



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #475

Environmental Fund Overview (Natural Resources -- Environmental Quality)

CURRENT LAW

The segregated (SEG) environmental fund consists of the environmental management account and the nonpoint account. The two accounts are statutorily designated as one fund but are tracked separately for budgetary purposes. Both accounts rely heavily on revenues from several state solid waste tipping fees. Wisconsin landfills pay state solid waste tipping fees for each ton of solid waste disposed of in the landfill. State solid waste tipping fees total \$12.997 per ton for most solid waste disposed of at Wisconsin landfills, including municipal solid waste and non-high-volume industrial waste. Of this total, \$12.84 per ton is deposited in the environmental fund, including \$9.64 per ton in the environmental management account and \$3.20 per ton in the nonpoint account. The nonpoint account is also funded with an annual general purpose revenue (GPR) transfer of \$11,143,600. The environmental fund supports programs primarily at the Department of Natural Resources (DNR) and the Department of Agriculture, Trade and Consumer Protection (DATCP), including financial assistance programs for local governments and collaborating partners.

GOVERNOR

Major actions related to revenues or expenditures from the two accounts are as follows: (a) transfer \$3,152,500 each year of the biennium on a one-time basis, from the environmental management account to the nonpoint account; (b) decrease the GPR transfer to the nonpoint account by \$3,152,500 annually, on an ongoing basis; (c) provide \$540,000 nonpoint SEG each year for DNR nonpoint source contracts; (d) provide \$100,000 nonpoint SEG annually in one-time funding for DNR nonpoint source grants; and (e) provide \$825,000 nonpoint SEG annually for DATCP soil and water resource management grants. Additionally, the bill authorizes a total of \$15.9 million in new bonding for nonpoint source programs, the debt service for which is supported by nonpoint SEG.

DISCUSSION POINTS

1. This paper provides a general overview of the environmental management account and the nonpoint account of the segregated environmental fund, including the estimated condition of each of the two accounts and general information about revenues and expenditures in each account. Discussion and alternatives for individual budget issues affecting each account are included in separate budget papers. However, any changes in revenues to and expenditures from the accounts under specific budget issues will impact the balances of each account and amounts available for expenditure for other appropriations funded from the two accounts.

2. Wisconsin landfills pay state solid waste tipping fees for each ton of solid waste disposed of in the landfill. Table 1 shows the state tipping fee rates per ton. State tipping fee rates are \$12.997 per ton for municipal solid waste and non-high-volume industrial waste. The recycling and solid waste landfill administration tipping fees are assessed and collected quarterly. Other environmental management (environmental repair, groundwater, and well compensation), nonpoint, and Solid Waste Facility Siting Board fees are assessed annually in May for tons disposed of during the previous calendar year. Of the total state tipping fees, \$9.64 per ton of municipal solid waste and non-high-volume industrial waste is deposited in the environmental management account. High-volume industrial waste is subject to tipping fees of \$0.497 per ton, of which \$0.34 per ton is deposited in the environmental management account. The state tipping fee was increased from \$3.80 per ton to \$5.90 per ton in the fall of 2007 and to \$12.997 per ton by the fall of 2009.

TABLE 1

State Solid Waste Tipping Fees Per Ton

<u>Fund. Fee</u>	<u>Type</u>	<u>Municipal and Non-High-Volume Industrial Waste</u>	<u>High-Volume Industrial Waste</u>	<u>PCB-Contaminated Sediment</u>
Recycling	SEG	\$7.000	\$0.000	\$0.000
Environmental repair	SEG	2.500	0.200	0.850
Groundwater	SEG	0.100	0.100	0.100
Well compensation	SEG	<u>0.040</u>	<u>0.040</u>	<u>0.040</u>
Subtotal Environmental Management		\$9.640	\$0.340	\$0.990
Nonpoint account	SEG	3.200	0.000	3.200
DNR Solid Waste landfill administration	PR	0.150	0.150	0.150
DOA Solid Waste Facility Siting Board	PR	<u>0.007</u>	<u>0.007</u>	<u>0.007</u>
Subtotal Nonpoint/Program Revenue Accounts		\$3.357	\$0.157	\$3.357
Total State Tipping Fee		\$12.997	\$0.497	\$4.347

-High-volume industrial waste includes fly ash, bottom ash, paper mill sludge and foundry process waste.

-Municipal and non-high-volume industrial waste includes solid waste generated by: residences; business, commercial and government facilities; construction and demolition; and industrial uses that are not high-volume.

-PCB (polychlorinated biphenyls) contaminated sediments are subject to the rates in the table if they are removed from a navigable water of the state in connection with a phase of a project to remedy contamination of the bed of the navigable water, and the quantity of sediments removed will exceed 200,000 cubic yards. If the PCB sediments do not meet these criteria, they are subject to the fees for non-high-volume industrial waste.

-Waste used as daily cover, lining, capping or constructing berms, dikes or roads in the facility is exempt from the fees if use for that purpose is approved by DNR and the waste is used in that way.

3. Table 2 shows the total tons of solid waste disposed of in Wisconsin landfills for the past six years, from 2011 through preliminary data for calendar year 2016. Tonnages are shown on a calendar-year basis, and fees are mostly received before the end of the following fiscal year (that is, fees for calendar year 2016 disposal will primarily be received as fiscal year 2016-17 revenues). The number of tons of waste subject to state statutory tipping fees has ranged between 6.2 million to 6.8 million tons during the past six years.

TABLE 2
Tons of Solid Waste Landfilled in Wisconsin
by Category and Year

<u>Type of Waste</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Tons subject to nonpoint and environmental tipping fees*	5,428,100	5,970,760	5,094,088	5,383,896	5,448,036	5,415,827
High-volume industrial waste subject to environmental tipping fees**	<u>1,045,635</u>	<u>880,082</u>	<u>1,136,766</u>	<u>1,223,081</u>	<u>1,185,236</u>	<u>1,263,949</u>
Tons subject to state statutory tipping fees	6,473,735	6,850,842	6,230,854	6,606,977	6,633,272	6,679,776
Tons exempt from state statutory tipping fees***	<u>1,570,164</u>	<u>1,859,000</u>	<u>1,619,116</u>	<u>1,558,091</u>	<u>1,586,691</u>	<u>1,898,128</u>
Total waste landfilled in Wisconsin	8,043,899	8,709,842	7,849,970	8,165,068	8,219,963	8,577,904
Percent change in total tons landfilled in Wisconsin	-2.7%	8.3%	-9.9%	4.0%	0.7%	4.4%
Landfilled tons from out-of-state	425,986	385,736	375,266	347,253	328,413	354,510

*Some of these tons are subject to reduced rates for, or exemption from, certain state tipping fees.

**Includes utility power plant ashes and sludges, pulp and papermill waste, foundry manufacturing waste, and energy recovery incinerator ash. These wastes are not subject to nonpoint or recycling tipping fees.

***DNR assesses a \$0.15 per ton landfill license surcharge fee to some of these tons under administrative code provisions.

Environmental Management Account

4. The environmental management account provides funding for several recycling and environmental programs. Under the bill, during the 2017-19 biennium, the largest expenditure from the environmental management account would be base funding of \$20 million annually for DNR recycling grants to local governments, which pays for a portion of local costs of operating a recycling program that meets state program requirements. Second would be approximately \$14.2 million for DNR administration of contaminated land, brownfields cleanup, and recycling programs, including 105.66 staff in remediation and redevelopment, solid waste management, air management, groundwater management, and central administrative programs. The third largest expenditure area would be debt service costs for general obligation bonds issued for state-funded cleanup of contaminated land and sediment, under the former point source water pollution

abatement grant program that ended in 1990, and for DNR administrative facilities. Additional expenditure areas include: (a) brownfields and well compensation grant programs; (b) state-funded cleanup of contaminated properties where there is no responsible party able or willing to pay for the cleanup; (c) certain environmental and recycling programs in DATCP, the UW System, and the Departments of Health Services and Military Affairs; and (d) remediation of specific sites using moneys received under court-approved settlement agreements or orders (primarily for Fox River cleanup). Prior to the 2015-17 biennium, the account also provided funding for the University of Wisconsin (UW) System Bioenergy Initiative, and certain environmental and recycling programs in the UW System and the Department of Corrections. Those programs were repealed in 2015 Act 55.

5. Table 3 shows the condition of the environmental management account in 2015-16 through 2018-19 under the bill. Table 3 also includes the May 25, 2017, Committee action to provide \$440,000 annually to the Wisconsin Institute for Sustainable Technology in the UW System. In the 2017-19 biennium, approximately 90% of revenue to the environmental management account is anticipated to be received from solid waste tipping fees. The remaining 10% of revenues include a transfer from the segregated petroleum inspection fund, several license and other environmental fees, and revenues received for designated purposes.

6. The environmental management account is expected to have a balance of approximately \$9.3 million on June 30, 2019, after the transfer of \$6,305,000 to the nonpoint account (\$3,152,500 in each of 2017-18 and 2018-19), and including May 25, 2017, Committee action. Further, the account is anticipated to have a positive structural balance in the next biennium. That is, after excluding site-specific remediation figures primarily related to the Fox River polychlorinated biphenyls (PCB) cleanup project and the revenues transferred to the nonpoint account, anticipated revenues of \$55.9 million in 2018-19 (the base year for consideration of the 2019-21 biennial budget) are expected to exceed authorized expenditures of \$51.6 million by approximately \$4.3 million, or approximately 8.3%.

Nonpoint Account

7. The nonpoint account supports state and local programs to identify and address nonpoint source water pollution, which is water pollution such as storm water or agricultural runoff that does not originate from a well-defined source. Both DATCP and DNR operate nonpoint source water pollution abatement programs, which provide administration, regulation, technical assistance, and grants. The programs are supported primarily by nonpoint SEG, although funding also comes from federal Clean Water Act (Section 319) funding, bond revenues, and GPR. These programs support 20.30 positions at DATCP and 15.94 at DNR. The departments also provide nonpoint SEG for contracts with UW-Extension, UW System schools, and local conservation organizations for education, research and technical assistance activities related to nonpoint source water pollution.

8. As seen in Table 4, revenue to the nonpoint account consists primarily of solid waste tipping fees and a GPR transfer. In 2017-19, tipping fees are expected to account for approximately 61% of nonpoint revenues, and the GPR transfer will contribute 28% of revenues. The remaining revenues to the fund include a small amount of investment income and transfers from the environmental management account. The nonpoint account has received a number of one-time transfers from other funds in recent biennia. These include: (a) \$650,000 in 2013-14 and \$1,300,000

in 2014-15 from the environmental management account; and (b) \$1,000,000 in each year of the 2015-17 biennium from the segregated agricultural chemical cleanup fund. The bill would transfer \$3,152,500 annually from the environmental management account during the 2017-19 biennium, which offsets an equal reduction in the GPR transfer to the account.

TABLE 3
Environmental Management Account Condition,
Through May 25, 2017, Committee Action

	Actual <u>2015-16</u>	Estimated <u>2016-17</u>	Estimated <u>2017-18</u>	Estimated <u>2018-19</u>	2018-19 <u>Staff</u>
Opening Balance	\$20,338,800	\$20,451,800	\$20,251,700	\$19,084,400	
Revenues:					
Solid Waste Tipping Fees	\$49,456,700	\$49,460,200	\$49,970,500	\$50,416,300	
Transfer to Nonpoint Account	0	0	-3,152,500	-3,152,500	
Transfer from Petroleum Inspection Fund	1,704,800	1,704,800	1,704,800	1,704,800	
Site-Specific Remediation	97,200	100,000	100,000	100,000	
Other Fees and Income	<u>4,035,600</u>	<u>3,950,500</u>	<u>3,828,000</u>	<u>3,828,000</u>	
Total Revenue	\$55,294,300	\$55,215,500	\$52,450,800	\$52,896,600	
Total Revenue Available	\$75,633,100	\$75,667,300	\$72,702,500	\$71,981,000	
Expenditures:					
DNR Recycling Grants to Local Governments	\$19,000,000	\$20,000,000	\$20,000,000	\$20,000,000	
DNR Programs and Operations	13,052,700	14,462,700	14,155,100	14,187,300	105.66
DNR Cleanup or Well Grants	1,988,900	2,492,700	2,492,700	2,492,700	
DNR Site-Specific Remediation	690,900	3,000,000	3,000,000	3,000,000	
Debt Service for General Obligation Bonds	18,305,600	13,027,100	11,470,500	12,427,100	
WEDC Brownfields Grants	1,000,000	1,000,000	1,000,000	1,000,000	
Other Agencies *	1,143,200	1,075,300	1,499,800	1,499,800	2.00
Expenditure of prior year encumbrances	<u>0</u>	<u>357,800</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	\$55,181,300	\$55,415,600	\$53,618,100	\$54,606,900	107.66
Cash Balance	\$20,451,800	\$20,251,700	\$19,084,400	\$17,374,100	
Encumbrances, Continuing Balances	-\$16,661,700	-\$13,568,000	-\$10,833,700	-\$8,099,400	
Available Balance	\$3,790,100	\$6,683,700	\$8,250,700	\$9,274,700	

*Other agencies include Department of Agriculture, Trade and Consumer Protection clean sweep grants, Department of Health Services groundwater and air quality standards, and Department of Military Affairs emergency response training. Amounts include May 25, 2017, action of the Joint Committee on Finance to provide the UW System with \$440,000 annually for the Wisconsin Institute for Sustainable Technology.

9. Expenditures from the nonpoint account include debt service payments for general obligation bonds issued for grant programs that support the installation of structural best management practices. Total estimated nonpoint SEG debt service payments are \$16.2 million in 2017-18 and \$16.4 million in 2018-19, or 54% of budgeted expenditures during the biennium. Other budgeted spending under the bill would include: (a) \$5,036,900 annually as grants for county conservation staff; (b) \$3,325,000 annually for soil and water resource management grants, primarily nutrient management planning cost-sharing; (c) \$500,000 each year for urban nonpoint source grants; (d) \$767,600 each year for contracts with UW-Extension and others for education, research and technical assistance; (e) \$100,000 each year for targeted runoff management and notice

of discharge/notice of intent grants; and (f) approximately \$4.4 million annually for administrative and regulatory activities at DATCP and DNR related to nonpoint programs. The bill would also provide \$15.9 million in additional nonpoint SEG-supported general obligation bonding authority for DATCP and DNR nonpoint grant programs.

TABLE 4

Nonpoint Account Fund Condition

	Actual 2015-16	Estimated 2016-17	Estimated 2017-18	Estimated 2018-19	2018-19 Staff
Opening Balance	\$19,909,100	\$19,561,800	\$19,824,900	\$18,239,700	
Revenue:					
GPR Transfer	\$11,143,600	\$11,143,600	\$7,991,100	\$7,991,100	
Tipping Fee	18,190,600	17,330,000	17,520,000	17,552,000	
Misc. Income and Adjustments*	<u>1,002,600</u>	<u>1,022,400</u>	<u>3,167,500</u>	<u>3,167,500</u>	
Total Revenue	\$30,336,800	\$29,496,000	\$28,678,600	\$28,710,600	
Total Available	\$50,245,900	\$49,057,800	\$48,503,500	\$46,950,300	
Expenditures:					
<i>Agriculture, Trade and Consumer Protection</i>					
<i>Soil and Water Management</i>					
Administration	\$2,237,900	\$2,249,100	\$2,214,800	\$2,217,600	20.30
County Staffing Grants	5,940,500	5,711,900	5,036,900	5,036,900	0.00
Soil and Water Management Grants	2,594,000	2,500,000	3,325,000	3,325,000	0.00
Debt Service	3,776,800	3,798,500	4,234,900	4,569,000	0.00
Compensation Adjustments	-	-	25,400	50,800	
<i>Natural Resources</i>					
Nonpoint Source Operations**	\$1,816,100	\$1,885,700	\$1,769,000	\$1,769,000	15.25
Rural TRM/NOD Grants	0	100,000	100,000	100,000	0.00
Urban Nonpoint Source Grants	1,064,400	335,600	500,000	500,000	0.00
Debt Service – Priority Watersheds	7,506,700	6,492,100	6,211,500	5,796,800	0.00
Debt Service – Rural Nonpoint	1,444,800	1,754,500	2,329,400	2,492,700	0.00
Debt Service – Urban Nonpoint	2,995,800	2,966,400	3,280,100	3,464,800	0.00
Debt Service – DNR Facilities	102,600	99,800	104,700	109,400	0.00
Department Operations**	338,700	341,700	347,000	350,400	0.69
Nonpoint Source Contracts	865,800	997,600	767,600	767,600	0.00
Compensation Adjustments	-	-	<u>17,500</u>	<u>35,000</u>	
Total Expenditures	\$30,684,100	\$29,232,900	\$30,263,800	\$30,585,000	36.24
Cash Balance	\$19,561,800	\$19,824,900	\$18,239,700	\$16,365,300	
Encumbrances/Continuing	<u>-13,588,300</u>	<u>-13,252,700</u>	<u>-13,252,700</u>	<u>-13,252,700</u>	
Available Balance	\$5,973,500	\$6,572,200	\$4,987,000	\$3,112,600	

*Includes transfers of: (a) \$1,000,000 in each year of the 2015-17 biennium from the agricultural chemical cleanup fund; and (b) \$3,152,500 in each year of the 2017-19 biennium from the environmental management account.

**As modified by the Governor's Department of Natural Resources Reorganization proposal, and errata.

Note: Debt service payments for 2017-19 are based on May, 2017, reestimates.

10. As seen in Table 4, the nonpoint account is estimated to begin the 2017-19 biennium with an available balance of approximately \$6.6 million. Nonpoint account expenditures are

estimated to exceed revenues by \$1.6 million in 2017-18 and \$1.9 million in 2018-19. Account balances would be sufficient to support such expenditures, and the June 30, 2019, available balance under the bill is estimated to be \$3.1 million. It should be noted that transfers from the environmental management account are one-time, while the reduction in GPR transfer would be ongoing under the bill. As a result, adjusted base expenditures in 2019-21 are anticipated to exceed ongoing revenues by approximately \$4.4 million annually.

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