



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873
Email: fiscal.bureau@legis.wisconsin.gov • Website: <http://legis.wisconsin.gov/lfb>

May 23, 2013

Joint Committee on Finance

Paper #482

Dry Cleaner Environmental Response Program (DNR -- Environmental Quality)

CURRENT LAW

The dry cleaner environmental response program (DERP) provides reimbursement to owners of dry cleaning facilities, for a portion of the costs of cleaning up discharges of dry cleaning solvents. The program is funded from revenues that include: (a) a dry cleaning facility license fee paid by owners of dry cleaning facilities, equal to 2.8% of gross receipts from dry cleaning apparel and household fabrics; and (b) a dry cleaning solvents fee paid by persons who sell dry cleaning solvents to dry cleaners, equal to \$5.00 per gallon of perchloroethylene, or \$0.75 per gallon of other dry cleaning products. Under 2009 Act 28, the Department of Administration (DOA) was authorized to transfer up to \$6.2 million in unallocated funds, as a loan from the land recycling loan program (LRLP) within the environmental improvement fund to the DERP to pay awards.

Revenues received under DERP totaled \$11.6 million for 1997-98 through 2011-12 (including \$911,300 in 2011-12), and are anticipated to generate approximately \$850,000 annually through 2014-15. Revenues are deposited in the segregated dry cleaner environmental response fund (DERF).

GOVERNOR

Maintain base funding of \$763,300 SEG annually for dry cleaner environmental response program awards.

DISCUSSION POINTS

1. As of April 1, 2013, DNR has paid \$16,930,300 for partial or full cleanup at 148 eligible dry cleaner facilities. DNR received 230 notices of the potential for submitting a claim

under the program by the August 30, 2008, deadline for establishing eligibility. DNR anticipates the potential cumulative cost of the program will be approximately \$35.2 million. It is probable that sites will continue to be cleaned up under the program for the next 10 to 20 years.

2. As of April 1, 2013, \$4,955,700 has been transferred from the land recycling loan program to the DERF. Amounts are transferred quarterly, based on the estimated amount of dry cleaner environmental response claims DNR expects to receive during the quarter. It is anticipated that the maximum \$6.2 million will be transferred from the LRLP to the DERF near the end of the 2013-15 biennium or early in 2015-17.

3. The base funding of \$763,300 annually for DERP awards would provide \$1,527,200 during the biennium. DNR anticipates it will pay awards totaling \$2.7 million during the 2011-13 biennium, and estimates claim demand may total almost the same amount during 2013-15. Thus, the appropriated amount will be insufficient to pay for anticipated claims. Under the bill, DNR officials anticipate the Department would need to develop a request for additional expenditure authority under s. 13.10 in late 2013-14, or early 2014-15, based on actual revenue, expenditures and the balance of the loan from the land recycling loan program.

4. The table shows the estimated dry cleaner environmental response fund condition through 2014-15 under the bill. Based on estimated revenues and an estimated transfer of an additional \$1,200,000 from the LRLP to the DERF, there would be an estimated balance in the fund of \$978,500 on June 30, 2015. This would provide a sufficient balance in the DERF to appropriate an additional \$950,000 for award payments under DERP.

Dry Cleaner Environmental Response Fund Condition – AB 40

	2011-12 <u>Actual</u>	2012-13 <u>Estimated</u>	2013-14 <u>Bill</u>	2014-15 <u>Bill</u>
Opening Balance, July 1	\$160,600	\$166,100	\$191,100	\$784,800
Revenue				
Program Fees	911,300	850,300	850,300	850,300
Loan from Environmental Improvement Fund	<u>691,000</u>	<u>812,000</u>	<u>800,000</u>	<u>400,000</u>
Total Revenue Available	\$1,762,900	\$1,828,500	\$1,841,400	\$2,035,100
Expenditures				
Financial Assistance Awards	\$1,326,100	\$1,350,000	\$763,300	\$763,300
Administration	264,200	280,400	286,000	286,000
Repayment to Environmental Improvement Fund	<u>6,500</u>	<u>7,000</u>	<u>7,000</u>	<u>7,000</u>
Total Expenditures	\$1,596,800	\$1,637,400	\$1,056,600	\$1,056,600
Closing Balance	\$166,100	\$191,100	\$784,800	\$978,500

5. The Committee could choose to appropriate these funds for DERP awards in 2013-

14 (Alternative 1). This would allow the Legislature to review revenues and expenditures for the program during 2015-17 biennial budget deliberations. If the Committee chooses to maintain base funding for awards under DERP, it could review revenues and expenditures for the program if and when DNR submits a separate request under s. 13.10 during the 2013-15 biennium (Alternative 2).

6. Any funds appropriated for dry cleaner awards in 2013-15, but not needed, would lapse to the fund balance, and would be available for awards in 2015-17.

7. If no action is taken to increase the appropriated amount for DERP awards during 2013-15 biennial budget deliberations or separate legislative authorization, it is probable the program will utilize all appropriated funding prior to the end of the 2013-15 biennium. After that happens, DNR would have to place claims in a waiting list to be paid after funding is authorized.

ALTERNATIVES

1. Provide an additional \$950,000 SEG in 2013-14 for dry cleaner environmental assistance program awards, for a total of \$2,477,200 during the 2013-15 biennium.

ALT 1	Change to Bill Funding
SEG	\$950,000

2. Take no action. Base funding of \$763,300 SEG annually would be maintained for dry cleaner environmental assistance program awards, for a total of \$1,527,200 during the 2013-15 biennium.

Prepared by: Kendra Bonderud