



## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #525

### Environmental Fund Overview (Natural Resources -- Environmental Quality)

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#### 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 \$7,991,100. 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 expenditures from the two accounts are as follows: (a) providing \$4,000,000 each year of the biennium from the environmental management account to the Department of Administration (DOA) for clean energy grants in a new Office of Sustainability and Clean Energy (the Committee removed this item from the budget on May 9, 2019); (b) providing \$1,500,000 nonpoint SEG annually for DATCP soil and water resource management grants; (c) providing \$924,000 nonpoint SEG annually for DATCP county conservation staffing grants; (d) providing \$730,000 nonpoint SEG each year for DNR nonpoint source contracts; and (e) providing \$400,000 nonpoint SEG each year for DNR nonpoint source grants. Additionally, the bill would authorize a total of \$45.5 million in new bonding as follows: (a) \$25,000,000 for

contaminated sediment removal, the debt service for which is supported by environmental management SEG; (b) \$10,000,000 for DATCP soil and resource management grants and animal waste discharge grants; (c) \$6,500,000 for DNR rural nonpoint source grants and animal waste discharge grants; and (d) \$4,000,000 for DNR urban nonpoint source grants.

## **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 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. Due to the imbalance between revenues and expenditures in the nonpoint account under the bill, this paper also offers a number of alternatives to provide sufficient funding for expenditure items considered under other papers.

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 Table 1 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 2013 through preliminary data for calendar year 2018. Tonnages are shown on a calendar-year basis, and fees are mostly received before the end of the following fiscal year; fees for calendar year 2018 disposal will primarily be received as fiscal year 2018-19 revenues. The number of tons of waste subject to state statutory tipping fees has ranged between 6.2 million to 6.9 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>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Tons subject to nonpoint and environmental tipping fees <sup>(1)</sup>	5,094,088	5,383,896	5,448,036	5,415,827	5,741,122	5,869,137
High-volume industrial waste subject to environmental tipping fees <sup>(2)</sup>	<u>1,136,766</u>	<u>1,223,081</u>	<u>1,185,236</u>	<u>1,263,949</u>	<u>988,999</u>	<u>1,054,519</u>
Tons subject to state statutory tipping fees	6,230,854	6,606,977	6,633,272	6,679,776	6,730,121	6,923,656
Tons exempt from state statutory tipping fees <sup>(3)</sup>	<u>1,619,116</u>	<u>1,558,091</u>	<u>1,586,691</u>	<u>1,898,128</u>	<u>1,726,215</u>	<u>1,849,430</u>
Total waste landfilled in Wisconsin	7,849,970	8,165,068	8,219,963	8,577,904	8,456,336	8,773,086
Percent change in total tons landfilled in Wisconsin	-9.9%	4.0%	0.7%	4.4%	-1.4%	3.7%
Landfilled tons from out-of-state <sup>(4)</sup>	375,266	347,253	328,413	354,510	384,802	363,348

<sup>(1)</sup> Some of these tons are subject to reduced rates for, or exemption from, certain state tipping fees.

<sup>(2)</sup> 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.

<sup>(3)</sup> DNR assesses a \$0.15 per ton landfill license surcharge fee to some of these tons under administrative code provisions.

<sup>(4)</sup> Tons from out-of-state are a subset of total waste landfilled in Wisconsin, and may be included in various categories of waste.

**Environmental Management Account**

4. The environmental management account provides funding for several recycling and environmental programs. Under the bill, during the 2019-21 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 \$15.4 million annually for DNR administration of contaminated land, brownfields cleanup, and recycling programs, including 109.45 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, for 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).

5. Table 3 shows the condition of the environmental management account in 2017-18 through 2020-21 under the bill, and including Committee action to date. In the 2019-21 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 an available balance of approximately \$26.6 million on June 30, 2021. This includes the Committee action of May 9, 2019, to remove \$8 million in proposed expenditures for DOA clean energy grants. 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, anticipated revenues of \$59.4 million in 2020-21 (the base year for consideration of the 2021-23 biennial budget) are expected to exceed authorized expenditures of \$50.5 million by approximately \$8.9 million, or approximately 17%. (An additional \$2.9 million in the 2020-21 expenditures shown in Table 3 reflect expenditure of prior year continuing appropriation balances.)

7. The main reasons for the significant estimated balance in the environmental management account are: (a) debt service payments have declined for the former point source water pollution abatement grant program that ended in 1990; (b) the 2015-17 biennial budget eliminated \$4 million in annual expenditures for the University of Wisconsin System Bioenergy Initiative; (c) the 2019-21 biennial budget does not recommend continuance of the 2017-19 one-time transfers of \$3,652,500 from the environmental management account to the nonpoint account; and (d) the Committee removed \$4 million annually in recommended expenditures for DOA clean energy grants.

**TABLE 3**  
**Environmental Management Account Condition,**  
**Through May 16, 2019, Committee Action**

	Actual <u>2017-18</u>	Estimated <u>2018-19</u>	Estimated <u>2019-20</u>	Estimated <u>2020-21</u>	2020-21 <u>Staff</u>
Opening Balance	\$13,446,000	\$21,696,000	\$23,069,700	\$26,928,500	
<b>Revenues:</b>					
Solid Waste Tipping Fees <sup>(1)</sup>	\$52,644,300	\$53,028,000	\$53,377,000	\$53,511,200	
Transfer to Nonpoint Account	-3,652,500	-3,652,500	0	0	
Transfer from Petroleum Inspection Fund	1,704,800	1,704,800	1,704,800	1,704,800	
Site-Specific Remediation	5,700	0	0	0	
Other Fees and Income	3,931,900	3,753,000	4,118,000	4,118,000	
Additional Prior Year Collections <sup>(1)</sup>	9,848,200	6,809,400	6,870,900	6,852,200	
Billed Amounts Outstanding on June 30 <sup>(1)</sup>	<u>-6,809,300</u>	<u>-6,870,900</u>	<u>-6,852,200</u>	<u>-6,818,000</u>	
Total Revenue	\$57,673,100	\$54,771,800	\$59,218,500	\$59,368,200	
Total Revenue Available	\$71,119,100	\$76,467,800	\$82,288,200	\$86,296,700	
<b>Expenditures:</b>					
DNR Recycling Grants to Local Governments	\$20,000,000	\$20,000,000	\$20,000,000	\$20,000,000	
DNR Programs and Operations	12,498,000	14,688,300	15,346,000	15,457,200	109.45
DNR State-Funded Cleanup	1,441,700	2,292,700	4,200,000	3,300,000	
DNR Well Compensation Grants	123,300	200,000	1,000,000	1,000,000	
DNR Site-Specific Remediation	2,322,000	2,000,000	2,000,000	1,900,000	
Debt Service for General Obligation Bonds	10,567,200	11,586,800	10,718,200	9,696,400	
WEDC Brownfields Grants	1,000,000	1,000,000	1,000,000	1,000,000	
Other Agencies <sup>(2)</sup>	1,470,900	1,068,600	1,095,500	1,095,500	<u>2.00</u>
Expenditure of prior year encumbrances	<u>0</u>	<u>561,700</u>	<u>0</u>	<u>0</u>	
Total Expenditures	\$49,423,100	\$53,398,100	\$55,359,700	\$53,449,100	111.45
<b>Cash Balance</b>	\$21,696,000	\$23,069,700	\$26,928,500	\$32,847,600	
Encumbrances, Continuing Balances	-\$15,591,100	-\$13,029,400	-\$9,122,100	-\$6,214,800	
<b>Available Balance</b>	\$6,104,900	\$10,040,300	\$17,806,400	\$26,632,800	

<sup>(1)</sup> Tipping fee revenues reflect amounts billed, with adjustments shown for previously billed amounts collected and current billings not received by the close of the fiscal year.

<sup>(2)</sup> 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.

### Nonpoint Account

8. The nonpoint account supports state and local programs that are intended to prevent and reduce 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. The nonpoint

account-supported portion of programs support 20.30 positions at DATCP and 17.17 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.

9. As seen in Table 4, revenue to the nonpoint account consists primarily of solid waste tipping fees and a GPR transfer. In the 2019-21 biennium, tipping fees are expected to account for approximately 69% of nonpoint revenues, and the GPR transfer will contribute 30% of revenues, with the remaining amount reflecting interest income from investment of the fund balance. 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, \$1,300,000 in 2014-15, \$3,652,500 in 2017-18, and \$3,652,500 in 2018-19 from the environmental management account; and (b) \$1,000,000 in 2015-16 and 2016-17 from the segregated agricultural chemical cleanup fund. The environmental management account transfer in the 2017-19 biennium offset a decrease of \$3,152,500 in the base GPR transfer to the nonpoint account under the biennial budget. 2017 Wisconsin Act 176 later increased funding for producer-led watershed protection grants by \$500,000 each year, and transferred an additional \$500,000 annually from the environmental management account to the nonpoint account, for a total of \$3,652,500 each year of the 2017-19 biennium. While the environmental management account transfer was one-time, the reduction in the GPR transfer was ongoing, which has contributed to the imbalance of revenues and expenditures in the 2019-21 biennium.

10. 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 \$16.3 million in 2019-20 and \$15.8 million in 2020-21, or 47% of budgeted expenditures during the biennium. Other budgeted spending under the bill would include: (a) \$6,860,900 annually as grants for county conservation staff; (b) \$4,825,000 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) \$997,600 each year for contracts with UW-Extension and others for education, research and technical assistance that support DNR's nonpoint program; (e) \$400,000 each year for targeted runoff management and notice of discharge/notice of intent grants; and (f) approximately \$4.6 million annually for administrative and regulatory activities at DATCP and DNR related to nonpoint programs. The bill would also provide \$20.5 million in new nonpoint SEG-supported general obligation bonding authority for DATCP and DNR nonpoint grant programs, up from \$16.85 million in new bonding authorizations provided in the 2017-19 biennium.

11. The nonpoint account is estimated to begin the 2019-21 biennium with an available balance of approximately \$5.0 million. Nonpoint account expenditures are estimated to exceed revenues by \$7.7 million each year. Account balances are not expected to be sufficient to support the Governor's proposal. The nonpoint account would be expected to have an available balance of approximately -\$10.8 million on June 30, 2021, under the bill, meaning commitments of the account would exceed available reserves by that amount.

**TABLE 4**

**Nonpoint Account Fund Condition**

	Actual <u>2017-18</u>	Estimated <u>2018-19</u>	Estimated <u>2019-20</u>	Estimated <u>2020-21</u>	2020-21 <u>Staff</u>
Opening Balance	\$6,619,900	\$11,058,600	\$10,062,500	\$2,365,700	
<b>Revenues:</b>					
GPR Transfer	\$7,991,100	\$7,991,100	\$7,991,100	\$7,991,100	
Tipping Fee*	21,921,800	18,765,000	18,535,100	18,105,900	
Transfers**	3,652,500	3,652,500	0	0	
Interest and Misc. Income	<u>28,900</u>	<u>105,000</u>	<u>280,000</u>	<u>280,000</u>	
Total Revenue	\$33,594,300	\$30,513,600	\$26,806,200	\$26,377,000	
Total Available	\$40,214,200	\$41,572,200	\$36,868,700	\$28,742,700	
<b>Expenditures:</b>					
<i>Agriculture, Trade and Consumer Protection</i>					
Soil and water management admin.	\$2,216,400	\$2,217,600	\$2,316,200	\$2,319,000	20.30
County staffing grants	5,512,600	5,936,900	6,860,900	6,860,900	0.00
Soil and water management grants	2,257,100	3,825,000	4,825,000	4,825,000	0.00
Debt service	4,114,400	4,668,200	4,992,200	5,071,800	0.00
<i>Natural Resources</i>					
Nonpoint source operations	\$1,215,000	\$1,769,000	\$595,200	\$595,200	15.25
Department operations	366,500	370,000	1,710,900	1,734,600	1.92
Nonpoint source contracts	831,100	767,600	997,600	997,600	0.00
Urban nonpoint source grants	1,005,200	500,000	500,000	500,000	0.00
Rural TRM/NOD grants	65,000	100,000	400,000	400,000	0.00
Debt service – Facilities	104,200	109,700	109,900	113,200	0.00
Debt service – Priority watershed	6,106,200	5,675,900	5,431,800	4,772,100	0.00
Debt service – TRM	2,165,800	2,206,700	2,308,600	2,384,200	0.00
Debt service – UNPS	<u>3,196,100</u>	<u>3,363,100</u>	<u>3,454,700</u>	<u>3,464,500</u>	<u>0.00</u>
Total Expenditures	\$29,155,600	\$31,509,700	\$34,503,000	\$34,038,100	37.47
Cash Balance	\$11,058,600	\$10,062,500	\$2,365,700	-\$5,295,400	
Encumbrances/Continuing	-13,495,200	-13,495,200	-13,495,200	-13,495,200	
Tipping fees receivable	<u>8,377,500</u>	<u>8,393,900</u>	<u>8,194,900</u>	<u>8,009,000</u>	
Available Balance	\$5,940,900	\$4,961,200	-\$2,934,600	-\$10,781,600	

\* Tipping fees vary based on timing of year-end billings, which may be collected the following fiscal year.

\*\* Includes a transfer of \$3,652,500 annually in the 2017-19 biennium from the environmental management account.

12. The estimated shortfall in the nonpoint account is due to both increasing expenditures and decreasing revenues over time. As seen in Table 5, increased expenditures have been associated with increasing grants and debt service payments. Debt service associated with nonpoint programs was converted from GPR-supported to nonpoint account SEG-supported beginning in 2009-10. Nonpoint expenditures in 2018-19 are budgeted at \$31,509,700, or 90% higher than their level in 2009-10, the last time tipping fees were increased.



**TABLE 5****Nonpoint Expenditures by Category**

	<u>Grants</u>	<u>Debt Service</u>	<u>Operations</u>	<u>Total Expenditures</u>	<u>Lapses</u>
2007-08	\$6,610,300	\$929,000	\$4,912,200	\$12,451,500	\$301,400
2008-09	6,851,100	942,800	5,244,400	13,038,300	4,230,300
2009-10	6,833,800	5,309,800	4,478,500	16,622,100	7,547,500
2010-11	5,915,200	10,810,700	4,194,600	20,920,500	6,943,500
2011-12	6,053,800	13,365,500	4,436,400	23,855,700	0
2012-13	7,968,000	14,486,300	5,226,800	27,681,100	0
2013-14	6,850,300	15,637,900	4,345,200	26,833,400	0
2014-15	8,684,600	14,953,400	5,462,300	29,100,300	0
2015-16	9,599,000	15,826,700	5,258,700	30,684,400	0
2016-17	9,537,100	15,409,100	5,552,600	30,498,800	0
2017-18	8,839,900	15,686,700	4,629,000	29,155,600	0
2018-19*	10,361,900	16,023,600	5,124,200	31,509,700	0

\*Budgeted

13. Table 6 shows nonpoint revenues by category over time. Tipping fee revenues were last increased to \$3.20 per ton beginning in 2009-10. Additionally, the GPR transfer to the account was decreased by \$3,152,500 under 2017 Wisconsin Act 59. Tipping fee revenue fluctuates based on when tipping fee billings are received. While fees are typically billed in May, not all revenue is received until the following fiscal year; this is most notable in 2011-12, 2013-14, and 2015-16 in Table 6. Other revenues include investment income and miscellaneous revenue.

**TABLE 6****Nonpoint Revenues by Category**

	<u>GPR Transfer</u>	<u>SEG Transfers</u>	<u>Tipping Fee<sup>a</sup></u>	<u>Other Revenue</u>	<u>Total Revenue</u>
2007-08	\$11,514,000	\$0	\$792,600	\$333,900	\$12,640,500
2008-09	13,625,000	0	5,259,400	35,300	18,919,700
2009-10	12,863,700	0	10,662,000	-2,300	23,523,400
2010-11	12,863,700	0	17,773,900	-4,500	30,633,100
2011-12	10,974,200	0	12,851,400	-2,500	23,823,100
2012-13	11,315,500	0	24,399,100	31,100	35,745,700
2013-14	11,143,600	650,000 <sup>b</sup>	13,432,800	27,600	25,254,000
2014-15	11,143,600	1,300,000 <sup>b</sup>	19,822,700	2,000	32,268,300
2015-16	11,143,600	1,000,000 <sup>c</sup>	8,615,800	3,100	20,762,500
2016-17	11,143,600	1,000,000 <sup>c</sup>	14,977,700	10,200	27,131,500
2017-18	7,991,100	3,652,500 <sup>b</sup>	21,921,800	28,900	33,594,300
2018-19 <sup>d</sup>	7,991,100	3,652,500 <sup>b</sup>	18,765,000	105,000	30,513,600

<sup>a</sup>Tipping fees vary based on timing of year-end billings, which may be collected the following fiscal year.

<sup>b</sup>From the environmental management account.

<sup>c</sup>From the segregated agricultural chemical cleanup program fund.

<sup>d</sup>Estimated.

## Nonpoint Account Funding

14. Under both a cost-to-continue funding level (adjusted base plus standard budget adjustments and debt reestimates) and the Governor's proposed budget, it is expected the nonpoint account would not have combined revenue and balances sufficient to support expenditures during the 2019-21 biennium. While changes to expenditures for various programs are discussed in other issue papers, it is expected any action on nonpoint expenditures, including base funding, will necessitate adjustments in nonpoint revenues to maintain a positive balance in the account.

15. The condition of the nonpoint account can be measured on either a structural basis or based on the closing available balance as of June 30, 2021. Table 7 outlines the anticipated shortfall under each scenario, and notes the alternative that would provide sufficient funding under the Governor's proposal, or a cost-to-continue funding level. Also shown in Table 7 is the effect of providing 50% of the funding increases proposed by the Governor. The Committee may, through action on other issue papers, select a level of funding different from any of these levels. However, Table 7 is intended to show the range of funding needed to accommodate nonpoint SEG expenditures under current law, the bill, and the midpoint of these scenarios.

16. In any given year, if expenditures exceed revenue, such an imbalance will draw down the balance of the account. Under both the Governor's proposal and a cost-to-continue budget, the nonpoint account would overspend revenues by \$15.4 million or \$8.1 million, respectively, during the 2019-21 biennium. If the Committee wished to provide funding sufficient to cover appropriations under any of the expenditure scenarios in Table 7 without reducing the account balance, it could consider Alternatives 1, 2, or 3.

**TABLE 7**

**2019-21 Estimated Shortfall (millions)**

	<u>Governor</u>	<u>50% Funding</u>	<u>Cost-to-Continue*</u>
Structural Basis	-\$15.4 (Alternative 1)	-\$11.7 (Alternative 2)	-\$8.1 (Alternative 3)
Closing Basis	-10.8 (Alternative 4)	-7.2 (Alternative 5)	-3.5 (Alternative 6)

\*Adjusted base, plus standard budget adjustments and debt service reestimates.

17. While expenditures under the bill would substantially exceed revenues, the estimated \$5.0 million available (unobligated) balance of the account on July 1, 2019, would support some additional appropriations. The closing basis in Table 7 represents the available account balance at the end of the biennium. The available balance consists of the difference of proposed expenditures and revenues of the account plus the existing balance, including: (a) any receivable income, such as tipping fees that are billed near the end of the fiscal year, but not received until the following fiscal year; and (b) any outstanding encumbrances, which is primarily grant funding that has been awarded, but not yet paid because grants are on a reimbursement basis. If the Committee wished to provide funding sufficient to avoid a negative available balance under any of the expenditure scenarios in Table 7, it could consider Alternatives under 4, 5, or 6.

18. Because the account's available balance captures the future obligations of the account, any shortfall in available funds means funding would be insufficient once all expenditures were recorded. However, because the nonpoint account and the environmental management account are statutorily one fund, a negative nonpoint account balance would draw from funds otherwise dedicated to environmental management account programs.

19. As discussed previously, 2017 Act 59 reduced the GPR transfer to the nonpoint account by \$3,152,500 each year on an ongoing basis to \$7,991,100. The transfer was offset by an equivalent transfer of environmental management account funding on a one-time basis during the biennium. At the time, the administration provided the environmental management transfer on a one-time basis because it was not clear environmental management revenues would continue to have a surplus in future years. Considering the anticipated surplus of base revenues relative to base expenditures in the environmental management account of \$8.9 million in 2020-21, it is expected that surplus revenues will continue in the 2021-23 biennium. While funding could be provided on a one-time basis, both the environmental management account and nonpoint account conditions are due to ongoing factors, thus any imbalance would continue in future years. The Committee could consider providing funding as an ongoing transfer from the environmental management account (Alternatives ending in a).

20. Another way of providing an ongoing transfer of revenue from the environmental management to the nonpoint account would be to increase the nonpoint tipping fee for municipal and non-high-volume industrial waste and decrease the environmental repair tipping fee deposited in the environmental management account by the same amount. This would not change the total amount per ton paid on solid waste disposed of in the state and deposited into the environmental fund, but would change the statutory amount of the fee deposited in each of the two accounts. While a transfer of the environmental management account balance and a rebalancing of tipping fees have the same effect, a reallocation of statutory fees would provide more transparency to fee payers about the final use of their contributions. The Committee could consider rebalancing the deposit of tipping fees into each account (Alternatives ending in b).

21. Transferring accumulated environmental management account balances to the nonpoint account would allow the fund to limit its dependence on GPR. This rationale is consistent with actions taken in previous biennia to use environmental management account balances to support nonpoint SEG-funded programs. In 2013-14 and 2014-15, transfers of \$650,000 and \$1,300,000 were intended in part to support additional nonpoint SEG appropriations for county land and water conservation staffing grants, as GPR for the same purpose was reduced during the biennium. Further, transfer of \$3,652,500 each year in the current biennium used existing environmental management balances to support the nonpoint account and limit GPR transfers.

22. Although revenues are segregated into separate accounts, environmental management account programs and nonpoint programs both generally seek to prevent and remediate environmental pollution. Thus, use of environmental management account revenues for nonpoint account programs could be considered an appropriate use of segregated revenue primarily intended to support environmental programs. On the other hand, maintaining balances in the environmental management account may be preferable in the event the Legislature in the future may wish to appropriate funds for current programs, such as well compensation grants, or remediation of emerging contaminants, such as per- and polyfluoroalkyl substances (PFAS).

23. In addition to tipping fees, and recent environmental management account transfers, the nonpoint account receives considerable revenue from its GPR transfer. An interfund transfer to the account originated from an automobile title transfer fee deposited into the account. At the time, the fee was chosen in recognition of nonpoint source water pollution attributable to the state's transportation infrastructure and vehicle operation. In 1997, statutory changes required the fee be deposited into the transportation fund. The fee was subsequently set at a fixed transfer amount consistent with historical amounts of title fee transfer revenue. The GPR transfer to the nonpoint account exceeded \$10.5 million each year from 1997-98 to 2016-17. The fee was reduced from \$11,143,600 to \$7,991,100 annually under 2017 Act 59. Given the wide variety of activities that cause nonpoint source pollution, and that general fund revenues are received from similarly diverse sources, it could be considered appropriate to continue to support nonpoint source pollution abatement with GPR. The Committee could consider increasing the GPR transfer to the nonpoint account (Alternatives ending in c).

## ALTERNATIVES

1. Increase revenues to the nonpoint account by \$7,700,000 annually during the 2019-21 biennium. (This would cover the anticipated structural imbalance under the Governor's proposal.) Fund the increase by:

a. Providing an ongoing transfer from the environmental management account of the environmental fund.

b. Decreasing the environmental repair tipping fee for waste that is not high-volume industrial waste by \$1.38 per ton and increasing the nonpoint tipping fee by \$1.38 per ton, effective for fees assessed in 2019-20 for wastes disposed of in calendar year 2019.

c. Increasing the GPR transfer to the nonpoint account.

ALT 1c	Change to	
	Base	Bill
GPR	\$15,400,000	\$15,400,000

2. Increase revenues to the nonpoint account by \$5,850,000 annually during the 2019-21 biennium. (This would cover the anticipated structural imbalance if 50% of the Governor's proposed funding increases were approved.) Fund the increase by:

a. Providing an ongoing transfer from the environmental management account of the environmental fund.

b. Decreasing the environmental repair tipping fee for waste that is not high-volume industrial waste by \$1.04 per ton and increasing the nonpoint tipping fee by \$1.04 per ton, effective for fees assessed in 2019-20 for wastes disposed of in calendar year 2019.

- c. Increasing the GPR transfer to the nonpoint account.

ALT 2c	Change to	
	Base	Bill
GPR	\$11,700,000	\$11,700,000

3. Increase revenues to the nonpoint account by \$4,050,000 annually during the 2019-21 biennium. (This would cover the anticipated structural imbalance under the cost-to-continue funding level.) Fund the increase by:

- a. Providing an ongoing transfer from the environmental management account of the environmental fund.

- b. Decreasing the environmental repair tipping fee for waste that is not high-volume industrial waste by \$0.73 per ton and increasing the nonpoint tipping fee by \$0.73 per ton, effective for fees assessed in 2019-20 for wastes disposed of in calendar year 2019.

- c. Increasing the GPR transfer to the nonpoint account.

ALT 3c	Change to	
	Base	Bill
GPR	\$8,100,000	\$8,100,000

4. Increase revenues to the nonpoint account by \$5,400,000 annually during the 2019-21 biennium. (This would cover the anticipated unsupported commitments as of June 30, 2021, under the Governor's proposal.) Fund the increase by:

- a. Providing an ongoing transfer from the environmental management account of the environmental fund.

- b. Decreasing the environmental repair tipping fee for waste that is not high-volume industrial waste by \$1.38 per ton and increasing the nonpoint tipping fee by \$1.38 per ton, effective for fees assessed in 2019-20 for wastes disposed of in calendar year 2019.

- c. Increasing the GPR transfer to the nonpoint account.

ALT 4c	Change to	
	Base	Bill
GPR	\$10,800,000	\$10,800,000

5. Increase revenues to the nonpoint account by \$3,600,000 annually during the 2019-21 biennium. (This would cover the anticipated unsupported commitments as of June 30, 2021, if 50%

of the Governor's proposed funding increases were approved.) Fund the increase by:

- a. Providing an ongoing transfer from the environmental management account of the environmental fund.
- b. Decreasing the environmental repair tipping fee for waste that is not high-volume industrial waste by \$0.65 per ton and increasing the nonpoint tipping fee by \$0.65 per ton, effective for fees assessed in 2019-20 for wastes disposed of in calendar year 2019.
- c. Increasing the GPR transfer to the nonpoint account.

<b>ALT 5c</b>	<b>Change to</b>	
	<b>Base</b>	<b>Bill</b>
GPR	\$7,200,000	\$7,200,000

6. Increase revenues to the nonpoint account by \$1,750,000 annually during the 2019-21 biennium. (This would cover the anticipated unsupported commitments as of June 30, 2021, under the cost-to-continue funding level.) Fund the increase by:

- a. Providing an ongoing transfer from the environmental management account of the environmental fund.
- b. Decreasing the environmental repair tipping fee for waste that is not high-volume industrial waste by \$0.31 per ton and increasing the nonpoint tipping fee by \$0.31 per ton, effective for fees assessed in 2019-20 for wastes disposed of in calendar year 2019.
- c. Increasing the GPR transfer to the nonpoint account.

<b>ALT 6c</b>	<b>Change to</b>	
	<b>Base</b>	<b>Bill</b>
GPR	\$3,500,000	\$3,500,000

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