



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #498

Eliminate Vehicle Environmental Impact Fee (DNR -- Air, Waste and Contaminated Land)

[LFB 2011-13 Budget Summary: Page 332, #7]

CURRENT LAW

The Department of Transportation (DOT) collects a vehicle environmental impact fee of \$9 per vehicle at the time of titling new and used vehicles. DOT deposits the fees in the environmental management account of the segregated environmental fund.

The fee was created effective December 1, 1997, at \$5 per vehicle. The fee was increased to \$6 per vehicle on December 1, 1999, and to \$9 effective October 1, 2001. The fee was continued for two years at a time until it was made permanent in 2009 Act 28. The environmental management account mainly funds: (a) DNR administration of contaminated land cleanup, brownfields, and groundwater management activities; (b) DNR and Commerce brownfields grants programs; (c) state-funded cleanup at sites where there is no responsible party able or willing to cleanup the site; and (d) debt service for remedial action, contaminated sediment cleanup, administrative facilities, and certain water pollution abatement bonds.

Vehicle environmental impact fee revenue of \$10,454,000 in 2009-10 represented approximately 41% of the \$25.3 million in environmental management account revenue (excluding site specific revenues). The vehicle environmental impact fee is expected to generate revenue of approximately \$10.66 million in 2010-11, which will represent approximately 35% of the \$30.7 million in revenue to the account. Total revenue to the environmental management account is projected to be greater in 2010-11 than in 2009-10 because of implementation of a full year of solid waste tipping fee increases provided under 2009 Act 28 (an increase of \$1.65 per ton of non- high-volume industrial waste).

GOVERNOR

Repeal the \$9 per vehicle environmental impact fee. This would decrease revenue to the environmental management account by approximately \$10.5 million SEG annually.

DISCUSSION POINTS

1. The bill includes a separate provision to increase the existing vehicle title fee by \$9. By eliminating the current \$9 per vehicle environmental impact fee on vehicle titles and substituting an equal increase in the standard vehicle title fee, the environmental fund would lose \$10.5 million annually and the transportation fund would gain \$10.5 million annually. [See the LFB budget paper #645 related to the vehicle title fee under DOT -- Transportation Finance.]

2. The fee was created, and increased to the current \$9 rate, largely to fund brownfields grant programs, other contaminated land cleanup grant programs, state administrative staff who work on contaminated land and groundwater activities, state-funded remedial response actions at contaminated sites where there is no responsible party able or willing to cleanup the property, and debt service for general obligation bonds issued for contaminated land cleanup. The fee sunset was been extended for two years at a time in each biennial budget between 1997-99 and 2007-09, until it was made permanent in 2009.

3. Some would argue that it is appropriate to continue using the vehicle environmental impact title fee to help fund contaminated land programs because: (a) some environmental contamination cleanup activities relate to vehicles and petroleum products; (b) road construction projects sometimes lead to discovery and cleanup of contamination from petroleum tanks or other hazardous substances; (c) the title fee has a broad base of payers throughout the state, with 1.2 to 1.4 million motor vehicles being titled annually; (d) it was made permanent in the 2009-11 biennial budget as a method of providing a long-term funding source for brownfields grants, contaminated land administrative activities, and state-funded cleanup of sites where no responsible party is able to pay for the cleanup; and (e) the fee has provided a steady source of one-third to one-half of the revenue to the account for 14 years.

4. Under the bill, authorized expenditures in the environmental management account will substantially exceed estimated revenue. Some combination of increases in revenue or reductions in expenditures from the amounts under the bill will be required in order to maintain a positive balance in the account.

5. Under the bill, tipping fees would provide almost 85% of the revenue to the environmental management account during the 2011-13 biennium. The amount of solid waste subject to tipping fees has decreased by over 30% in recent years.

6. The Committee could maintain all, or some portion of the current vehicle environmental impact fee as a way of: (a) decreasing the anticipated deficit in the environmental management account; (b) funding desired expenditures from the environmental management account, including expenditures transferred from the recycling and renewable energy fund under the bill and/or brownfield grant programs; and (c) maintaining some diversity of funding sources for the

account.

7. Every \$1 of vehicle environmental impact fee generates approximately \$1,167,000 in annualized revenue. If the Committee maintained \$3 per vehicle of the vehicle environmental impact fee, it would generate approximately \$3.5 million annually to the environmental management account [Alternative 2]. If the bill would be amended to maintain \$6 per vehicle of the fee, it would generate approximately \$7.0 million annually to the environmental management account [Alternative 3].

8. A decision on the amount of the vehicle environmental impact fee could be made independently of a decision on the vehicle title fee deposited in the transportation fund because the two fees are found in separate sections of the statute. If the bill provides rate changes for the two fees that, together, equal no net change, there will be no net change in revenue to the bill. However, a change that results in an overall change to the fee paid by title applicants could result in some delay in the implementation of the fee change as DOT revises necessary forms and procedures.

ALTERNATIVES

1. Approve the Governor's recommendation to repeal the \$9 per vehicle environmental impact fee.

2. Restore \$3 per vehicle of the vehicle environmental impact fee. This would provide approximately \$3,501,000 SEG annually in revenue to the environmental management account.

ALT 2	Change to Bill Revenue
SEG	\$7,002,000

3. Restore \$6 per vehicle of the vehicle environmental impact fee. This would provide approximately \$7,002,000 SEG annually in revenue to the environmental management account.

ALT 3	Change to Bill Revenue
SEG	\$14,004,000

4. Delete provision, to maintain the \$9 per vehicle environmental impact fee.

ALT 4	Change to Bill Revenue
SEG	\$21,000,000

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