



Legislative Fiscal Bureau

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

May 11, 2005

Joint Committee on Finance

Paper #566

Vehicle Environmental Impact Fee and Environmental Management Account Transfer to General Fund (DNR -- Air, Waste, and Contaminated Land)

[LFB 2005-07 Budget Summary: Page 382, #4 and #5]

CURRENT LAW

The Department of Transportation collects a vehicle environmental impact fee of \$9 per vehicle at the time of titling new and used vehicles and deposits the revenue in the environmental fund. Between December 1, 1997, and November 30, 1999, the fee was \$5 per new or used vehicle. Between December 1, 1999, and September 30, 2001, the fee was \$6 per vehicle. The fee was increased to \$9 effective October 1, 2001. The fee is repealed on December 31, 2005. The vehicle fee generated \$13,547,900 in 2003-04, which was 57% of the revenue to the environmental management account (excluding revenue for Fox River remediation). The fee is expected to generate \$13,500,000 in 2004-05.

The environmental management account is used for contaminated land and brownfields cleanup programs, including DNR administration of remediation and redevelopment, groundwater management and solid waste management activities, brownfields grant programs in DNR and Commerce, debt service costs for general obligation bonds issued for state-funded cleanup of contaminated land and sediment, and state-funded cleanup of contaminated properties where there is no responsible party able or willing to pay for the cleanup. The account also funds environmental programs in the Department of Health and Family Services (DHFS), Department of Military Affairs (DMA), and the University of Wisconsin System. Revenues to the account totaled \$28.6 million in 2003-04 and are anticipated to generate approximately \$36.2 million in 2004-05 (including an estimated \$10.0 million for site specific remediation of Fox River contaminated sediments). The account also receives revenues from three solid waste tipping fees totaling 64¢ per ton of non- high-volume industrial solid waste or 34¢ per ton of

high-volume industrial solid waste. Other fees to the account include petroleum inspection fees, pesticide and fertilizer fees, hazardous spills reimbursements from responsible parties at sites where DNR paid for cleanup, hazardous waste generator fees, sanitary permit surcharges, and several other smaller environmental fees.

GOVERNOR

Eliminate the December 31, 2005, sunset of the vehicle environmental impact fee, making the fee permanent. This would generate additional revenues to the environmental management account of \$6,750,000 in 2005-06 and \$13,500,000 in 2006-07.

Further, transfer \$4,200,000 in 2005-06 and \$800,000 in 2006-07 from the environmental management account to the general fund.

DISCUSSION POINTS

1. The vehicle environmental fee was created in 1997 Act 27 as a \$5 fee per new and used vehicle. It was increased in subsequent biennial budget acts largely to fund brownfields grant programs, but also for contaminated land cleanup programs administrative staff, and state-funded response actions at contaminated sites where there is no responsible party able or willing to cleanup the property.

2. The fee sunset has been extended in each of the 1997-99, 1999-01, 2001-03 and 2003-05 biennial budgets. The Governor proposed making the fee permanent in the 2003-05 biennial budget and, in addition, proposed increasing the fee from \$9 to \$10.50. The Legislature did not approve the fee increase, and approved another two-year extension of the fee instead of making it permanent as recommended by the Governor.

3. Some would argue that the vehicle title fee is an appropriate funding mechanism for contaminated land programs because it has a broad base of payers (approximately 1,500,000 annually) throughout the state. In addition, there are some disposal or contamination problems related to vehicles and petroleum products, and some road construction projects lead to discovery and cleanup of contamination from petroleum tanks or other hazardous substances.

4. Others would argue that the state should not continue to use the vehicle fee to fund contaminated land cleanup programs, but rather, any vehicle title fees collected by the Department of Transportation should be used for transportation-related activities.

5. In the 2001-03 biennium, expenditures from the account were reduced so that \$11,087,100 could be transferred from the environmental management account to the general fund. This resulted in no funding being provided in 2002-03 for Commerce brownfields grants, other than \$750,000 in two statutorily-designated awards to Milwaukee area organizations (a reduction of \$6,250,000), DNR brownfields green space grants (\$1,000,000), or competitive sustainable urban

development zone grants (\$125,000). In addition, funding for state-funded response and environmental repair actions was decreased by \$1,808,800 (from \$6,642,600) and administrative expenditures were reduced by \$1,903,300.

6. In the 2003-05 biennium, in order to maintain a positive account balance, 2003 Act 33 deleted \$3,656,500 SEG (a 26.5% decrease from the Governor's bill) and 25.03 SEG positions from most appropriations from the environmental management account in 2004-05, including DNR administrative appropriations, state-funded spills response cleanup, well compensation grants and the appropriations in DHFS and DMA. No associated reductions were made in brownfields grants administered by DNR and Commerce, or UW Systems environmental education.

7. Further, the 2003-05 budget, as passed by the Legislature, (Enrolled Senate Bill 44), would have directed that all pesticide, fertilizer, and soil additive fees deposited in the environmental management account instead be deposited in the agrichemical management (ACM) fund. This would have decreased revenues to the environmental management account by over \$1.3 million in each year of the biennium and increased ACM revenues by the same amount. In addition, in order to maintain a positive balance in the environmental management account, Enrolled SB 44 reduced the DNR Air and Waste Division operations appropriation from the environmental management account by \$1,120,000 in each of 2003-04 and 2004-05, but did not make a reduction in the number of authorized positions. In Act 33, the Governor vetoed the transfer of the pesticide, fertilizer, and soil additive fees from the environmental management account to the agrichemical management fund. The partial veto maintained the revenues of approximately \$1.3 million annually in the balance of the environmental management account. However, the Governor could not use his veto to restore the \$1,120,000 in annual expenditure authority that was deleted under the Act. DNR chose not to request, under s. 13.10 of the statutes, a reallocation of the \$1,120,000 to other DNR appropriations, or a restoration of some or all of the expenditure authority. In order to manage the expenditure reduction, DNR had to hold approximately 14 authorized positions vacant in each of 2003-04 and 2004-05. The 2005-07 budget bill includes a standard budget adjustment to restore full salary and fringe benefit funding of all authorized positions in the SEG Air and Waste Division operations appropriation. However, as part of the Governor's budget reductions, the bill would delete these 14 environmental management account positions (4.0 positions in waste management and 10.0 in remediation and redevelopment that were held vacant during much of the 2003-05 biennium).

8. In the 2001-03 biennium, there were 107.04 positions funded from the environmental management account, of which 103.54 were DNR positions. There are 69.37 positions funded from the account in 2004-05. This represents a 35% reduction in the number of DNR staff authorized from the account between 2001-02 and 2004-05.

9. The reason there would be a net increase in authorized positions from the account in the 2005-07 biennium under the bill is that 23.0 GPR and 3.0 PR positions would be converted to funding from the environmental management account. However, while the number of environmental management account SEG positions would increase from 69.37 in 2004-05 to 79.94

in 2006-07, the conversion of the 26 positions to SEG would be partially offset by the decrease of 14 positions under budget reductions.

10. In 2004-05, the vehicle fee will provide approximately 52% of the estimated \$26.1 million in revenues to the environmental management account (excluding the \$10 million anticipated to be received for remediation of Fox River contaminated sediments). Under the bill, the fee would provide approximately 55% of the \$49.4 million in estimated revenues to the account (excluding Fox River remediation) during the 2005-07 biennium. The table on page 5 shows estimated revenues and expenditures for 2003-04 through 2006-07.

11. The environmental management account will have an estimated June 30, 2005, balance of \$7.0 million. The main reasons there is \$5.0 million available under the bill to lapse to the general fund are that the state restructured its outstanding general obligation bonds in 2003-05 to lower short-term debt service costs and the pesticide, fertilizer and soil additive fees were retained in the environmental management account, but were not spent during the biennium.

12. Under the bill, the environmental management account would have an estimated June 30, 2007, balance of \$0.4 million. Estimated account expenditures during the biennium would equal \$51.1 million for purposes other than Fox River remediation (\$25.3 million in 2005-06 and \$25.7 million in 2006-07), including biennial totals of \$18.4 million for DNR administration and 77.94 staff, \$14.0 million for Commerce brownfields grants, \$4.4 million for DNR brownfields site assessment grants and green space grants, \$5.4 million for state-funded response and well compensation grants, \$7.9 million for debt service for general obligation bonds for remedial action, and \$0.6 million for other agencies with 2.0 staff. In addition, \$5.0 million would be transferred from the environmental management account to the general fund during the biennium. Attachments 1 and 2 show additional detail about the account revenues and appropriations.

**Estimated Condition -- Environmental Management Account
of the Environmental Fund, AB 100
(\$ Millions)**

	2003-04 <u>Actual</u>	2004-05 <u>Estimated</u>	2005-06 <u>Estimated</u>	2006-07 <u>Estimated</u>
Opening Balance	\$21.3	\$22.9	\$27.5	\$22.7
Revenues				
Vehicle Environmental Impact Fee	\$ 13.6	\$13.5	\$13.5	\$13.5
Solid Waste Tipping Fees	5.2	5.5	5.6	5.6
Transfer from Petroleum Inspection Fund	1.8	1.8	1.8	1.8
Pesticide and Fertilizer Fees	1.4	1.4	1.4	1.4
Sanitary Permit Surcharge	0.5	0.6	0.6	0.6
Nonmetallic Mining Fees	0.2	0.2	0.2	0.2
Fox River and Cooperative Remedial Action	4.8	10.0	5.0	5.0
Other Fees and Income	1.0	2.8	1.4	1.4
Interest Income	<u>0.2</u>	<u>0.3</u>	<u>0.2</u>	<u>0.2</u>
Total Revenue	\$28.6	\$36.1	\$29.7	\$29.7
 Total Revenue Available	 \$49.9	 \$59.0	 \$57.2	 \$52.4
Expenditures and Reserves				
DNR Administration	\$8.9	\$6.0	\$9.2	\$9.2
Commerce Brownfields Grants	7.0	7.0	7.0	7.0
DNR Brownfields, Site Assessment, Greenspace, and Sustainable Urban Development Grants	1.7	2.2	2.2	2.2
DNR State-funded Response, Well Compensation Grants and Household Hazardous Waste Grants	2.0	2.7	2.7	2.7
Fox River and Cooperative Remedial Action	4.4	10.0	5.0	5.0
Debt Service for General Obligation Bonds	1.7	1.8	3.8	4.1
Other Agencies *	0.5	0.3	0.3	0.3
Reserves and Lapses	<u>0.0</u>	<u>0.6</u>	<u>0.1</u>	<u>0.2</u>
Total Expenditures	\$26.2	\$30.6	\$30.3	\$30.7
Less Transfers to General Fund	<u>0.7</u>	<u>0.9</u>	<u>4.2</u>	<u>0.8</u>
Ending Cash Balance	\$22.9	\$27.5	\$22.7	\$20.9
Less Encumbrances and Continuing Balances **	20.6	20.5	20.5	20.5
Closing Available Balance	\$2.3	\$7.0	\$2.2	\$0.4

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

** In 2003-04, funds committed, but not yet spent, include \$8.9 million for Commerce brownfields grants; \$4.7 million for DNR brownfields site assessment, green space and sustainable urban development zone grants, \$2.7 million for DNR state-funded response, \$3.1 million for DNR site specific (Fox River) remediation, \$1.0 million for DNR well compensation and \$0.3 million for other encumbrances.

13. The environmental management account also receives revenues from three solid waste tipping fees totaling 64¢ per ton of non- high-volume industrial solid waste, or 34¢ per ton for high-volume industrial solid waste, of which. Other fees to the account include a transfer from the petroleum inspection fund. Most revenues to the petroleum inspection fund are used for the PECFA (petroleum environmental cleanup fund award) program, pesticide and fertilizer fees, hazardous waste generator fees, and sanitary permit surcharges.

14. It could be argued that the vehicle environmental impact fee should be made permanent in order to provide a long-term funding source for brownfields and contaminated land cleanup grants, state administration, and state-funded response cleanup activities. During the eight years that the fee has existed, conversion of the fee to permanent has generated support from proponents of state brownfields and contaminated land cleanup efforts. Under the bill, contaminated land and brownfields cleanup programs would be provided a stable funding source beyond a two-year timeframe.

15. Some would argue that segregated fee revenues to the account should not be transferred to the general fund, but should be retained for the purposes for which the fees are assessed. Under the bill, the \$5.0 million transfer to the general fund would equal one-fourth of the revenue generated by continuing the fee through the 2005-07 biennium.

16. Alternatively, it could be argued that any available fund balances may be used to support the general fund balance. Under this argument, the \$5.0 million should be transferred to the general fund (Alternative 1 or 2) and, an additional \$400,000 of the environmental management account balance could be transferred to the general fund in 2005-06 (Alternative 5a).

17. If the vehicle environmental impact fee is not continued through the 2005-07 biennium, there will not be sufficient revenues to fund all of the appropriations from the environmental management account, and either alternative revenues or expenditure reductions would be needed. It could be argued that, if there would be insufficient revenues for appropriations from the account, the transfer of \$5.0 million to the general fund should not be made.

18. If the \$9 vehicle environmental impact fee is not continued after the current law end date of December 31, 2005, revenues would be approximately \$20.3 million less than under the bill. If no alternative revenues are provided, if the \$5.0 million is not transferred to the general fund, and if expenditure authority is not reduced to within available revenues, appropriations would have to be reduced by an average of 35%. However, four appropriations could not be reduced, including: (a) the two sum sufficient DNR appropriations for general obligation bond debt service (\$527,000 for DNR administrative facilities and \$7,290,000 for remedial action in the 2005-07 biennium); (b) the DNR appropriation for site specific remediation which receives revenues, primarily for remediation of Fox River contaminated sediments, that must be spent for the purposes for which the revenues were received; and (c) the UW environmental education appropriation, which receives statutorily-designated revenues of 50% of environmental assessments from fines or forfeitures for violation of DNR environmental rules or orders (approximately \$47,500 annually).

19. If the Committee chooses not to continue the \$9 vehicle environmental impact fee, and if it wants to maintain expenditures from the account at the amounts included in the bill, the Committee could provide an alternative revenue source. For example, if the fee would not be continued and if the \$5.0 million is not transferred to the general fund, the Committee could transfer \$14.85 million from the petroleum inspection fund (\$7,425,000 in each of 2005-06 and 2006-07) to the account in addition to the \$1,816,300 that is transferred annually under current law. Under the bill, the current petroleum inspection fund transfer would provide 7.3% of the account revenue in 2006-07. If the transfer of petroleum inspection fee revenue would be increased from \$3.63 million, by \$14.85 million, to \$18.5 million, the revenue would represent 42% of the revenues to the account during 2005-07, excluding Fox River revenue.

20. It is anticipated that as the applications for PECFA reimbursement decline, additional moneys will be available in that fund for appropriation, or for early payment on a portion of almost \$350 million in debt service for PECFA revenue obligations that have been issued to pay for PECFA claims in 2001 through 2004. The transfer could be made on either a one-time basis during the 2005-07 biennium (Alternative 7a), or as an ongoing transfer (Alternative 7b). It could be argued that petroleum inspection fees (3¢ per gallon of petroleum products that enter the state) are an appropriate revenue source for contaminated land cleanup programs because the cost of the fees is born by anyone in the state who uses gasoline or other petroleum products. Alternatively, it could be argued that petroleum inspection fees should not replace vehicle title fees as the main revenue source for contaminated land cleanup programs, but rather should be used for PECFA program costs and to retire PECFA revenue obligations.

21. Another example of an alternative revenue source that could be considered would be to increase the solid waste tipping fees deposited in the environmental management account from the current 34¢ per ton for high-volume industrial waste and 64¢ per ton for all other solid waste disposed of in Wisconsin. For example, the environmental management account tipping fees could be increased by \$1.60 per ton, effective with all waste disposed of in Wisconsin, to generate \$14.9 million annually beginning in 2006-07. This would result in environmental management account tipping fees of \$1.94 per ton for high-volume industrial waste and \$2.24 per ton for all other non-exempt waste. (This is Alternative 7c and assumes that the amount of solid waste tons would decrease slightly as a result of the fee increase). This amount of fee would, in combination with deleting the transfer to the general fund, be sufficient to offset the current law repeal of the vehicle fee on December 31, 2005. The last time the solid waste tipping fees to the account were increased was 1997 when the well compensation portion of the tipping fees was increased from 1¢ to 4¢ per ton. Since then, a recycling tipping fee was created that currently equals \$3 per ton of waste other than high-volume industrial waste, and a landfill license surcharge tipping fee will increase to 15¢ per ton July 1, 2005, for administration of landfill licensing requirements. The current solid waste tipping fees deposited in the account will comprise 22.6% of the 2006-07 account revenues. It could be argued that an increased tipping fee would be an appropriate funding source because it is broad and paid, directly or indirectly, by all people in the state and outside-of Wisconsin who dispose of waste in Wisconsin.

22. If the Committee chooses not to continue the current \$9 fee beyond December 31,

2005, and does not provide alternative revenues, in order to maintain a positive fund balance, expenditure authority of all appropriations from the environmental management account (other than debt service, Fox River remediation and the UW appropriation) could be reduced. There are various ways the reduction could be made. For example, if the fee is not continued and the transfer to the general fund is not made, all appropriations from the environmental management account could be decreased (other than debt service and the UW appropriation) by 35% annually (\$7,438,800 in 2005-06 and \$7,430,500 in 2006-07) from the amounts under the bill and the number of authorized positions could be reduced by the same percentage (28.77 FTE annually). It could be argued that if expenditure authority reductions are made, the reductions should be applied equally to all appropriations from the account. (Alternative 6a).

23. It should be noted that the reduction in positions would represent a 52% reduction in the number of positions authorized from the account between 2002-03 and 2006-07. A reduction of 35% in all environmental management account appropriations would have a significant impact on state funds spent on state administration of contaminated land, groundwater and brownfields cleanups, state-funded response cleanup, and other environmental activities funded from the account. Affected agencies, primarily DNR, would have to significantly reduce the amount of effort spent on administering cleanup of contaminated and brownfields sites, groundwater management, and solid waste management. In addition, DNR and Commerce would have a 35% reduction in funds spent on brownfields grants, brownfield site assessment grants, brownfield green space grants and state-funded cleanup of sites where there is no responsible party able or willing to pay for the cleanup. It is likely that position reductions associated with a 35% reduction would result in layoffs of staff.

24. It could be argued that, since the vehicle fee was enacted, in large part, to provide funds for brownfields cleanups, if the fee is ended, the expenditure reductions should all be made in the DNR and Commerce brownfields grants and state cleanup appropriations. For example, a 62% reduction could be made in each year in each of the appropriations for the Commerce brownfields grants, DNR brownfield site assessment grant, DNR brownfield green space grant, DNR well compensation grant, and DNR state-funded response. (Alternative 6b). It should be noted that this expenditure reduction would result in significant reductions in state grants for cleanup activities and for state-funded cleanup.

25. The Commerce brownfields grant program, with base funding of \$7,000,000 annually, provides financial assistance to private entities and local governments for the costs of brownfields redevelopment projects and associated environmental remediation activities. The DNR brownfield site assessment grant program, with base funding of \$1,700,000, provides financial assistance to local governments to perform the environmental assessment and initial investigation at contaminated properties, and demolition of structures, asbestos abatement associated with demolition, and removal of abandoned containers and petroleum product storage tanks. It does not pay for the remediation activities and is not available to private entities. The DNR brownfield green space grant program, with base funding of \$500,000, provides financial assistance to local governments for brownfields remediation projects that have a long-term public benefit, including the preservation of green space, the development of recreational areas, or the use of a property by

the local government. The well compensation grant program, with base funding of \$294,000, provides grants, primarily to residences, to replace, reconstruct or treat contaminated water supply wells, or to connect to a community water supply. The state-funded response appropriation, with base funding of \$2,440,800, pays for DNR expenditures related to DNR-lead cleanups of contaminated sites where the responsible party is unknown or can not or will not clean up the site, the state share at certain federal Superfund site cleanups, emergency response and cleanups, response and cleanup of abandoned containers of hazardous substances where the responsible party can not be identified, DNR-lead remedial actions at abandoned privately-owned landfills, and DNR-lead cleanups resulting from responsible party payment of court settlements.

26. Applications for brownfields grants in Commerce and DNR have exceeded available funds. For example, applications for Commerce brownfields grants totaled \$34.4 million for available grant funding of \$14.0 million in the 2003-05 biennium. Applications for DNR brownfield site assessment grants totaled \$7.5 million with \$3.4 million in grants awarded in 2003-05. Applications for DNR brownfield green space grants totaled \$1.9 million with \$1.0 million in grants awarded in 2003-05.

27. If the Committee chooses to continue the fee, and chooses not to transfer funds to the general fund, appropriations could be increased by up to \$5.4 million (the \$5.0 million that would have been transferred to the general fund and the \$0.4 million account balance). For example, appropriations could be increased for brownfields grants in Commerce and DNR, in proportion to each program's percentage of total grant funding. Under the bill, ongoing revenues would equal \$29.7 million in 2006-07 and appropriations would total \$30.5 million. If the appropriation increases would be made on a one-time basis in 2005-06 (Alternative 8), ongoing annualized expenditures would not increase in 2006-07.

28. If the Committee continues the fee, and transfers \$5.0 million to the general fund, the remaining \$0.4 million account balance could be appropriated for brownfields grants in Commerce and DNR on a one-time basis in 2005-06 (Alternative 5b).

29. If the Committee does not make the fee permanent, it could consider continuing the fee for two years to December 31, 2007, or for four years to December 31, 2009. It could be argued that this would allow the Legislature to review the appropriate type and level of revenue sources for the environmental management account. (Alternative 3 or 4).

ALTERNATIVES

1. Approve the Governor's recommendations to repeal the December 31, 2005, sunset of the \$9 vehicle environmental impact fee, making the fee permanent, and transfer \$4,200,000 in 2005-06 and \$800,000 in 2006-07 from the environmental management account to the general fund.

2. Approve the Governor's recommendation to repeal the December 31, 2005, sunset of the \$9 vehicle environmental impact fee, making the fee permanent. Delete the Governor's recommendation to transfer \$4,200,000 in 2005-06 and \$800,000 in 2006-07 from the

environmental management account to the general fund.

<u>Alternative 2</u>	<u>GPR-REV</u>
2005-07 REVENUE (Change to Bill)	- \$5,000,000

3. Approve Alternative 1 or 2, but change the repeal date of the \$9 vehicle environmental impact fee from December 31, 2005, to December 31, 2007, instead of making the fee permanent.

4. Approve Alternative 1 or 2, but change the repeal date of the \$9 vehicle environmental impact fee from December 31, 2005, to December 31, 2009, instead of making the fee permanent.

5. Approve Alternative 1, 3 or 4 to continue the vehicle fee and transfer \$5.0 million to the general fund. In addition, approve one of the following:

a. Transfer an additional \$400,000 from the environmental management account to the general fund.

<u>Alternative 5a</u>	<u>GPR-REV</u>
2005-07 REVENUE (Change to Bill)	\$400,000

b. Provide an additional \$400,000 for brownfields-related grants in 2005-06 on a one-time basis as follows: (1) \$300,000 for Commerce brownfields grants; (2) \$180,000 for DNR brownfields site assessment grants; and (3) \$20,000 for DNR brownfields green space grants.

<u>Alternative 5b</u>	<u>SEG</u>
2005-07 FUNDING (Change to Bill)	\$400,000

6. Delete the Governor's recommendation to make the vehicle environmental impact fee permanent. (The fee would end on December 31, 2005.) Delete the Governor's recommendation to transfer \$4,200,000 in 2005-06 and \$800,000 in 2006-07 from the environmental management account to the general fund. In addition, approve one of the following methods of making expenditure reductions:

a. Reduce all appropriations in the environmental management account (except debt service, site specific and cooperative remedial action, and UW environmental education grants) by 35% in 2005-06 and 35% in 2006-07. This would include reducing the following appropriations by a total of \$7,438,800 SEG in 2005-06 and \$7,430,500 SEG in 2006-07 and 28.77 SEG positions annually to maintain a positive balance in the environmental management account: (a) reduce the

Commerce brownfields grant appropriation by \$2,429,000 SEG annually; (b) reduce the DNR Air and Waste Division general operations appropriation by \$1,122,700 SEG in 2005-06 and \$1,116,700 SEG in 2006-07 and 12.23 SEG positions annually; (c) reduce the DNR Air and Waste Division brownfields general operations appropriation by \$87,700 SEG and 1.04 SEG positions annually; (d) reduce the DNR Enforcement and Science Division general operations appropriation by \$326,800 SEG in 2005-06 and \$331,200 SEG in 2006-07 and 2.80 SEG positions annually; (e) reduce the DNR Water Division general operations appropriation by \$822,900 SEG and 7.35 SEG positions annually; (f) reduce the DNR groundwater management SEG appropriation by \$299,500 SEG and 2.95 SEG positions annually; (g) reduce the DNR Administration and Technology Division general operations appropriation by \$237,000 SEG in 2005-06 and \$234,100 SEG in 2006-07; (h) reduce the DNR Customer Assistance and External Relations Division general operations appropriation by \$298,300 SEG in 2005-06 and \$294,600 SEG in 2006-07 and 1.71 SEG positions annually; (i) reduce the DNR state-funded response cleanup appropriation by \$847,000 SEG annually; (j) reduce the DNR well compensation grant appropriation by \$102,000 SEG annually; (k) reduce the DNR brownfields site assessment grants appropriation by \$589,900 SEG annually; (l) reduce the DNR brownfields green space appropriation by \$173,500 SEG annually; (m) reduce the Department of Health and Family Services groundwater and air quality standards appropriation by \$99,800 SEG in 2005-06 and \$99,700 SEG in 2006-07 and 0.69 SEG positions annually; and (n) reduce the Department of Military Affairs emergency response training appropriation by \$2,700 SEG annually.

<u>Alternative 6a</u>	<u>GPR-REV</u>	<u>SEG-REV</u>	<u>SEG</u>	<u>TOTAL</u>
2005-07 REVENUE (Change to Bill)	- \$5,000,000	- \$20,250,000		- \$25,250,000
2005-07 FUNDING (Change to Bill)			- \$14,869,300	\$14,869,300
2006-07 POSITIONS (Change to Bill)			- 28.77	- 28.77

b. Reduce the following grant and cleanup appropriations in the environmental management account by a total of \$7,423,500 SEG annually (62%) to maintain a positive balance in the environmental management account: (a) Commerce brownfields grant appropriation by \$4,354,000 SEG annually; (b) DNR state-funded response cleanup appropriation by \$1,518,200 SEG annually; (c) DNR well compensation grant appropriation by \$182,900 SEG annually; and (d) DNR brownfields site assessment grants appropriation by \$1,057,400 SEG annually; and (e) DNR brownfields green space grants appropriation by \$311,000 SEG annually.

<u>Alternative 6b</u>	<u>GPR-REV</u>	<u>SEG-REV</u>	<u>SEG</u>	<u>TOTAL</u>
2005-07 REVENUE (Change to Bill)	- \$5,000,000	- \$20,250,000		- \$25,250,000
2005-07 FUNDING (Change to Bill)			- \$14,847,000	- \$14,847,000

7. Delete the Governor's recommendation to make the vehicle environmental impact fee permanent. (The fee would end on December 31, 2005.) Delete the Governor's recommendation to transfer \$4,200,000 in 2005-06 and \$800,000 in 2006-07 from the

environmental management account to the general fund. In addition, provide one of the following alternative revenue sources:

a. Transfer \$7,425,000 from the petroleum inspection fund to the environmental management account in 2005-06 and \$7,425,000 in 2006-07 on a one-time basis during 2005-07.

<u>Alternative 7a</u>	<u>GPR-REV</u>	<u>SEG-REV</u>	<u>TOTAL</u>
2005-07 REVENUE (Change to Bill)	- \$5,000,000	- \$5,400,000	- \$10,400,000

b. Transfer \$7,425,000 from the petroleum inspection fund to the environmental management account annually.

<u>Alternative 7b</u>	<u>GPR-REV</u>	<u>SEG-REV</u>	<u>TOTAL</u>
2005-07 REVENUE (Change to Bill)	- \$5,000,000	- \$5,400,000	- \$10,400,000

c. Increase the environmental repair solid waste tipping fee deposited in the environmental management account by \$1.60 per ton on all solid waste disposed of in Wisconsin, effective for waste disposed of on or after January 1, 2006. This would generate revenues of approximately \$14.9 million annually beginning in 2006-07.

<u>Alternative 7c</u>	<u>GPR-REV</u>	<u>SEG-REV</u>	<u>TOTAL</u>
2005-07 REVENUE (Change to Bill)	- \$5,000,000	- \$5,350,000	- \$10,350,000

8. Approve Alternative 2 to make the vehicle environmental impact fee permanent. Do not transfer \$5.0 million to the general fund during the biennium. Provide an additional \$5,400,000 for brownfields-related grants in 2005-06 on a one-time basis as follows: (a) \$4,050,000 for Commerce brownfields grants; (b) \$1,080,000 for DNR brownfields site assessment grants; and (c) \$270,000 for DNR brownfields green space grants.

<u>Alternative 8</u>	<u>GPR-REV</u>	<u>SEG</u>	<u>TOTAL</u>
2005-07 REVENUE (Change to Bill)	- \$5,000,000		- \$5,000,000
2005-07 FUNDING (Change to Bill)		\$5,400,000	\$5,400,000

Prepared by: Kendra Bonderud
Attachments

ATTACHMENT 1

Estimated Environmental Management Account Revenues 2004-05 through 2006-07, AB 100

<u>Revenue Source</u>	<u>2004-05 Revenue</u>	<u>2005-06 Revenue</u>	<u>2006-07 Revenue</u>
Vehicle Environmental Impact Fee	\$13,500,000	\$13,500,000	\$13,500,000
Environmental Repair Tipping Fee	4,184,900	4,257,800	4,267,700
Hazardous Spill Reimbursement	2,100,000	800,000	800,000
Petroleum Inspection Fund	1,816,300	1,816,300	1,816,300
Pesticide and Fertilizer Fees	1,366,100	1,366,100	1,366,100
Groundwater Waste Generator Tipping Fee	925,400	935,800	939,900
Sanitary Permit Surcharge	550,000	550,000	550,000
Hazardous Waste Generator Fee	548,600	548,600	548,600
Well Compensation Tipping Fee	370,200	374,300	376,000
Nonmetallic Mining Fees	150,000	150,000	150,000
Environmental Assessment *	95,000	95,000	95,000
Land Disposal Permit	65,000	65,000	65,000
Septic System Servicing Fee	25,000	25,000	25,000
Bulk Tank Surcharge	21,000	21,000	21,000
Civil Action Damages	15,000	15,000	15,000
Environmental Repair Surcharge	6,000	6,000	6,000
Environmental Repair Base Fee	4,100	4,100	4,100
Investment Income	360,000	200,000	200,000
Site Specific (Fox River) Remediation **	10,000,000	5,000,000	5,000,000
Miscellaneous Revenue	<u>7,000</u>	<u>7,000</u>	<u>7,000</u>
Total	\$36,109,600	\$29,737,000	\$29,761,700

* Fifty percent of environmental assessment revenue is deposited in the University of Wisconsin System's environmental education appropriation to fund environmental education grants.

** This includes any moneys received for remediation at specific sites, primarily the Fox River contaminated sediment cleanup, in settlement of actions initiated under certain federal regulations or court orders. These revenues can only be used for the purposes for which received.

ATTACHMENT 2

Appropriations From the Environmental Management Account, 2004-05 through 2006-07, AB 100

		<u>2004-05</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	
			<u>Positions</u>	<u>Governor</u>	<u>Governor</u>	<u>Positions</u>
Natural Resources (370)						
(2)(dv)	Environmental repair; spills; abandoned containers	\$2,440,800		\$2,440,800	\$2,440,800	
(2)(mq)*	Air and waste operations	1,485,800	33.75	3,235,500	3,218,200	32.25
(2)(mr)	Brownfields operations	230,300	3.00	252,700	252,700	3.00
(2)(du)**	Site specific remediation	10,000,000		5,000,000	5,000,000	
(2)(fq)	Indemnification agreements	0		0	0	
(3)(mq)	Enforcement and science operations	875,400	8.08	941,800	954,400	8.08
(4)(ar)***	Groundwater management	91,900	0.00	863,000	863,000	8.50
(4)(mq)***	Water operations	1,704,400	16.16	2,371,400	2,371,400	21.17
(4)(au)**	Cooperative remedial action; contributions	0		0	0	
(4)(av)**	Cooperative remedial action; interest on contributions	0		0	0	
(6)(cr)	Well compensation grants	294,000		294,000	294,000	
(6)(et)	Brownfield site assessment grants	1,700,000		1,700,000	1,700,000	
(6)(eu)	Brownfields green space grants	500,000		500,000	500,000	
(7)(bq)	Remedial action debt service	1,599,900		3,520,800	3,769,200	
(7)(er)	Administrative facilities debt service	164,100		229,900	297,100	
(8)(mv)	Administration and technology operations	1,161,500	0.00	683,000	674,600	
(9)(mv)	Customer assistance and external relations operations	425,700	5.81	859,700	849,100	4.94
Commerce						
143 (1)(qm)	Brownfields grant program; environmental fund	7,000,000		7,000,000	7,000,000	
Health and Social Services						
435 (1)(q)	Groundwater and air quality standards	291,200	2.57	287,500	287,300	2.00
Military Affairs						
465 (3)(t)	Emergency response training -- environmental fund	7,700		7,700	7,700	
University of Wisconsin System						
285 (1)(r)**	Environmental education; environmental assessments	<u>47,500</u>		<u>47,500</u>	<u>47,500</u>	
Total SEG Environmental Management Account Appropriations		\$30,020,200	69.37	\$30,235,300	\$30,527,000	79.94

* While 2003 Act 33 reduced this appropriation by \$1,120,000 in each of 2003-04 and 2004-05, it did not make a reduction in the number of authorized positions. DNR had to ensure that up to 14 authorized SEG positions were kept vacant in each year to accomplish the required expenditure reduction.

** Appropriations are continuing and show the currently estimated revenue that would be available solely for the purposes of the appropriation, rather than the Chapter 20 amount.

*** AB 100 converts 8.5 positions from GPR to SEG. A technical correction would be required to properly fund these positions from the Water Divisions operations appropriation instead of from the groundwater management appropriation.