



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #600

Dry Cleaning Fee Increase (DNR -- Air, Waste, and Contaminated Land)

Bill Agency

[LFB 2007-09 Budget Summary: Page 430, #7]

CURRENT LAW

The dry cleaner environmental response program was created in 1997 Act 27 to provide financial assistance awards for reimbursement of certain eligible costs of investigation and remedial action of contamination from dry cleaning solvents at current and certain former dry cleaning facilities. The Department of Natural Resources (DNR) administers the financial assistance and remediation components of the program. The Department of Revenue collects revenues to fund the program that include: (a) a fee paid by every operator of a dry cleaning facility equal to 1.8% of the gross receipts from dry cleaning; and (b) a dry cleaning products fee imposed on persons who sell a dry cleaning solvent to a dry cleaning facility equal to \$5.00 per gallon of perchloroethylene sold and \$0.75 per gallon of dry cleaning product other than perchloroethylene sold. The fees are due on April 25, July 25, October 25, and January 25 for the previous three months.

Revenues received under the program totaled \$9.6 million for 1997-98 through 2005-06 (including \$1,104,400 in 2005-06), and are anticipated to generate approximately \$1.1 million annually in 2006-07 and subsequent years. Revenues are deposited in the segregated dry cleaner environmental response fund.

DNR is appropriated \$2,600,000 SEG in 2005-06 and \$1,050,000 SEG in 2006-07 in a biennial appropriation for financial assistance awards under the program. DNR expended \$1,715,100 SEG from the financial assistance appropriation in 2005-06 and has \$1,934,900 SEG available for expenditure in 2006-07 (because \$884,900 in unexpended funds is carried over from 2005-06 to 2006-07 in the financial assistance biennial appropriation). In 2006-07, DNR is appropriated \$207,200 SEG with 3.0 positions to administer cleanup and financial assistance

requirements. The Department of Revenue is authorized \$57,400 SEG with 1.0 position in 2006-07 for administration of the revenues collected under the program.

GOVERNOR

Increase the dry cleaning fee imposed on dry cleaning facilities from 1.8% to 2.8% of the gross receipts from the previous three months from dry cleaning apparel and household fabrics. The fee increase would first apply to the quarterly payment due on July 25, 2007, for gross receipts from April 1, 2007, through June 30, 2007.

DISCUSSION POINTS

1. DNR paid the first dry cleaner environmental response financial assistance awards in 2000-01. DNR has paid a cumulative total of \$8.3 million for 196 claims for 84 eligible dry cleaner facility sites as of April 5, 2007, including \$1,568,300 in 2006-07 to date. DNR is reviewing approximately \$690,300 in dry cleaner environmental response claims, and anticipates that additional claims will be received before the end of 2006-07. DNR anticipates that it will spend all of the authorized \$1.9 million for claims in 2006-07.

2. Owners or operators of dry cleaning facilities have until August 30, 2008, to submit a notification to DNR of the potential for submitting a claim under the program. The notification must be done before conducting a site investigation or remedial action activity to cleanup an eligible contamination from dry cleaning products associated with their facility.

3. The dry cleaner environmental response fund accumulated a balance of over \$2.5 million developed in the first few years of the program because collection of \$1.1 million in annual revenues began in 1997-98 and the program did not begin paying awards until 2000-01, after establishing administrative rules and procedures for the program. In the 2005-07 biennial budget, a total of \$3,650,000 was appropriated for claims, in order to meet anticipated claim demand and use the fund balance from prior years.

4. The fund is expected to have a minimal balance on July 1, 2007. The estimated fund balance under current law is shown in Table 1. While current law revenues would be up to \$1.1 million annually, base level expenditures would exceed \$1.3 million. A reduction in expenditures of approximately \$575,000 would be required in order to maintain a positive fund balance at the end of the 2007-09 biennium under current law.

TABLE 1**Dry Cleaner Environmental Response Fund Condition – Current Law**

	2005-06 <u>Actual</u>	2006-07 <u>Estimated</u>	2007-08 <u>Current Law</u>	2008-09 <u>Current Law</u>
Opening Balance, July 1	\$2,026,600	\$1,166,000	\$34,900	- \$263,000
Revenue	<u>1,104,400</u>	<u>1,076,000</u>	<u>1,055,000</u>	<u>1,049,000</u>
Total Revenue Available	\$3,131,000	\$2,242,000	\$1,089,900	\$786,000
Expenditures				
Financial Assistance Awards	\$1,715,100	\$1,934,900	\$1,050,000	\$1,050,000
Administration	<u>249,900</u>	<u>272,200</u>	<u>302,900</u>	<u>310,900</u>
Total Expenditures	\$1,965,000	\$2,207,100	\$1,352,900	\$1,360,900
Closing Balance	\$1,166,000	\$34,900	- \$263,000	- \$574,900

5. Claim payments have averaged over \$1.7 million in each of the three years from 2004-05 through 2006-07 (including \$1,592,000 in 2004-05, \$1,715,100 in 2005-06, and an anticipated \$1.9 million in 2006-07). Some of the reasons for the increase in claims include: (a) contaminated sites that have been identified since the program began in 1997-98 are undergoing cleanup and beginning to submit claims; (b) administrative rule changes that went into effect in 2005 allow up to four partial site investigation reimbursement claim payments, instead of the prior requirement that a claimant wait until the site investigation is complete to submit a claim; and (c) site owners may be trying to identify their potential site before the August 30, 2008, deadline, and trying to submit claim requests while there are still sufficient funds to pay claims.

6. DNR has recently reviewed potential cleanup costs at all of the 145 known sites, and estimates that there will be approximately 23 new sites identified before August 30, 2008, for a total of approximately 168 sites. Cleanup at 22 of the sites has been completed. DNR estimates that remaining cleanup costs will total approximately \$20.9 million between 2007-08 and 2016-17. Thus, the total cumulative cleanup costs may total approximately \$29.6 million (including the \$8.7 million spent between 2000-01 and 2006-07). The Department anticipates the newly identified sites will incur an average of \$140,000 in cleanup costs per site during a five year period after identification.

7. Claim demand may increase above current levels during the next two to four years, then would be expected to begin to gradually decline. DNR estimates that, based on known sites and anticipated remedial action at newly-identified sites, program demand could approach up to \$11.9 million during the 2007-09 biennium (\$6.4 million in 2007-08 and \$5.5 million in 2008-09) if site owners complete work and submit costs in a timely manner. However, Department officials acknowledge that it is likely that actual claim reimbursements will be lower than this figure. While

it is likely that demand during 2007-09 will be significantly above the base level of funding provided by the revenues in the bill, it may be well below the potential \$11.9 million identified by DNR.

8. The Governor's Dry Cleaner Environmental Response Council advises DNR concerning the program. In December, 2006, the Council submitted a five-year evaluation report about the program to the Governor and Legislature. The report recommended that: (a) the state increase the dry cleaner gross receipt fee from 1.8% to 2.8% of gross receipts from dry cleaning; (b) that the state implement revenue bonding sufficient to provide funding during the next three to four year of anticipated peak demand, with debt service payments to be paid by the 2.8% dry cleaner gross receipts fee; and (c) that DNR and DOR more closely cooperate regarding administration of the program, particularly with respect to identifying unlicensed dry cleaners in the state.

9. The Governor included the fee increase recommended by the Council in the bill. The bill would first apply the higher fee to the payment due July 25, 2007, for gross receipts from April 1, 2007, through June 30, 2007. Dry cleaning facilities generally add the fee to the price they charge customers for dry cleaning. They may not be aware of the need to begin building the fee into their costs in April of 2007. DOA recently recommended that the effective date of the fee increase be changed to first apply to the second quarterly payment due after publication of the act (most likely the January 25, 2008, payment for gross receipts from October 1, 2007, through December 31, 2007). The Committee could consider modifying the bill so that the fee increase would go into effect after the effective date of the bill instead of retroactively. This should give DOR and industry representatives time to notify dry cleaning facilities of the fee change. This would also provide dry cleaning facilities time to determine whether or how they would incorporate the higher fee into the fees they charge customers. (The fee is also subject to the state sales tax, whether it is incorporated into the overall price or shown as a separate charge on a customer's bill.)

10. The administration estimated the fee increase would generate revenue of \$525,000 annually. A recent review of dry cleaner gross receipts shows that the revenue increase could be estimated at \$500,000 annually. If the effective date would be changed to first apply to the second quarterly payment due after publication, the fee increase would be anticipated to generate \$250,000 in 2007-08 and \$500,000 in 2008-09 (\$300,000 less than the administration figure during the biennium).

11. The estimated June 30, 2009, fund balance under the bill, if the effective date is modified, would be \$175,100. This is shown in Table 2.

TABLE 2

**Dry Cleaner Environmental Response Fund Condition – SB 40
With Modified Effective Date**

	2005-06 <u>Actual</u>	2006-07 <u>Estimated</u>	2007-08 <u>Budgeted</u>	2008-09 <u>Budgeted</u>
Opening Balance, July 1	\$2,026,600	\$1,166,000	\$34,900	- \$13,000
Revenue	<u>1,104,400</u>	<u>1,076,000</u>	<u>1,305,000</u>	<u>1,549,000</u>
Total Revenue Available	\$3,131,000	\$2,242,000	\$1,339,900	\$1,536,000
Expenditures				
Financial Assistance Awards	\$1,715,100	\$1,934,900	\$1,050,000	\$1,050,000
Administration	<u>249,900</u>	<u>272,200</u>	<u>302,900</u>	<u>310,900</u>
Total Expenditures	\$1,965,000	\$2,207,100	\$1,352,900	\$1,360,900
Closing Balance	\$1,166,000	\$34,900	- \$13,000	\$175,100

12. The fee increase would be sufficient to maintain the base funding level of \$1,050,000 but would not be sufficient to pay for the anticipated level of claims. The Committee could choose to increase the claims awards appropriation by \$170,000 in 2008-09 to spend the anticipated fund balance and provide a total of \$2,270,000 for claims during the biennium (Alternative 1). However, this level of funds for claims would not be sufficient to fund claim demand if it continues at the current \$1.7 million annual average, or, more likely, increases beyond current levels. Thus, under the bill, it is anticipated that a backlog of claims would develop during the biennium. DNR pays claims in the order that complete applications are received. Claims submitted later in the biennium could have to wait until at least the 2009-11 biennium for reimbursement.

13. The Governor did not include the \$8.5 million in bonding recommended by the Dry Cleaner Environmental Response Council. DOA officials indicate that bonding was not included as a revenue obligation program because the potential bonding amount and the revenue stream for repayments would be too small to be attractive to potential bond purchasers. In addition, for current revenue obligation programs such as the petroleum environmental cleanup award program (PECFA) or transportation fund, DOA officials have indicated that a debt service coverage ratio of 2:1 to 3:1 is preferred in the bond markets. This means the revenue used to repay revenue obligations would be two to three times the debt service costs, and the higher the ratio, the more attractive the bonds would be. If \$8.5 million in 20-year revenue bonds could be sold at a 5% annual interest rate, debt service would be approximately \$675,000 annually (\$735,000 annually at 6%). A gross receipts fee of 2.8% under the bill would generate approximately \$1,400,000 in revenue annually, and would be approximately two times the ongoing debt service of at least \$675,000 annually that would be expected for \$8.5 million in revenue obligations. Although this may meet the minimum 2:1 debt service coverage ratio generally required by bondholders, it is unlikely this

amount of bonding and the comparatively low debt service coverage ratio would be viewed favorably in bond markets. In addition, this level of debt service, and the current level of administrative costs, would leave the amount available for claims at approximately \$530,000 annually for several years. Once bonding revenues were exhausted, the increased fee could be insufficient to prevent a claims backlog in future biennia because revenues available to pay claims would be limited by debt service requirements.

14. The Dry Cleaner Environmental Response Council and Wisconsin Fabricare Institute have advocated adding a bonding program to, or "borrowing" from, other programs such as environmental repair bonding. However, as discussed in separate budget papers, demand for environmental repair bonding authority is expected to exceed proposed levels, and the segregated environmental management account that pays the debt service on the issued environmental repair bonds may face funding sufficiency issues during the biennium.

15. The Council's report also supports having the state provide a match from other sources to the revenues provided by the dry cleaner gross receipts fee, such as a transfer from the petroleum inspection fund. It could be argued that, since the program was established to be a self-sustaining program funded by dry cleaners, providing funds from other sources is inappropriate. Others may argue that if funds are available from other sources, funds could be transferred to the dry cleaner environmental response fund on a one-time basis to help meet anticipated claim demand. It should be noted that the petroleum inspection fund mentioned in the Council's report is expected to have an outstanding principal balance of \$252.3 million on June 30, 2007, on petroleum inspection fee revenue obligations issued in the late 1990s for PECFA claims.

16. Dry cleaning industry representatives indicated that they want to assure that funding will be available for existing and potential sites that will enter the program by the August 30, 2008, deadline. They also indicated that they want to follow that action by finding a way to allow new sites to enter the program after August 30, 2008. It is unknown how many site owners might identify dry cleaning contamination after August 30, 2008, and how much it might cost to clean up that contamination. However, any future expansion of the program to allow sites to enter after August 30, 2008, would increase state costs for claims submitted by those sites.

17. The Committee could consider a fee increase higher than the 2.8% provided in the bill in order to meet more of the anticipated claim demand levels. For example, if the gross receipts fee would be increased from 1.8% to 3.8%, effective with the second quarterly payment after publication of the act, revenues from the fee increase would equal approximately \$500,000 in 2007-08 and \$1,000,000 in 2008-09. With this fee increase amount, additional dry cleaner environmental response financial assistance could be provided totaling \$220,000 SEG in 2007-08 and \$700,000 SEG in 2008-09 (Alternative 2), to provide a total of \$3,020,000 during the 2007-09 biennium (\$1,270,000 in 2007-08 and \$1,750,000 in 2008-09).

18. If the gross receipts fee would be increased from 1.8% to 5.0%, effective with the second quarterly payment after publication of the act, revenues from the fee increase would equal approximately \$800,000 in 2007-08 and \$1,600,000 in 2008-09 (\$1,350,000 higher than the

amounts in the bill). With this fee increase amount, additional dry cleaner environmental response financial assistance could be provided totaling \$520,000 SEG in 2007-08 and \$1,280,000 SEG in 2008-09 (Alternative 3), to provide a total of \$3,900,000 during the 2007-09 biennium (\$1,570,000 in 2007-08 and \$2,330,000 in 2008-09). In future biennia approximately \$4.6 million would be expected to be available for claims. Since claim demand is expected to peak over the next several years, this higher fee could be sunset after a period. If a 5% fee were imposed for six years (October 1, 2007, through September 30, 2013) it would generate an additional \$9.6 million for claims payments above current levels. Annual funding available under the bill and an alternative 5% fee is shown in Table 3.

TABLE 3

Funding Under the Bill and an Alternative Fee

	<u>2.8% Fee (SB 40)</u>		<u>5.0% Fee (Alternative 3)</u>	
	<u>2007-08</u>	<u>2008-09</u>	<u>2007-08</u>	<u>2008-09</u>
Revenue				
Dry Cleaner Facility Fee	\$1,150,000	\$1,400,000	\$1,700,000	\$2,500,000
Other Revenues	<u>155,000</u>	<u>149,000</u>	<u>155,000</u>	<u>149,000</u>
Total	\$1,305,000	\$1,549,000	\$1,855,000	\$2,649,000
Expenditures				
Financial Assistance Awards	\$1,050,000	\$1,220,000	\$1,570,000	\$2,330,000
Administration	<u>302,900</u>	<u>310,900</u>	<u>302,900</u>	<u>310,900</u>
Total	\$1,352,900	\$1,530,900	\$1,872,900	\$2,640,900

19. If the gross receipts fee would be increased higher than 2.8%, there might be sufficient revenues to fund some debt service for bonds. However, the issue would remain related to the relatively small amount of bonds and fee revenue for repayment of revenue obligations and debt service coverage. Consideration could be made of creating a general obligation bonding authority for the program, with debt service to be paid from dry cleaner environmental response SEG. The difference between a general obligation bonding program and a revenue obligation bonding program would be that a general obligation bond would be backed by the full faith and credit of the state, and would not have to meet the debt service coverage ratios described earlier. In addition, while debt service payments would be the first use of dry cleaner fees before any claims or administrative expenses would be paid, if the dry cleaner fees would be insufficient, the state would be required to use GPR to pay the debt service.

20. If the gross receipts fee would be increased to 5.0%, effective with the second quarterly payment after publication of the act, and if a general obligation bonding program would be created, up to \$12 million could be available for claims during 2007-09. This would assume additional fee revenues of \$800,000 in 2007-08 and \$1,600,000 in 2008-09, and authorization of up to \$8.5 million in general obligation (GO) bonding authority, a 5% interest rate and a term of 20 years for each bond (the actual term, structure, and amount of bond issued would be determined by

DOA at the time of issuance). Under this scenario (Alternative 4), a SEG sum sufficient debt service appropriation would be created from the dry cleaner environmental response fund, with estimated costs of \$360,000 SEG in 2008-09. Debt service would increase to approximately \$675,000 annually once all bonds would be issued. Table 4 shows an estimate of how \$8.5 million in GO bonding may affect the program with a 5% gross receipts fee.

TABLE 4

Funding Available Under 5% Fee and GO Bonding Program (Alternative 4)

	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
Revenue				
Dry Cleaner Facility Fee	\$1,700,000	\$2,500,000	\$2,500,000	\$2,500,000
General Obligation Bond Proceeds	4,500,000	2,000,000	2,000,000	0
Other Revenues	<u>155,000</u>	<u>149,000</u>	<u>149,000</u>	<u>149,000</u>
Total	\$6,355,000	\$4,649,000	\$4,649,000	\$2,649,000
Expenditures				
Debt Service	\$0	\$360,000	\$520,000	\$675,000
Financial Assistance Awards	6,050,000	3,950,000	3,850,000	1,650,000
Administration	<u>302,900</u>	<u>310,900</u>	<u>317,000</u>	<u>324,000</u>
Total	\$6,352,900	\$4,620,900	\$4,687,000	\$2,649,000

21. While a fee increase to 5.0% and creation of general obligation bonding authority would be expected to meet anticipated claim demand beyond June of 2009 (approximately \$15.5 million would be available for claims payments through June, 2011), it is uncertain whether this would address the long-term demand (only \$3.3 million per biennium would be expected to be available for claims beginning in the 2011-13 biennium). If additional bonds were required in future biennia, SEG debt service costs would increase accordingly. Dry cleaner revenues would be first used for debt service before claims or administrative costs.

22. Dry cleaner representatives indicate that if a revenue source is not provided to fund anticipated claim demand, dry cleaner businesses may have a difficult time obtaining or repaying loans for the cleanup costs if a backlog of claims significantly delays reimbursement of cleanup costs. It is possible that some dry cleaners might stop or delay cleanups if they have to wait for state reimbursement for long periods of time. However, it should be noted that the hazardous substances spills statute requires the party that caused the contamination to clean it up, and a potential shortfall in state funds to reimburse cleanup costs would not remove that requirement.

23. It could be argued that creation of general obligation bonding authority for the dry cleaner environmental response program would help the program meet the potential levels of claim demand during the next two to four years.

24. Others would argue that it is inappropriate to create new purposes of general obligation authority, and that it is uncertain what the state's future obligation will be to authorize additional bonds if claim demand increases above expectations. In addition, it is possible that if general obligation bonding is authorized for the dry cleaner program, there could be increased pressure on the state to authorize additional bonding for other types of cleanups.

25. It is uncertain whether existing DNR staff levels would be sufficient to process substantially higher claim demand during the 2007-09 biennium. DNR currently devotes more than the authorized 3.0 full time equivalent of staff time to the program, and it is anticipated that workload for administering cleanups, and processing claims will increase in the next few years. Dry cleaning industry representatives have also expressed a desire that DNR process claims faster than currently. DNR estimates that claims are paid on average within four to five months after DNR receives a complete, signed claim. DNR officials anticipate that the increases in workload that would result from claim demand of up to \$12 million (as compared with \$3.7 million in the 2005-07 biennium) may be met by adding a 0.5 hydrogeologist in the remediation and redevelopment program to administer cleanups and ensure complete applications are submitted, and a limited term employee to assist in processing claims. If the fee is increased to 5.0%, with or without creating a bonding program, the additional staff could be provided, along with \$25,900 SEG in 2007-08 and \$51,900 in 2008-09. The staff could be funded by making a decrease of the same amount in the financial assistance appropriation (Alternative 5).

26. If additional revenues are not provided to the dry cleaner environmental response fund, there will be insufficient revenue to maintain the level of expenditures authorized in the bill. If the fee increase is not approved, the Committee could decrease the amounts authorized for expenditures by the fund. For example, the financial assistance appropriation under the program could be decreased by \$290,000 annually, to provide \$760,000 annually for dry cleaner awards (Alternative 6a). A backlog of claims would be expected to grow rapidly under this alternative, and owners of dry cleaning facilities who are working on site cleanups could experience increased financing costs (which are not eligible costs under the program) as they wait to receive a claim reimbursement.

27. If the fee is not increased, another method to balance fund expenditures would be to make a proportional decrease in all appropriations of 21.6%, totaling \$290,000 annually. Under this scenario (Alternative 6b), the financial assistance appropriation could be decreased by \$226,300 annually, to provide \$823,700 each year for dry cleaner awards. In addition, DNR administrative appropriations would be decreased by \$50,700 annually with 0.64 position (0.42 position of 2.0 in the remediation and redevelopment program that administer cleanups and 0.22 of 1.0 position in the community financial assistance program that processes and pays claims) and the DOR administrative appropriation would be decreased by \$13,000 annually with 0.22 position.

28. If DNR staff positions are reduced, it would be more difficult for DNR to administer cleanups and process claims on a timely basis. If the DOR position is reduced, it could be more difficult for DOR to monitor collection of the fees.

ALTERNATIVES TO BILL

1. Approve the Governor’s recommendation to increase the dry cleaning fee imposed on dry cleaning facilities from 1.8% to 2.8% of the gross receipts from the previous three months from dry cleaning apparel and household fabrics. However, modify the bill to first apply the fee increase to the second quarterly payment due after publication of the biennial budget act. Reestimate revenue from the fee increase to \$250,000 in 2007-08 and \$500,000 in 2008-09, a decrease of \$300,000 from the amounts estimated under the bill. Finally, provide additional dry cleaner environmental response financial assistance of \$170,000 SEG in 2008-09, to provide a total of \$2,270,000 during the 2007-09 biennium.

ALT 1	Change to Bill		Change to Base	
	Revenue	Funding	Revenue	Funding
SEG	-\$300,000	\$170,000	\$750,000	\$170,000

2. Adopt an increase in the dry cleaning fee imposed on dry cleaning facilities from 1.8% to 3.8% of the gross receipts from the previous three months from dry cleaning apparel and household fabrics. First apply the fee increase to the second quarterly payment due after publication of the biennial budget act. This would provide additional revenue of approximately \$500,000 in 2007-08 and \$1,000,000 in 2008-09. Approve additional dry cleaner environmental response financial assistance of \$220,000 SEG in 2007-08 and \$700,000 SEG in 2008-09, to provide a total of \$3,020,000 during the 2007-09 biennium.

ALT 2	Change to Bill		Change to Base	
	Revenue	Funding	Revenue	Funding
SEG	\$450,000	\$920,000	\$1,500,000	\$920,000

3. Adopt an increase in the dry cleaning fee imposed on dry cleaning facilities from 1.8% to 5.0% of the gross receipts from dry cleaning apparel and household fabrics. First apply the fee increase to the second quarterly payment due after publication of the biennial budget act. Sunset the fee increase on the last day of the 72nd month after it is imposed (the fee would be expected to revert to 1.8% on approximately September 30, 2013). This would provide additional revenue of approximately \$800,000 in 2007-08 and \$1,600,000 in 2008-09. Approve additional dry cleaner environmental response financial assistance of \$520,000 SEG in 2007-08 and \$1,280,000 SEG in 2008-09, to provide a total of \$3,900,000 during the 2007-09 biennium.

ALT 3	Change to Bill		Change to Base	
	Revenue	Funding	Revenue	Funding
SEG	\$1,350,000	\$1,800,000	\$2,400,000	\$1,800,000

4. Approve an increase in the dry cleaning fee imposed on dry cleaning facilities from 1.8% to 5.0% of the gross receipts from dry cleaning apparel and household fabrics. First apply the fee increase to the second quarterly payment due after publication of the biennial budget act. Further, authorize a general obligation bonding program for dry cleaner environmental response claims with the following provisions: (a) authorize up to \$8,500,000 in general obligation bonds for claims under the program; and (b) create a SEG sum sufficient debt service appropriation from the dry cleaner environmental response fund, with estimated costs of \$360,000 SEG in 2008-09. Approve additional dry cleaner environmental response financial assistance of \$500,000 SEG in 2007-08 and \$900,000 SEG in 2008-09 to provide \$3.5 million in the claims appropriation during the biennium.

ALT 4	Change to Bill		Change to Base	
	Revenue	Funding	Revenue	Funding
BR	\$8,500,000		\$8,500,000	
SEG	\$1,350,000	\$1,760,000	\$2,400,000	\$1,760,000

5. Approve Alternative 3 or 4. In addition, provide \$25,900 SEG in 2007-08 and \$51,900 SEG in 2008-09 with 0.5 SEG position annually for DNR cleanup assistance and review, and for a claims processing LTE. Decrease the dry cleaner financial assistance appropriation by the same amount.

ALT 5	Change to Bill Positions	Change to Base Positions
SEG	0.50	0.50

6. Delete the fee increase. In addition, decrease expenditures in one of the following ways to maintain a positive balance in the dry cleaner environmental response fund:

a. Decrease the dry cleaner environmental response financial assistance appropriation by \$290,000 SEG annually, from \$1,050,000 to \$760,000 in each year, to provide a total of \$1,520,000 for dry cleaner awards during the 2007-09 biennium.

ALT 6a	Change to Bill		Change to Base	
	Revenue	Funding	Revenue	Funding
SEG	-\$1,050,000	-\$580,000	\$0	-\$580,000

b. Decrease the dry cleaner environmental response financial assistance appropriation by \$226,300 SEG annually, from \$1,050,000 to \$823,700 in each year, to provide a total of \$1,647,400 for dry cleaner awards during the 2007-09 biennium. Decrease DNR administrative

appropriations by \$50,700 SEG annually and 0.64 SEG position. Finally, decrease the Department of Revenue administrative appropriation by \$13,000 SEG annually and 0.22 SEG position.

ALT 6b	Change to Bill			Change to Base		
	Revenue	Funding	Positions	Revenue	Funding	Positions
SEG	-\$1,050,000	-\$580,000	- 0.86	\$0	-\$580,000	- 0.86

Prepared by: Kendra Bonderud