recycling grant awards will equal approximately 13.3% of estimated net eligible recycling costs. Under the bill, as amended, the 2016 recycling grant awards would equal approximately 15.8% of estimated net eligible recycling costs.

**Municipal and County Recycling Grants and Recycling Consolidation Grants:
Eligible Cost, Grant Award and Award as Percent of Costs (\$ in Millions)**

<u>Calendar Year</u>	<u>Net Eligible Recycling Costs</u>	<u>Award Amount**</u>	<u>Grant Award as % of Net Eligible Costs</u>
2009	\$108.0	\$29.3	27.2%
2010	104.0	29.3	28.2
2011	103.5	19.0	18.3
2012	105.9	20.0	18.9
2013	109.3	20.0	18.3
2014	112.2	20.0	17.8
2015*	115.7	20.0	17.3
2016* current law	120.1	16.0	13.3
2016* bill	120.1	19.0	15.8

*Shows estimated net eligible recycling costs in 2015 and 2016, and final net eligible recycling costs in prior years.

**In grant years 2009 through 2011, includes basic grant plus efficiency incentive grant. As of 2012, includes basic grant plus consolidated grant.

As mentioned earlier, the grant formula for the basic municipal and county recycling grant formula has been in place since 1999, and provides responsible units the same percentage of the total grant funds as they received in 1999. This means that if a responsible unit received, for example, 1% of the \$24.1 million awarded in 1999, it received 1% of the \$30.8 million awarded in 2008 (the largest year of awards), and 1% of the \$19 million awarded in 2014, and would receive 1% of the \$15 million awarded in 2016 under current law, or 1% of the \$18 million awarded under the bill, as amended. While the increase would vary somewhat primarily based on eligibility for consolidated grants, responsible units could generally expect an increase of almost 19% over their current law 2016 grant award (though 5% less than in 2015 or 2017).

Prepared by: Kendra Bonderud
Attachment

ATTACHMENT

Environmental Management Account Condition Under Current Law

	2013-14 <u>Actual</u>	2014-15 <u>Actual</u>	2015-16 <u>Estimate</u>	2016-17 <u>Estimate</u>	2016-17 <u>Staff</u>
Opening Balance -- July 1	\$18,750,200	\$12,872,500	\$20,338,900	\$16,738,800	
Revenues					
Solid Waste Tipping Fees	\$44,065,600	\$50,889,100**	\$47,831,700	\$47,980,300	
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	
Other Fees	4,812,300	3,723,800	3,777,500	3,777,500	
Site Specific Remediation	<u>1,164,500</u>	<u>8,370,500</u>	<u>1,000,000</u>	<u>1,000,000</u>	
Total Revenue	\$51,097,200	\$63,388,200	\$54,314,000	\$54,462,600	
Total Revenue Available	\$69,847,400	\$76,260,700	\$74,652,900	\$71,201,400	
Expenditures					
DNR Recycling Grants to Local Governments	\$20,000,000	\$20,000,000	\$16,000,000	\$20,000,000	
DNR Administration	13,538,300	13,199,800	14,609,300	14,702,100	105.29
DNR Brownfields or Well Grants	218,600	153,300	200,000	200,000	
DNR State-funded Cleanup	1,511,900	2,100,800	2,292,700	2,292,700	
DNR Site Specific Remediation	1,108,600	497,900	4,000,000	4,000,000	
Debt Service for General Obligation Bonds	13,498,300	13,128,900	18,604,300	13,370,100	
UW System Bioenergy Initiative	4,176,100	4,060,800	0	0	0.00
WEDC Brownfields Grants	1,000,000	1,000,000	1,000,000	1,000,000	
Other Agencies *	1,923,100	1,780,300	1,334,900	1,075,300	2.00
Expenditure of prior year encumbrances			<u>78,500</u>		
Total Expenditures	\$56,974,900	\$55,921,800	\$58,164,100	\$56,640,200	107.29
Reserves/Lapses			<u>-250,000</u>		
Total Expenditures	\$56,974,900	\$55,921,800	\$57,914,100	\$56,640,200	
Cash Balance	\$12,872,500	\$20,338,900	\$16,738,800	\$14,561,200	
Encumbrances, Continuing Balances ***	-\$8,756,300	-\$16,994,900	-\$13,254,900	-\$10,149,900	
Closing Available Balance -- June 30	\$4,116,200	\$3,344,000	\$3,483,900	\$4,411,300	

* Other agencies include Department of Agriculture, Trade and Consumer Protection clean sweep grants, Department of Corrections computer recycling, Department of Health Services groundwater and air quality standards, Department of Military Affairs emergency response training, UW Extension recycling education, UW System solid waste research and experiments, and UW System environmental education.

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

*** In 2014-15, includes \$4.4 million for DNR state-funded cleanup, \$10.5 million for DNR site specific remediation, \$0.7 million for DATCP clean sweep grants, \$0.7 million for DNR well compensation (of which \$0.3 million will be lapsed to the account in 2015-16 under 2015 Act 55), \$0.3 million for UW environmental education, \$0.3 million for electronics recycling, and \$0.1 million for other programs.