



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873
Email: fiscal.bureau@legis.wisconsin.gov • Website: <http://legis.wisconsin.gov/lfb>

May 5, 2015

Joint Committee on Finance

Paper #482

Convert Pollution Abatement Debt Service from GPR to SEG Environmental Management Account (DNR -- Environmental Quality)

[LFB 2015-17 Budget Summary: Page 326, #11]

CURRENT LAW

The state issued general obligation bonds, with repayment of debt service from GPR, under the former water pollution abatement program to provide grants to municipalities for wastewater treatment system construction between 1978 and 1990. The clean water fund program, within the environmental improvement fund, replaced the former program, and began providing low-interest loans to municipalities for wastewater treatment systems in 1991. 2009 Act 28 created a sum certain appropriation from the environmental management account to be used beginning in 2010-11 for \$8,000,000 annually in debt service costs formerly paid from GPR. Currently, the first \$8 million in annual debt service costs is paid from the environmental management account, and the remainder is paid from a GPR sum sufficient appropriation. Expenditures for 2013-14 were \$8.0 million SEG and \$9.7 million GPR. Expenditures for 2014-15 are \$8.0 million SEG and an estimated \$9.9 million GPR.

GOVERNOR

Shift \$4,900,700 in 2015-16 from GPR to environmental management account SEG for debt service costs under the former water pollution abatement grant program. Convert the SEG appropriation from sum certain to sum sufficient. Maintain the GPR sum sufficient debt service appropriation, and estimate GPR expenditures at \$0.

DISCUSSION POINTS

1. Base funding for the estimated debt service under the combined SEG and GPR

appropriations is \$17,871,500 (\$8,000,000 SEG and \$9,871,500 GPR). Under the bill, debt service payments for the combined SEG and GPR appropriations for the former water pollution abatement program would be estimated at \$12,900,700 in 2015-16 and \$7,449,200 in 2016-17. A separate entry in the LFB summary of the Governor's recommendations [LFB Summary page 306, Item #9] describes the reestimate of debt service costs for several DNR appropriations.

2. Based on the reestimated cost of debt service payments, \$4,900,700 is the amount of remaining debt service costs for the program that is shifted from GPR to SEG in 2015-16 under the bill.

3. It is anticipated that SEG debt service costs for the appropriation will decrease to approximately \$6.6 million in 2017-18, and \$5.9 million in 2018-19, and will continue to gradually decline over the following several years.

4. Administration officials indicate that the rationale for shifting additional GPR debt service costs to environmental management account SEG was to save GPR and improve the balance of the general fund. They indicate that the rationale for decreasing authorized expenditures in other appropriations in the account, such as the \$4 million decrease in recycling grants to local governments and expenditures in UW System appropriations, was to ensure there would be a positive balance in the account.

5. It could be argued that it is not appropriate to increase the amount of SEG used for debt service for a program that ended in 1990, at a time when reductions are being made in other appropriations from the environmental management account. In addition, some argue that GPR was the appropriate funding source for the former water pollution abatement program from 1978 through 2010, and that conversion of \$8 million in annual debt service costs to SEG inappropriately decreased funds available for the environmental and recycling uses of the environmental management account.

6. Alternatively, others may argue that SEG expenditures should be substituted for GPR expenditures wherever possible to help the balance of the general fund. Since the total debt service costs for the program will decrease below \$8 million in 2016-17, conversion of the remaining GPR costs to SEG in 2015-16 eliminates use of GPR for the debt service only for one year, in 2015-16, since it would have otherwise been fully paid by SEG beginning in 2016-17 under current law.

7. If the Committee wishes to allocate available environmental management revenues to other existing account appropriations that are reduced under the bill, it could shift a smaller amount of GPR to SEG for the water pollution abatement debt service costs. For example, \$2,000,000 in debt service costs could be converted from GPR to SEG in 2015-16 instead of the full \$4,900,700 [Alternative 2]. Under this example, the SEG appropriation could be converted from sum certain to sum sufficient in 2016-17 instead of in 2015-16, because \$2,900,700 would be the estimated GPR debt service cost in 2015-16, but the total debt service cost for the program would decrease below the base-level of \$8 million SEG in 2016-17.

8. Deletion of the conversion from GPR to SEG would make \$4,900,700 SEG available for other appropriations from the environmental management account, and would increase GPR

expenditures by the same amount [Alternative 3]. Under this option, the Committee could convert the SEG appropriation from sum certain to sum sufficient in 2016-17 instead of in 2015-16.

ALTERNATIVES

1. Approve the Governor's recommendation to: (a) shift \$4,900,700 GPR in 2015-16 to SEG environmental management account for debt service costs for the former water pollution abatement program; (b) convert the SEG appropriation from sum certain to sum sufficient; and (c) maintain the GPR sum sufficient appropriation with estimated costs of \$0.

2. Shift \$2,000,000 GPR in 2015-16 (rather than \$4,900,700) to SEG environmental management account for debt service costs for the former water pollution abatement program. Convert the SEG appropriation from sum certain to sum sufficient in 2016-17 instead of in 2015-16.

ALT 2	Change to Bill
GPR	\$2,900,700
SEG	<u>- 2,900,700</u>
Total	\$0

3. Delete the shift of GPR debt service to SEG. Convert the SEG appropriation from sum certain to sum sufficient in 2016-17 instead of in 2015-16.

ALT 3	Change to Bill
GPR	\$4,900,700
SEG	<u>- 4,900,700</u>
Total	\$0

Prepared by: Kendra Bonderud