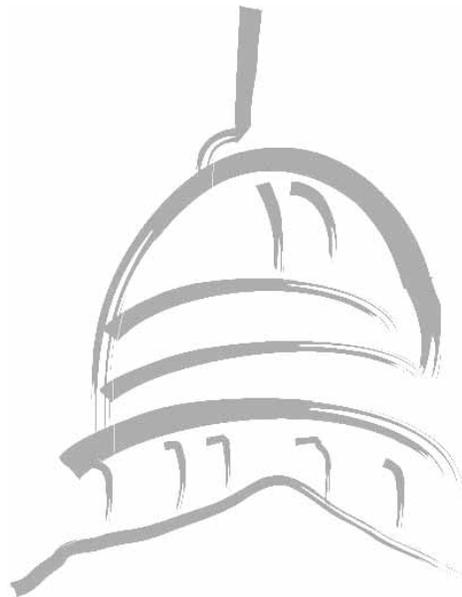


Environmental Fund and Use of Tipping Fees



Legislative Fiscal Bureau
May 8, 2012

Recycling Fund

2011 Wisconsin Act 32 (the 2011-13 biennial budget) eliminated the segregated (SEG) recycling and renewable energy fund and split its former funding and functions primarily between the new economic development fund and the environmental fund. The \$7 state solid waste (recycling) tipping fee, along with most recycling related programs, was transferred to the environmental fund. The economic development (former recycling) income tax surcharge revenue (\$25.9 million in 2010-11) is now deposited in the economic development fund and primarily appropriated to the Wisconsin Economic Development Corporation.

Environmental Fund

The segregated environmental fund consists of two separate accounts: (1) the environmental management account; and (2) the nonpoint account. The environmental management account primarily supports recycling financial assistance to local governments, brownfields grant programs, Department of Natural Resources (DNR) programs related to groundwater programs, cleanup of contaminated lands, and recycling, and the University of Wisconsin System Bioenergy Initiative. The nonpoint account supports programs housed in DNR and the Department of Agriculture, Trade and Consumer Protection (DATCP) related to abatement of runoff from agricultural and urban sources. Both accounts are also used to pay debt service costs for general obligation bonds issued for the programs. The two accounts are statutorily designated as one fund but are tracked separately.

Both accounts rely heavily on revenues from the state "tipping fee." 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 approximately \$13 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. The 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.

The DNR solid waste landfill administration program revenue (PR) appropriation funds DNR administration of: (a) landfill plan review and licensing; (b) licensing of solid waste collectors and transporters; and (c) plan review and licensing of hazardous waste facilities and transporters. The Solid Waste Facilities Siting Board, attached to the Department of Administration (DOA), supervises mandated negotiation and arbitration procedures related to the siting of solid or hazardous waste facilities.

Municipal and non- high-volume industrial waste includes solid waste generated by residences, business, commercial, government facilities, construction and demolition, and industrial uses that are not high-volume. High-volume industrial waste includes fly ash, bottom ash, paper mill sludge and foundry process waste. PCB (polychlorinated biphenyls) contaminated sediments

are partially exempt from certain state tipping fees 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 (such as the Fox River PCB cleanup). If the PCB sediments do not meet these criteria, they are subject to the fees for non- high-volume industrial waste. Under 2011 Act 32, solid waste is exempt from all state solid waste tipping fees if it is waste generated from a natural disaster and if certain conditions apply.

TABLE 1
State Solid Waste Tipping Fees Per Ton

| <u>Fee / Fund</u> | <u>Type</u> | <u>Municipal and Non-High-Volume Industrial Waste</u> | <u>High-Volume Industrial Waste</u> | <u>Certain PCB Contaminated Sediment</u> |
|--------------------------------------------------------------------------------|-------------|-------------------------------------------------------|-------------------------------------|------------------------------------------|
| Recycling - environmental management account (recycling fund prior to 2011-12) | SEG | \$7.000 | \$0.000 | \$0.000 |
| Environmental repair - environmental mgmt | SEG | 2.500 | 0.200 | 0.850 |
| Groundwater - environmental mgmt | SEG | 0.100 | 0.100 | 0.100 |
| Well compensation - environmental mgmt | SEG | 0.040 | 0.040 | 0.040 |
| 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> |
| | | \$12.997 | \$0.497 | \$4.347 |

Table 2 shows the tons of solid waste disposed of in Wisconsin from calendar year 2006 through 2010 (the most recent available), as reported by landfills to DNR in annual reports. Waste used as daily cover, lining, capping or for 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. The table shows that the amount landfilled has declined steadily over the past three years as economic activity has slowed and state tipping fees have increased. The state tipping fee increased from \$3.80 per ton to \$5.90 per ton in the fall of 2007 and to \$13 per ton by the fall of 2009. Preliminary information indicates 2011 landfill disposal may total approximately 8.1 million tons.

TABLE 2**Solid Waste Tons Disposed of in Wisconsin, by Calendar Year**

| <u>Type of Waste</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> |
|------------------------------------------------------|------------------|------------------|------------------|------------------|------------------|
| Municipal Solid Waste | 6,565,763 | 6,516,037 | 6,223,819 | 5,224,652 | 4,575,545 |
| Other Non- High-Volume Industrial Waste | 1,171,487 | 787,741 | 754,345 | 606,124 | 602,257 |
| PCB Contaminated Sediment | 125,200 | 262,000 | 78,000 | 341,580 | 385,265 |
| High-Volume Industrial Waste | <u>1,387,249</u> | <u>1,667,526</u> | <u>1,398,870</u> | <u>1,000,940</u> | <u>877,123</u> |
| Subtotal Tons Subject to Environmental Fund Fees | 9,249,699 | 9,233,304 | 8,455,034 | 7,173,296 | 6,440,190 |
| Tons Potentially Exempt from Fees | <u>2,008,530</u> | <u>1,662,951</u> | <u>1,803,047</u> | <u>1,560,408</u> | <u>1,829,755</u> |
| Total Tons Landfilled in Wisconsin | 11,258,229 | 10,896,255 | 10,258,081 | 8,733,704 | 8,269,945 |
| Percent change in tons subject to fees | | -0.2% | -8.4% | -15.2% | -10.2% |
| Percent change in total tons landfilled in Wisconsin | | -3.2% | -5.9% | -14.9% | -5.3% |

Environmental Management Account

The environmental management account of the environmental fund provides funding for: (1) recycling financial assistance to local governments (funded from the recycling and renewable energy fund prior to 2011-12); (2) DNR administration of contaminated land, brownfields cleanup, and recycling programs, including staff in remediation and redevelopment, groundwater management, solid waste management, and central administrative programs; (3) brownfields grant programs in DNR, the Department of Commerce (prior to 2011-12) and the Wisconsin Economic Development Corporation (WEDC) (beginning in 2011-12); (4) debt service costs for general obligation bonds issued for state-funded cleanup of contaminated land and sediment; (5) state-funded cleanup of contaminated properties where there is no responsible party able or willing to pay for the cleanup; (6) debt service costs for general obligation bonds issued under the former point source water pollution abatement grant program which ended in 1990; (7) the UW System Bioenergy Initiative; (8) certain environmental and recycling programs in DATCP, the Department of Corrections, Department of Health Services, Department of Military Affairs, and the UW System; and (9) remediation of specific sites using moneys received under court-approved settlement agreements or orders (primarily for Fox River cleanup).

Revenues deposited in the environmental management account are derived from several fees. In 2010-11, revenues totaled \$38.4 million, of which \$7.1 million was from site-specific revenues (and only available for cleanup of specific sites, mostly the Fox River). Expenditures totaled \$34.0 million, of which \$2.8 million was for site specific cleanup, and there were 81.25 authorized positions. Two fee categories comprised over 80% of the remaining \$31.3 million in revenue. Approximately \$14.5 million, or 46% of the total (excluding site-specific revenues), came from solid waste tipping fees totaling \$2.64 per ton for most solid waste disposed of in Wisconsin landfills, and \$0.34 per ton for high-volume industrial waste. Approximately \$10.6 million, or 34%,

came from a \$9 per vehicle environmental impact fee assessed at the time of titling of new and used vehicles, collected by the Department of Transportation, and deposited in the environmental management account. The vehicle environmental impact fee was repealed in 2011 Act 32. (The vehicle title fee deposited in the transportation fund was increased by a corresponding amount.) Table 3 shows vehicle environmental impact fee revenue collections between 2005-06 and 2010-11.

TABLE 3

Vehicle Environmental Impact Fee Revenue Collections, by Fiscal Year

| <u>Year</u> | <u>Revenue</u> | <u>Change from Prior Year</u> | |
|-------------|----------------|-------------------------------|----------------|
| | | <u>Amount</u> | <u>Percent</u> |
| 2005-06 | \$12,825,300 | | |
| 2006-07 | 12,070,500 | -\$754,800 | -5.9% |
| 2007-08 | 11,739,200 | -331,300 | -2.7 |
| 2008-09 | 10,583,500 | -1,155,700 | -9.8 |
| 2009-10 | 10,454,100 | -129,400 | -1.2 |
| 2010-11 | 10,653,100 | 199,000 | 1.9 |

In 2012-13, revenues to the environmental management account are expected to total over \$59 million, while authorized expenditures from the environmental management account total approximately \$60 million with 106.61 positions. In 2012-13, over 90% of revenue to the account is anticipated to be received from the environmental and recycling state solid waste tipping fees. This includes the \$7 per ton recycling tipping fee deposited in the recycling and renewable energy fund prior to 2011-12, and the \$2.64 per ton environmental management tipping fees (environmental repair, groundwater, and well compensation). Approximately one-third of 2012-13 budgeted expenditures are for municipal recycling grants and 23% for debt service payments.

Table 4 shows the estimated condition of the environmental management account under current law. The July 1, 2011, opening balance of the account does not include reconciliation with the June 30, 2011, closing balance of the recycling and renewable energy fund and any remaining obligations of recycling fund appropriations that are transferred to the environmental management account beginning in 2011-12. This reconciliation has not been completed as of this writing. Table 4 does not include revenues or expenditures prior to 2011-12 for activities that were funded from the recycling fund. Beginning in 2011-12, the environmental management account condition includes the recycling tipping fee, and appropriations that were transferred from the recycling and renewable energy fund to the environmental management account.

Table 5 shows all appropriations funded from the environmental management account in the 2011-13 biennium. Table 5 also shows actual expenditures for the appropriations funded from the account in the 2009-11 biennium. It does not show expenditures for recycling-related appropriations during 2009-11 because those appropriations were funded from the recycling fund during the 2009-11 biennium.

TABLE 4**Environmental Management Account Condition**

| | 2009-10 <u>Actual</u> | 2010-11 <u>Actual</u> | 2011-12 <u>Budgeted</u> | 2012-13 <u>Budgeted</u> | 2012-13 <u>Staff</u> |
|---------------------------------------------|--------------------------|--------------------------|----------------------------|----------------------------|-------------------------|
| Opening Balance -- July 1 | \$20,021,200 | \$17,234,100 | \$14,308,300* | \$12,485,000 | |
| Revenues | | | | | |
| Vehicle Environmental Impact Fee | \$10,454,100 | \$10,653,100 | \$0 | \$0 | |
| Solid Waste Tipping Fees - Environmental | 9,738,800 | 14,533,100 | 14,650,000 | 14,900,000 | |
| Solid Waste Tipping Fees - Recycling ** | 0 | 0 | 35,700,000 | 36,400,000 | |
| Transfer from Petroleum Inspection Fund | 1,934,800 | 2,234,800 | 1,704,800 | 1,704,800 | |
| Pesticide and Fertilizer Fees | 1,420,100 | 1,452,600 | 1,450,000 | 1,450,000 | |
| Hazardous Waste Generator Fees | 756,100 | 889,300 | 800,000 | 800,000 | |
| Site Specific Remediation | 3,177,800 | 7,095,200 | 3,000,000 | 3,000,000 | |
| Other Fees and Income - Environmental | 1,032,700 | 1,536,600 | 1,315,100 | 1,335,100 | |
| Other Fees and Income - Recycling ** | <u>0</u> | <u>0</u> | <u>531,100</u> | <u>261,800</u> | |
| Total Revenue | \$28,514,400 | \$38,394,700 | \$59,151,000 | \$59,851,700 | |
| Total Revenue Available | \$48,535,600 | \$55,628,800 | \$73,459,300 | \$72,337,100 | |
| Expenditures | | | | | |
| Recycling Grants to Local Governments ** | \$0 | \$0 | \$20,000,000 | \$20,000,000 | |
| DNR Administration - Environmental | 9,312,100 | 9,648,100 | 11,042,600 | 10,913,700 | 78.21 |
| DNR Administration - Recycling ** | 0 | 0 | 2,778,400 | 2,698,200 | 21.40 |
| Commerce Brownfields Grants | 4,048,500 | 6,107,400 | 0 | 0 | |
| DNR Remediation Grants | 1,989,300 | 1,806,400 | 1,648,500 | 376,000 | |
| DNR State-funded Cleanup | 966,000 | 799,200 | 2,292,700 | 2,292,700 | |
| Site Specific Remediation | 2,820,100 | 2,762,000 | 3,000,000 | 3,000,000 | |
| Debt Service for General Obligation Bonds | 4,726,900 | 12,453,400 | 13,107,100 | 13,673,900 | |
| UW System Bioenergy Initiative ** | 0 | 0 | 4,050,000 | 4,050,000 | |
| WEDC Brownfields Grants | 0 | 0 | 1,000,000 | 1,000,000 | |
| Other Agencies - Environmental *** | 396,200 | 402,300 | 503,500 | 515,500 | 2.00 |
| Other Agencies - Recycling ** | <u>0</u> | <u>0</u> | <u>1,551,100</u> | <u>1,551,100</u> | <u>5.00</u> |
| Total Expenditures | \$24,259,100 | \$33,978,800 | \$60,973,900 | \$60,071,100 | 106.61 |
| Transfer to General Fund | -\$7,042,500 | -\$7,341,700 | \$0 | \$0 | |
| Cash Balance | \$17,234,000 | \$14,308,300 | \$12,485,400 | \$12,266,000 | |
| Encumbrances, Continuing Balances **** | -\$17,793,900 | -\$9,179,900 | -\$8,450,000 | -\$8,480,000 | |
| Closing Available Balance -- June 30 | -\$559,900 | \$5,128,400 | \$4,035,400 | \$3,786,000 | |

* The 2011-12 opening balance does not include a pending reconciliation to transfer recycling-related amounts from the 2010-11 closing balance of the recycling fund.

** Revenues to or appropriations funded from the recycling and renewable energy fund prior to 2011-12. Other agencies include Department of Agriculture, Trade and Consumer Protection clean sweep grants, Department of Corrections computer recycling, UW Extension recycling education, and UW System solid waste research and experiments.

*** Includes Department of Health Services groundwater and air quality standards, Department of Military Affairs emergency response training, and UW System environmental education.

**** In 2010-11, includes \$1.2 million for DNR brownfields site assessment grants; \$1.2 million for DNR state-funded cleanup, \$6.4 million for DNR site specific remediation, \$0.1 million for DNR well compensation, and \$0.3 million for UW environmental education.

TABLE 5

**Environmental Management Account Appropriations -
Actual Expenditures in 2009-10 and 2010-11; Budgeted Amounts in 2011-12 and 2012-13**

| Agency | Appropriation Name | 2009-10 Expenditures | 2010-11 Expenditures | 2010-11 Positions | 2011-12 Budgeted | 2012-13 Budgeted | 2012-13 Positions |
|---------------------------------------------------|---------------------------------------------------------------------------|-------------------------|-------------------------|----------------------|---------------------|---------------------|----------------------|
| Natural Resources | | | | | | | |
| (2)(dv) | Environmental repair; spills; abandoned containers (state-funded cleanup) | \$965,950 | \$799,214 | | \$2,292,700 | \$2,292,700 | |
| (2)(mq) | Air and waste operations | 3,230,166 | 3,319,234 | 33.75 | 3,406,700 | 3,406,700 | 32.50 |
| (2)(nr) | Brownfields operations | 267,575 | 279,951 | 3.00 | 304,500 | 304,500 | 3.00 |
| (2)(du) | Site specific remediation | 2,816,966 | 2,761,474 | | 3,000,000 | 3,000,000 | |
| (2)(fq) | Indemnification agreements | 0 | 0 | | 0 | 0 | |
| (3)(mq) | Enforcement and science operations | 866,724 | 1,100,335 | 8.58 | 1,194,000 | 1,181,100 | 8.58 |
| (4)(ar) | Groundwater management | 0 | 0 | | 91,900 | 91,900 | |
| (4)(mq) | Water operations | 2,949,116 | 3,052,392 | 29.67 | 3,488,800 | 3,488,800 | 29.67 |
| (4)(au) | Cooperative remedial action; contributions | 0 | 0 | | 0 | 0 | |
| (4)(av) | Cooperative remedial action; interest on contributions | 3,114 | 544 | | 0 | 0 | |
| (6)(cr) | Well compensation grants | 197,172 | 154,050 | | 276,000 | 276,000 | |
| (6)(et) | Brownfield site assessment grants | 1,252,049 | 1,514,145 | | repealed | repealed | |
| (6)(eu) | Brownfields green space grants | 540,049 | 138,165 | | repealed | repealed | |
| (7)(bq) | Debt service - Remedial action | 3,867,958 | 3,679,793 | | 3,865,600 | 4,062,600 | |
| (7)(er) | Debt service - Administrative facilities | 477,103 | 496,582 | | 545,400 | 565,700 | |
| (7)(br) | Debt service - Contaminated sediment cleanup | 381,822 | 277,031 | | 696,100 | 1,045,600 | |
| (7)(ct) | Debt service - Water pollution abatement | 0 | 8,000,000 | | 8,000,000 | 8,000,000 | |
| (8)(mv) | Administration and technology operations | 1,157,444 | 1,052,859 | | 1,238,300 | 1,238,300 | |
| (9)(mv) | Customer assistance and external relations operations | 841,068 | 843,323 | 4.25 | 904,500 | 904,500 | 4.46 |
| (2)(hq) | Recycling administration | --- | --- | --- | 1,606,300 | 1,582,600 | 15.50 |
| (2)(hr) | Electronic waste recycling administration | --- | --- | --- | 152,300 | 128,600 | 1.00 |
| (3)(mr) | Recycling enforcement | --- | --- | --- | 298,600 | 294,800 | 2.40 |
| (6)(bu) | Financial assistance for responsible units (recycling) | --- | --- | --- | 19,000,000 | 19,000,000 | --- |
| (6)(bw) | Recycling consolidation grants (new in 2011-12) | --- | --- | --- | 1,000,000 | 1,000,000 | --- |
| (6)(ev) | PCB-contaminated sediment transport grants | --- | --- | --- | 0 | 0 | --- |
| (8)(iw) | Statewide recycling administration | --- | --- | --- | 407,200 | 407,200 | 0.50 |
| (9)(is) | State recycling grants administration | --- | --- | --- | 210,500 | 210,500 | 2.00 |
| Agriculture, Trade and Consumer Protection | | | | | | | |
| (1)(u) | Recyclable products regulation | --- | --- | --- | 0 | 0 | --- |
| (4)(qm) | Grants for agricultural facilities | --- | --- | --- | 0 | 0 | --- |
| (7)(va) | Clean sweep grants | --- | --- | --- | 750,000 | 750,000 | --- |

Environmental Management Account Appropriations - (continued)

| <u>Agency</u> | <u>Appropriation Name</u> | <u>2009-10</u> | <u>2010-11</u> | <u>2010-11</u> | <u>2011-12</u> | <u>2012-13</u> | <u>2012-13</u> |
|-------------------------------------------------------------|----------------------------------------------------|---------------------|---------------------|------------------|---------------------|---------------------|------------------|
| | | <u>Expenditures</u> | <u>Expenditures</u> | <u>Positions</u> | <u>Budgeted</u> | <u>Budgeted</u> | <u>Positions</u> |
| Commerce | | | | | | | |
| (1)(qm) | Brownfields grant program | 4,048,511 | 6,107,387 | | repealed | repealed | |
| Corrections | | | | | | | |
| (1)(qm) *** | Computer recycling | --- | --- | --- | 257,500 | 257,500 | 1.00 |
| Health Services | | | | | | | |
| (1)(q) | Groundwater and air quality standards | 311,683 | 312,021 | 2.00 | 315,900 | 315,900 | 2.00 |
| Military Affairs | | | | | | | |
| (3)(t) | Emergency response training | 7,596 | 7,328 | | 7,600 | 7,600 | |
| University of Wisconsin System | | | | | | | |
| (1)(s) *** | Wisconsin bioenergy initiative | --- | --- | --- | 4,050,000 | 4,050,000 | |
| (1)(tb) *** | Extension recycling education | --- | --- | --- | 388,200 | 388,200 | 4.00 |
| (1)(tm) *** | Solid waste research and experiments | --- | --- | --- | 155,400 | 155,400 | --- |
| (1)(r) | Environmental education; environmental assessments | 73,935 | 82,940 | | 180,000 | 192,000 | |
| Wisconsin Economic Development Corporation | | | | | | | |
| (1)(s) | Brownfield site assessment grants (new in 2011-12) | --- | --- | | 1,000,000 | 1,000,000 | |
| Wisconsin Housing and Economic Development Authority | | | | | | | |
| (5)(q) *** | Transfer to development reserve fund | --- | --- | --- | 0 | 0 | |
| Total | | <u>\$24,256,001</u> | <u>\$33,978,770</u> | <u>81.25</u> | <u>\$59,084,000</u> | <u>\$59,598,700</u> | <u>106.61</u> |

* Appropriations are continuing and show the currently estimated revenue that would be available solely for the purposes of the appropriation, rather than the Chapter 20 amount.

** Debt service appropriations are sum sufficient and show actual expenditures in 2009-10 and 2010-11, and estimated expenditures in 2011-12, and 2012-13. However, the water pollution abatement debt service appropriation is sum certain.

*** Appropriation was funded from the segregated recycling and renewable energy fund in 2009-10 and 2010-11, and is funded from the environmental fund in 2011-12 and 2012-13.

Table 6 shows actual revenues and expenditures for the recycling and renewable energy fund in 2009-10 and 2010-11. The primary expenditure was for financial assistance to responsible units of local government for a portion of the cost of operation of recycling programs. The fund was also used for: (a) DNR administration of recycling and solid waste reduction activities; (b) Commerce grants and loans to fund research and development of renewable energy technologies; (c) the UW System Bioenergy Initiative, which supports bioenergy research and staff costs related to development of expertise in bioenergy; (d) one-time grants for a soybean crushing facility, which extracts oil from soybeans for further processing into biofuels; (e) DATCP clean sweep grants to local governments for collections of pesticides, farm chemicals, and household hazardous wastes from farmers, businesses, households, and government agencies; (f) Department of Corrections computer recycling programs; and (g) Department of Revenue administration of the recycling surcharge. Beginning in 2011-12, the activities under (a), (c), (e), and (f) are funded from the environmental management account, and appropriations are shown in Table 4 for those activities.

TABLE 6
Recycling and Renewable Energy Fund Condition -- 2009-11

| | 2009-10 <u>Actual</u> | 2010-11 <u>Actual</u> |
|---------------------------------------------------------|--------------------------|--------------------------|
| Opening Balance -- July 1 | \$15,896,900 | \$2,918,700 |
| Revenues | | |
| Recycling Surcharge | 20,610,000 | 25,865,300 |
| Recycling Tipping Fee | 28,868,600 | 35,309,500 |
| Transfer from Petroleum Inspection Fund | 2,000,000 | 2,000,000 |
| Electronic Device Fees | 261,300 | 270,000 |
| Interest Income and Other | <u>95,300</u> | <u>81,400</u> |
| Total Revenue | \$51,835,200 | \$63,526,200 |
| Total Revenue Available | \$67,732,100 | \$66,444,900 |
| Expenditures | | |
| Local Recycling Grants | \$29,294,200 | \$18,998,900 |
| DNR Administration and Programs | 2,698,000 | 2,476,600 |
| Renewable Energy Grants and Loans and Administration | 2,254,300 | 906,700 |
| UW Bioenergy Initiative | 2,799,200 | 3,651,900 |
| Grants for Soybean Crushing Facilities | 163,000 | 3,274,400 |
| Other Agencies * | <u>1,679,200</u> | <u>1,466,400</u> |
| Total Expenditures | \$38,888,000 | \$30,774,900 |
| Transfer to General Fund | <u>-25,925,400</u> | <u>-30,251,100</u> |
| Cash Balance | \$2,918,700 | \$5,418,900 |
| Encumbrances, Continuing Balances | <u>-6,428,600</u> | <u>-830,800</u> |
| Closing Available Balance -- June 30 | -\$3,509,900 | \$4,588,100 |

* Includes DATCP, UW System, Corrections, and Department of Revenue.

Nonpoint Account

The segregated nonpoint account of the environmental fund has two primary funding sources: (1) a general purpose revenue (GPR) appropriation of \$11,577,300 annually in the 2011-13 biennium; and (2) \$3.20 per ton from the \$13 per ton state tipping fee for most solid waste, other than high-volume industrial waste, disposed in Wisconsin landfills. Tipping fee revenues to the nonpoint account were \$17,773,900 in 2010-11 and are estimated at approximately \$18.2 million in 2011-12. Unspent segregated appropriation authority generally lapses back to the environmental fund at the end of each fiscal year.

Table 7 shows the current estimated condition of the nonpoint account through the 2011-13 biennium. The table lists all revenue sources and appropriations of the account, as well as: (1) future committed expenditures from the account, known as encumbrances, and other appropriation balances that continue from year and year and do not otherwise lapse to the account balance; and (2) transfers to the state general fund in the 2009-11 biennium, which were required under 2009 Act 28, the 2009-11 biennial budget. 2011 Act 32, the 2011-13 biennial budget, generally prohibits transfers directly to the state general fund from segregated funds. However, Act 32 requires \$174 million in GPR and program revenue (PR) to be transferred to the general fund during the biennium, and the GPR allocation for the nonpoint account is considered eligible for reductions to meet this requirement. As a result, the GPR transfer has been reduced to \$10,974,200 in 2011-12 and to an estimated \$11,325,700 in 2012-13. Further, DATCP and DOA have identified \$3.5 million annually that is to be lapsed from the DATCP appropriation for soil and water management grants to the account balance. This is intended to balance account revenues and expenditures during the biennium, and avoid an estimated shortfall of approximately \$2.5 million that would otherwise be expected on June 30, 2013.

The nonpoint account funds two basic types of grants: (1) grants to county land conservation departments for costs associated with land and water conservation staff; and (2) grants distributed through counties or other municipalities for the installation of structures and practices to abate nonpoint source water pollution. In most cases, state cost-sharing for agricultural nonpoint source water pollution abatement must be at least 70% of the cost of installing a structure or practice. Urban planning projects are also eligible for 70% cost sharing, while urban construction projects are generally cost-shared at 50% of eligible project costs.

DATCP and DNR nonpoint expenditures also include debt service on general obligation bonds issued for each Department's grant programs. These programs include: (1) DATCP soil and water resource management (SWRM); (2) DNR rural nonpoint source pollution abatement, commonly known as the priority watershed program; (3) DNR targeted runoff management (TRM) competitive grants; (4) DNR urban nonpoint source (UNPS) and storm water management competitive grants; and (5) DNR municipal flood control (MFC) and riparian restoration competitive grants. These bond proceeds fund structural best management practices, as provisions of the Wisconsin Constitution generally do not allow bond proceeds to be used for staffing grants or non-structural practices.

Prior to 2009 Act 28, this debt service was supported primarily by GPR sum-sufficient appropriations, although DATCP was appropriated \$847,700 nonpoint SEG annually to offset a portion of its GPR-supported debt service. Act 28 converted all debt service from GPR to nonpoint SEG. Total debt service payments from nonpoint SEG for 2011-12 are budgeted at approximately \$14.8 million, or about 46% of all budgeted expenditures for 2011-12 from the nonpoint account.

The nonpoint account funds approximately 37.5 DATCP and DNR positions related to nonpoint source water pollution abatement. DNR also is appropriated nonpoint SEG for contracts with the UW–Extension and other organizations.

TABLE 7

Nonpoint Account Condition

| | Actual <u>2009-10</u> | Actual <u>2010-11</u> | Estimated <u>2011-12</u> | Estimated <u>2012-13</u> | 2012-13 <u>Positions</u> |
|---------------------------------------------------|--------------------------|--------------------------|-----------------------------|-----------------------------|-----------------------------|
| Opening Balance | \$8,165,800 | \$7,519,700 | \$10,288,800 | \$7,563,500 | |
| Revenue | | | | | |
| GPR Transfer | \$12,863,700 | \$12,863,700 | \$10,974,200 | \$11,325,700 | |
| Solid Waste Tipping Fee | 10,662,000 | 17,773,900 | 18,175,000 | 18,400,000 | |
| Investment Revenue/Misc. | <u>-3,400</u> | <u>-4,500</u> | <u>5,000</u> | <u>10,000</u> | |
| Total Revenue | \$23,522,300 | \$30,633,100 | \$29,154,200 | \$29,735,700 | |
| Expenditures | | | | | |
| <i>Agriculture, Trade and Consumer Protection</i> | | | | | |
| Soil and water management administration | \$2,054,800 | \$2,037,700 | \$2,189,500 | \$2,189,500 | 21.00 |
| County staffing grants | 4,252,800 | 4,161,800 | 5,036,900 | 5,036,900 | 0.00 |
| Soil and water management grants | 1,879,400 | 1,293,700 | 5,356,700* | 5,356,700* | 0.00 |
| Debt service | 1,175,800 | 2,186,000 | 3,061,800 | 3,384,300 | 0.00 |
| <i>Natural Resources</i> | | | | | |
| Integrated science services | \$358,800 | \$350,200 | \$424,500 | \$424,500 | 4.50 |
| Nonpoint source contracts | 320,900 | 0 | 997,600 | 997,600 | 0.00 |
| TMDL and Wisconsin Waters | 742,900 | 809,000 | 798,300 | 798,300 | 4.25 |
| Nonpoint source administration | 552,300 | 573,000 | 583,500 | 583,500 | 7.00 |
| Urban nonpoint source grants | 651,500 | 459,700 | 1,313,200 | 1,313,200 | 0.00 |
| Lake and river grants | 50,000 | 0 | 0 | 0 | 0.00 |
| Debt service – Facilities | 106,900 | 111,200 | 90,300 | 93,600 | 0.00 |
| Debt service – Priority watershed | 2,940,500 | 6,473,600 | 8,437,600 | 8,508,000 | 0.00 |
| Debt service – TRM | 154,100 | 342,500 | 832,000 | 1,036,200 | 0.00 |
| Debt service – UNPS | 932,500 | 1,697,400 | 2,403,000 | 2,537,400 | 0.00 |
| Administrative operations | 259,300 | 235,800 | 204,900 | 204,900 | 0.00 |
| Customer assistance and communication | <u>188,400</u> | <u>188,900</u> | <u>149,700</u> | <u>149,700</u> | <u>0.75</u> |
| Total Expenditures | \$16,620,900 | \$20,920,500 | \$31,879,500 | \$32,614,300 | 37.50 |
| Transfers/Lapses* | -7,547,500 | -6,943,500 | 0 | 0 | |
| Cash Balance | \$7,519,700 | \$10,288,800 | \$7,563,500 | \$4,684,900 | |
| Encumbrances/Continuing** | <u>-6,844,400</u> | <u>-7,146,700</u> | <u>-7,145,000</u> | <u>-7,145,000</u> | |
| Available Balance | \$675,300 | \$3,142,100 | \$418,500 | -\$2,460,100 | |

* Transfers in 2009-10 and 2010-11 were to the general fund. No general fund transfers are planned for 2011-13. However, DOA has directed DATCP to reduce expenditures by up to \$3.5 million from soil and water management grants in 2011-12, and likely in 2012-13, to balance nonpoint SEG expenditures with anticipated revenues.

** Includes amounts obligated but not yet expended, as well as continuing appropriation balances.