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Joint Committee on Finance

Paper #600

Environmental Management Account Overview (Natural Resources -- Waste, Remediation, and Air)

CURRENT LAW

The segregated environmental fund consists of: (a) the nonpoint account, which is the primary funding source for nonpoint source water pollution abatement programs in Wisconsin; and (b) the environmental management account, which primarily supports Department of Natural Resources (DNR) programs related to recycling, groundwater, and cleanup of contaminated lands. The two accounts are statutorily designated as one fund but are tracked separately for budgetary purposes. For discussion of the nonpoint account, see the budget paper #614 entitled "Nonpoint Account Overview."

The environmental management account receives revenues primarily from several state solid waste tipping fees paid by Wisconsin landfills for each ton of solid waste disposed in the landfill. State tipping fees total \$12.997 per ton, including \$9.64 deposited in the environmental management account, \$3.20 in the nonpoint account, and \$0.157 in other accounts. Environmental management account revenues include tipping fees related to recycling, and several other fees and revenues.

The environmental management account provides funding for: (a) recycling financial assistance to local governments; (b) DNR administration of contaminated land, brownfields cleanup, and recycling programs, including staff in remediation and redevelopment, solid waste management, air management, groundwater management, and central administrative programs; (c) brownfields grant programs; (d) debt service costs for general obligation bonds issued for state funded cleanup of contaminated land and sediment; (e) state-funded cleanup of contaminated properties where there is no responsible party able or willing to pay for the cleanup; (f) debt service costs for general obligation bonds issued under the former point source water pollution abatement grant program, which ended in 1990; (g) certain environmental and recycling programs in the

Department of Agriculture, Trade and Consumer Protection (DATCP), and the Departments of Health Services (DHS) and Military Affairs (DMA); and (h) remediation of specific sites using moneys received under court-approved settlement agreements or orders.

DISCUSSION POINTS

1. This paper provides a general overview of the environmental management account, including the estimated condition and general information about revenues and expenditures for the account during the 2023-25 biennium. Discussion and alternatives for individual issues affecting the environmental management account are included in separate budget papers.

Revenues

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

3. Table 2 shows the total tons of solid waste disposed of in Wisconsin landfills for the past five years, from 2018 through preliminary data for calendar year 2022. 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 2022 disposal will primarily be received as fiscal year 2022-23 revenues. The number of tons of waste subject to state statutory tipping fees has ranged between 6.4 million to 6.9 million tons during the past five years.

TABLE 2

**Tons of Solid Waste Landfilled in Wisconsin
By Category and Year**

<u>Type of Waste</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Tons subject to nonpoint and environmental tipping fees ⁽¹⁾	5,889,031	5,984,229	5,736,286	5,674,500	5,674,392
High-volume industrial waste subject to environmental tipping fees ⁽²⁾	<u>1,055,341</u>	<u>914,402</u>	<u>706,762</u>	<u>922,477</u>	<u>1,203,381</u>
Tons subject to state statutory tipping fees	6,944,372	6,898,631	6,443,048	6,596,977	6,877,773
Tons exempt from state statutory tipping fees ⁽³⁾	<u>1,849,430</u>	<u>1,799,883</u>	<u>1,569,053</u>	<u>1,584,540</u>	<u>1,572,548</u>
Total waste landfilled in Wisconsin	8,793,802	8,698,514	8,012,101	8,181,517	8,450,322
Percent change in total tons landfilled in Wisconsin	4.0%	-1.1%	-7.9%	2.1%	3.3%
Landfilled tons from out-of-state ⁽⁴⁾	363,348	390,997	340,331	315,185	329,445

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

⁽²⁾ 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.

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

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

4. The environmental management account provides funding for several recycling and environmental programs. Under current law, during the 2023-25 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 \$17 million annually for DNR administration of contaminated land, brownfields cleanup, and recycling programs, including 104.46 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 Wisconsin Economic Development Corporation, and DHS and DMA.

5. Table 3 shows the condition of the environmental management account in 2021-22 through 2024-25 under current law and Committee action to date. In the 2023-25 biennium, approximately 91% of revenue to the environmental management account is anticipated to be received from solid waste tipping fees. The remaining 9% of revenues include a transfer from the segregated petroleum inspection fund, several license and other environmental fees, and revenues received for designated purposes. Additionally, under 2019 Wisconsin Act 9, \$6.15 million each year from the environmental management account's general revenue is transferred to the nonpoint account of the environmental fund beginning in 2019-20.

6. The environmental management account is expected to have an available balance of approximately \$33.2 million on June 30, 2023. Further, estimated account revenues each year in the 2023-25 biennium are expected to exceed authorized and budgeted expenditures. One reason for the estimated balance in the environmental management account is because debt service payments have declined significantly for the former point source water pollution abatement grant program that ended in 1990.

TABLE 3

Environmental Management Account Condition

	2021-22 <u>Actual</u>	2022-23 <u>Budgeted</u>	2023-24 <u>Estimated</u>	2024-25 <u>Estimated</u>	2024-25 <u>Staff</u>
Opening Balance	\$39,689,600	\$41,101,000	\$43,792,800	\$49,937,100	
<i>Revenues</i>					
Solid Waste Tipping Fees - Recycling ⁽¹⁾	\$37,996,600	\$39,065,700	\$38,417,400	\$38,801,600	
Solid Waste Tipping Fees - Environmental ⁽¹⁾	15,080,300	15,118,000	15,389,500	15,543,400	
Transfer to Nonpoint Account	-6,150,000	-6,150,000	-6,150,000	-6,150,000	
Transfer from Petroleum Inspection Fund	1,704,800	1,704,800	1,704,800	1,704,800	
Pesticide and Fertilizer Fees	1,775,300	1,610,000	1,600,000	1,600,000	
Hazardous Waste Generator Fees	917,000	900,000	900,000	900,000	
Site-Specific Remediation	2,708,200	100,000	5,000	5,000	
Other Fees and Income	1,421,300	1,232,000	1,200,000	1,200,000	
Additional Prior Year Collections ⁽¹⁾	2,064,800	4,905,700	4,905,700	4,905,700	
Billed Amounts Outstanding on June 30 ⁽¹⁾	<u>-4,905,700</u>	<u>-4,905,700</u>	<u>-4,905,700</u>	<u>-4,905,700</u>	
Total Revenue	\$52,612,500	\$53,580,500	\$53,066,700	\$53,604,800	
Total Revenue Available	\$92,302,100	\$94,681,500	\$96,859,500	\$103,541,900	
<i>Expenditures</i>					
DNR Recycling Grants to Local Governments	\$20,000,000	\$20,000,000	\$20,000,000	\$20,000,000	
DNR Programs and Operations	16,495,500	15,674,100	17,002,300	17,002,300	104.46
DNR Cleanup or Well Grants	2,996,500	5,992,700	2,492,700	2,492,700	
DNR Site-Specific Remediation	1,627,500	100,000	100,000	100,000	
Debt Service for General Obligation Bonds	7,976,400	5,820,200	5,207,500	5,016,800	
WEDC Brownfields Grants	1,000,000	1,000,000	1,000,000	1,000,000	
Other Agencies ⁽²⁾	1,105,200	1,101,700	1,119,900	1,119,900	2.00
Expenditure of Prior Year Encumbrances	<u>0</u>	<u>1,200,000</u>	<u>0</u>	<u>0</u>	
Total Expenditures	\$51,201,100	\$50,888,700	\$46,922,400	\$46,731,700	106.46
Cash Balance	\$41,101,000	\$43,792,800	\$49,937,100	\$56,810,200	
Encumbrances, Continuing Balances ⁽³⁾	-\$11,752,800	-\$10,552,800	-\$10,552,800	-\$10,552,800	
Closing Available Balance	\$29,348,200	\$33,240,000	\$39,384,300	\$46,257,400	

⁽¹⁾ 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.

⁽²⁾ Includes Department of Agriculture, Trade and Consumer Protection clean sweep, Department of Health Services groundwater and air quality standards, and Department of Military Affairs emergency response training.

⁽³⁾ In 2021-22, includes \$8.2 million for DNR state-funded cleanup, \$2.0 million for DNR well compensation, \$0.75 million for DATCP clean sweep grants, and \$0.41 million for electronics recycling.

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