

**Wisconsin Green Budget
Project:
Protecting the Environment
while Balancing the Budget**

**January, 2003
Revised April, 2003**

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Endorsing Organizations:
Wisconsin Public Interest Research Group (WISPIRG), Center on
Wisconsin Strategy (COWS), Wisconsin Interfaith Climate Change
Campaign, Sierra Club, Wisconsin State B.A.S.S. Federation,
Madison Audubon Society, Bicycle Federation of Wisconsin, Save
Our Unique Lands, Door County Environmental Council, Northern
Thunder, Wisconsin Wetlands Association, GrassRoots Recycling
Network, Lake Superior Greens, River Alliance of Wisconsin, RENEW
Wisconsin, Clean Water Action Coalition, Wisconsin's
Environmental Decade, Midwest Environmental Advocates, Friends of
the Earth, Lutheran Office for Public Policy

Introduction

As Wisconsin decision-makers grapple with a growing budget deficit, and as Wisconsin citizens face potential cuts in services to solve the budget crisis, polluters are benefiting at the expense of taxpayers. Taxpayers are footing the bill for industries that dirty our water and air, destroy open spaces and wetlands, and soil our land. These taxpayer handouts to

polluters include tax breaks, inadequate fees, environmentally harmful projects, and lack of enforcement.

Balancing the budget and protecting the environment can – and should – be compatible. This report looks at programs in Wisconsin that are wasting money *and* harming the environment.

Offering Solutions to Politicians

This report lays out common-sense solutions to the dual problems of the state budget deficit and environmental degradation. The Wisconsin Green Budget Project is calling on Governor Doyle and the Wisconsin Legislature to follow these recommendations in order to help balance the budget and protect air, water, and land for Wisconsin citizens.

The following programs will cost taxpayers at least \$225.3 million over the next biennium if decision-makers choose not to follow the recommendations in this report. At the

same time, taxpayers will pay the price in additional environmental degradation and impacts on public health.

While individual organizations supporting the Wisconsin Green Budget Project do not necessarily support every recommendation, all of the organizations believe that balancing the budget can be done in a way that not only doesn't erode environmental protections, but actually improves them. We call on Wisconsin's decision-makers to use this report as a guideline for protecting the environment during the state budget process.

Organizations Supporting the Wisconsin Green Budget Project

Wisconsin Public Interest Research Group
Center on Wisconsin Strategy
Wisconsin Interfaith Climate Change Campaign
Sierra Club
Wisconsin State B.A.S.S. Federation
Madison Audubon Society
Bicycle Federation of Wisconsin
Save Our Unique Lands
Door County Environmental Council
Northern Thunder
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Lake Superior Greens
River Alliance of Wisconsin
RENEW Wisconsin
Clean Water Action Coalition
Wisconsin's Environmental Decade
Midwest Environmental Advocates
Lutheran Office for Public Policy
Friends of the Earth

Wasting Energy and Money

Energy efficiency is one of the easiest ways to save money while reducing pollution. The State of Wisconsin's buildings, and the state's car fleet of about 8,000 vehicles, use up a great deal of energy. By implementing energy efficiency plans for state buildings and improving the state's car fleet, Wisconsin taxpayers could save millions of dollars. The Department of Natural Resources' (DNR) Climate Change Action Plan outlines a blueprint for improving energy efficiency.

Wasteful Energy Use Harms Taxpayers

The state spent \$92 million in 2001 on energy costs in its buildings, including University of Wisconsin System buildings. The Department of Administration (DOA) estimates that, through simple practices like switching to more efficient light bulbs and heaters and turning off lights and computers in state buildings, the state could save \$9.2 – 18.4 million per year. If Wisconsin's public schools made similar changes, Wisconsinites could see additional savings of \$11.3 – 22.6 million per year.

The state's car fleet includes many gas-guzzlers, like Ford Excursions, Expeditions, and Explorers, that are expensive to drive and pollute our air. Environmentalists nicknamed the

Excursion the "Exxon Valdez of SUVs," because it gets only 12 miles to the gallon. The state should sell these guzzlers and buy vehicles that get better mileage and still perform the basic function. Switching to more efficient vehicles like the Saturn Vue, Honda Civic, and Toyota Prius could save more than \$550,000 per year in gas costs and reduce greenhouse air pollution by more than 11 million pounds. While gas savings may not offset the cost of replacing the fleet in the first few years, the state would see cost savings in the future.

Wasteful Energy Use Harms Public Health and the Environment

We deserve an energy system that lights and warms our homes and businesses, but does not pollute our air and lakes. Currently, all Wisconsin lakes have fish advisories warning children and pregnant women not to eat the fish due to mercury pollution, largely from coal-burning power plants. Wisconsin power plants trigger respiratory problems and heart attacks and lead to the early death of 448 people each year. But without energy efficiency, there is pressure to build more of these polluting power plants. Clean energy solutions, like more efficient buildings, and cleaner power, could save 258 Wisconsin lives each year.

Proposal: Following the DNR's Climate Change Action Plan, implement energy efficiency policies in all state-owned buildings and replace gas-guzzling fleet vehicles with higher efficiency vehicles.

Savings Over the Biennium: \$18.4 – 36.8 million for state building efficiency programs
Up to \$41 – 82 million if public schools also implement efficiency programs

Road-Building Projects

The Department of Transportation's (DOT) 20-year State Highway Plan calls for massive road-building projects that will increase costs to taxpayers in the form of increased property, sales, and gas taxes, while destroying wetlands and farmland and increasing air and water pollution. Many of these projects are

unnecessary and could be replaced with projects that would: make immediate safety improvements such as better intersections, paved shoulders, and passing lanes; provide more safety enforcement; and increase funding for more transportation choices, such as trains, clean buses, and bike paths.

The following is just a sampling of needless road-building projects that could be replaced by safety improvement projects.

Highway Project	Cost Savings Over the Biennium
Highway 26 bypass	\$1.6 – 3.72 million
Highway 164, Ackerville	\$3.2 – 3.6 million
Highway 131	\$.88 – 2.4 million
Stillwater Bridge, Highway 35/64	\$6.4 – 13.2 million
La Crosse Highway	\$6.4 million
Marquette Interchange	\$40 million
Total Savings	\$58.48 – 69.32 million

Road-Building Projects Harm Taxpayers

The DOT's State Highway Plan will build almost 3,000 new lane miles and increase highway spending between now and 2020 by more than \$6.5 billion over 1997-99 budget levels. Because much of the plan focuses on major highway expansion projects, there is little money for maintenance of existing roads, highway and bridge repair, elderly and disabled assistance, rail and transit systems, and bicycle and pedestrian safety. Local communities responsible for roads will have to find the money for maintenance, safety, and other programs, most likely through increased property taxes. In general, the DOT's State Highway Plan will cost taxpayers through increased property, sales, and gas taxes, while doing little to improve

the quality and safety of the roads they travel on every day.

Road-Building Projects Harm Public Health and the Environment

Building new and bigger roads creates a whole host of environmental and public health problems. According to the Transportation Research Board, new roads create increased automobile congestion, which in turn leads to increased air pollution. Cars, trucks, and other mobile sources account for over half of the health risks from hazardous air pollutants. Cars and trucks pollute our air with soot, diesel, smog-forming sulfur dioxide and nitrogen oxide, and other toxic contaminants. These emissions trigger asthma attacks and heart attacks, cause hospitalization for respiratory and cardiovascular disease, and cause cancer. Building new and expanded roads also promotes sprawling

development, leading to the loss of wetlands, farmland, and wildlife habitat.

Proposal: Immediately halt the above-mentioned and other road-building projects and replace them with safety improvement projects. Undertake an independent study of the DOT's road-building plans in order to determine the need for them.

Savings Over the Biennium: At least \$58.48 – 69.32 million
Streamlining Government

There are many examples of environmental programs that, because of politics or special-interest pressure, have been divided between multiple state agencies. Wisconsin would benefit from streamlining these programs into DNR for several reasons. First, the state would save money by cutting unnecessary staff positions, particularly upper-level staff positions like bureau chiefs. Second, the environment would be better protected under a more uniform approach to protection. And third, businesses and others using the programs would benefit from a less confusing regulatory system.

The following are examples of how several programs could be housed in DNR rather than in multiple agencies, with examples of some cuts that could be made.

1. Consolidate the Department of Agriculture, Trade, and Consumer Protection's (DATCP) Land and Water Resources Bureau in DNR.

Implementing the Clean Water Act is one of DNR's core missions, and the DATCP bureau duplicates the work being done by DNR's Bureau of Watershed Management.

By consolidating these programs, the need for a bureau director position at DATCP would be eliminated, at a cost saving of \$101,800. Other necessary

positions within DATCP's Land and Water Resources Bureau could be transferred to DNR, the counties, and UW-Extension.

2. Consolidate DATCP's Agriculture Chemical Cleanup Program in the DNR Remediation and Redevelopment Bureau. Again, by consolidating these programs, one section chief could be eliminated and necessary positions transferred to DNR.

3. Consolidate the Department of Commerce's (DOC) Soil Erosion Control and Plumbing Programs into DNR. These two programs are currently housed in DOC's Division of Safety and Buildings. DNR's Stormwater Management Program is already responsible for construction-site erosion work for large sites. Consolidation would transfer authority to do the same work on one- and two-family dwelling sites.

4. Consolidate DOC's Petroleum Environmental Cleanup Fund Administration (PECFA) into the DNR Remediation and Redevelopment Bureau and consolidate the PECFA claim program into the DNR Grant and Loan Program or DOA. Consolidating PECFA would allow the elimination of one division administrator position from the Division of Regulatory and

Environmental Services and one bureau director position from the PECFA Department. The approximately 28 positions in the Site Review Section of

the PECFA Department could be transferred into the DNR Bureau of Remediation and Redevelopment.

Proposal: Streamline environmental protection programs that are housed in multiple agencies into DNR.

Savings Over the Biennium: Not available

Sales Tax Exemption for Logging Equipment

Wisconsin state government imposes a five percent general sales and use tax on gross receipts from the sale and rental of certain goods and services. Counties are allowed to levy an additional 0.5 percent sales and use tax. As of April 1, 2002, 56 Wisconsin counties were taking advantage of this option.

The sales tax on goods is “general,” meaning that items that are not to be taxed have to be listed specifically in state statutes as exempt. Our sales tax on services, on the other hand, is “selective,” meaning that if a service is to be taxed, it must be written into the law as being taxed. There is a list of goods and services to which the sales tax is not applied. Among these is logging equipment.

Proposal: Apply the sales tax to logging equipment.

Savings Over the Biennium: \$1 million

Logging Tax Exemption Harms Taxpayers

The sales tax exemption for logging equipment is a direct corporate subsidy to the timber industry. Taxpayers are footing the bill for a mature industry that does not need taxpayer handouts to thrive.

Logging Tax Exemption Harms the Environment

Unsustainable logging practices destroy habitat, threatening animal and plant species. Logging often leads to erosion, which contaminates lakes, rivers, streams, and wetlands with sediment and other pollutants. The sediment build-up in waterways changes water temperatures, destroying cold water habitats needed by fish and plants to survive.

Property Tax Break for the Timber Industry

The timber industry enjoys other handouts from Wisconsin taxpayers beyond the sales tax exemption for logging equipment mentioned above. Under a set of laws originally passed in 1927 to promote logging on private land, timber companies pay an average of \$2.45 per acre in property taxes – \$9.56 per acre less than they would pay without these tax breaks. In 1999 these archaic laws – the Forest Crop Law, Woodland Tax Law and Managed Forest Law – cost the State of Wisconsin \$18.8 million in lost property taxes.

Although part of the intent of the more recent of these laws is to improve forest management, much of the lost revenue from this property tax break comes from Wisconsin's major logging companies, not small woodlot owners. For example, Stora Enso (formerly Consolidated

Paper) has almost 314,000 acres registered under the forest tax laws, and Nekoosa Papers has 228,000 acres registered.

Timber Tax Break Harms Taxpayers

This property tax break leads to less revenue for local communities. Many local communities are struggling to pay for necessary services. When an industry gets property tax breaks, that lost revenue must be found somewhere else – usually through increased property taxes for residents.

Timber Tax Break Harms the Environment

As described in the previous section, unsustainable logging practices destroy forest and water habitat, threaten animal and plant species, and lead to erosion and water contamination.

Proposal: End the property tax break for woodland intended for large-scale, commercial logging, and retain the tax break only on land intended for small-scale, sustainable management and preservation.

Savings Over the Biennium: As much as \$37.6 million

Clean Water Enforcement

Because of the federal Clean Water Act and state water quality protections, there are limits on the amount of toxins that industries, municipal wastewater treatment plants, and factory farms can legally discharge into Wisconsin's lakes, rivers, and streams. However, because of weak enforcement of water laws in Wisconsin, few polluters receive penalties for contaminating Wisconsin's waters.

The result of this weak enforcement is twofold: 1) Hundreds of thousands, and potentially millions, of dollars in mandatory fines and forfeitures are not collected by the state each year; and 2) Wisconsin's waters continue to be contaminated by illegal toxic pollution. Those dollars, were they collected, would be put into the School Fund, a general fund that pays money out to local municipalities and school districts.

Lack of Enforcement Harms Taxpayers

Conservatively, the state could have collected \$2.28 million (\$760,000 per year) in fines, forfeitures and other costs during the three-year period between January 1999 and December 2001. To give some perspective, the state actually collected \$467,888 in 2001 and 2002, an average of \$233,944 per year. The figure \$2.28 million is very conservative for several reasons. First, it is based on prosecuting only the polluters who discharge highly hazardous chemicals (as opposed to paperwork and other permit violations). Second, it is based on a maximum \$10,000 fine *per monthly reporting period* where violations

occurred, rather than the \$10,000 *per day* allowable under state law. We know some illegal polluters violated their permits on numerous days within the reporting period.

The figure is also conservative because it doesn't take into account polluters who are found to have "willfully or negligently" violated their permit (up to \$25,000 per day) or polluters who are repeat offenders (up to \$50,000 per day). We know for a fact that many polluters are repeat offenders, with companies like Weyerhaeuser Company having 14 violations for illegally discharging highly hazardous chemicals between January 1999 and December 2001.

The estimate also doesn't take into account industrial livestock facilities, because they are not required to report illegal discharges. However, farm polluters accounted for three of the 17 cases prosecuted in 2001 and 2002, with a total of \$65,000 in fines, forfeitures, and other costs.

Lack of Enforcement Harms Public Health and the Environment

Wisconsin's water is polluted by toxic discharges from paper mills, factory farms, chemical companies, power plants, wastewater treatment facilities and other industries. These toxic discharges affect the health of Wisconsinites, causing sicknesses ranging from nervous system damage to kidney, lung, and heart disease to cancer, as well as retardation and learning disabilities.

Proposal: Take enforcement action against facilities that violate their Clean Water permits.

Savings Over the Biennium: \$1.52 million

Motorboat Fuel Gas Tax Formula

The motorboat gas tax was established under 1987 Act 27 and is administered by DOT. Revenues accrue to the Transportation Fund, and are transferred to the Water Resources Account of the Conservation Fund within DNR. This tax is used for conservation programs that protect water quality, recreational opportunities, water safety, and scenic beauty in Wisconsin.

Old Formula Harms Taxpayers

Motorboat users in Wisconsin do not actually pay an individual motorboat fuel tax. Since motorboat fuel comes from the same pumps as other motor fuels, the motorboat fuel tax comes out of the pool of all motor fuel taxes. The state uses a formula to calculate the amount of the motorboat fuel tax. Currently, it is based on 50 gallons of fuel per season for each motorboat user in the state.

The problem with this calculation, however, is that 50 gallons is a low estimate of the amount of fuel used per season because higher horsepower boats use more gasoline and because people are boating more. Today, many smaller horsepower engines are used by fuel-consuming personal watercraft.

This formula was set 15 years ago and has not been altered to keep pace with changing motorboat fuel consumption. Today, more than 40 percent of the motorboats registered in Wisconsin are between 18 and 39 feet in length. This is more than double the size of boats 20

years ago. The current state formula ignores these changes.

Old Formula Harms Environment

As a result of the inaccurate estimate, money that should be counted as motorboat fuel revenue stays in the DOT Transportation Fund, where it is used to fund road improvements and maintenance. Various state agencies (including DNR), members of state government, and local governments have recognized the need to change the formula to make it more current with the changing structure of motorboat usage in Wisconsin. They support the idea of increasing the estimate of average seasonal consumption to 100 gallons, and using that number to calculate the motorboat fuel tax.

The \$8.5 million in increased funding from raising the motorboat fuel tax could be used in various ways to protect local lakes and rivers as well as fund other priority water resource initiatives. While this is still less than one percent of the **total** Wisconsin motor fuel tax collected in fiscal year 2000, it could make a tremendous difference in the protection of our natural environment. It could be used to create new Wetlands Protection Grants and to administer the Conservation Reserve Enhancement Program to improve water quality and habitat. It could also be used to reduce polluted runoff from our lakes and rivers. The best part about the change is that this is not a new tax, and it will not increase the price of gas at the pump.

Proposal: Increase the estimate of motorboat fuel usage to 100 gallons, as part of the motorboat fuel tax estimate.

Addition to Water Resources Account over the Biennium: \$17 million

Property Tax Exemption for Waste Treatment Facilities

Wisconsin statutes provide a property tax exemption for waste treatment facilities and pollution abatement equipment [s. 70.11(21)]. Only commercial and manufacturing property is covered by the exemption. The exemption covers all property (land, land improvements, buildings, machinery) purchased or constructed as a facility used to treat industrial wastes or air contaminants, for the purpose of abating or eliminating pollution of Wisconsin's air or water.

Waste Treatment Tax Exemption Harms Taxpayers

In 1953, when the exemption was enacted, the value of these types of property was probably quite small. The Clean Air and Clean Water Acts, for example, were not yet law. But today, the value of such property in Wisconsin has climbed to over \$1 billion. The exemption has an important impact on local governments. When one item or area is exempted from property taxes, this narrows the tax base. Local

governments must then increase property taxes elsewhere, in order to pay for needed services.

Waste Treatment Tax Exemption Harms Public Health and the Environment

Because laws like the Clean Air and Clean Water Acts were not yet in existence at the time that this property tax break was created, the tax break may have acted as an incentive for polluting industries to voluntarily install waste treatment equipment in order to reduce air emissions and water discharges. However, recognizing the need to protect public health and the environment, federal and state governments have passed laws in the past three decades that require polluting industries to control pollution. Because of these requirements, having the tax break as an incentive is no longer necessary. Taxpayers should not be subsidizing basic pollution controls that are required under law in order to protect our health and environment.

Proposal: Eliminate the property tax exemption for industrial waste treatment equipment and facilities.

Savings Over the Biennium: Not available

Clean Air Act Regulation

The federal Clean Air Act mandates that all major sources of air pollution must have an operating permit. The permit is used as a way to monitor emissions and to identify and prosecute illegal polluters. However, Wisconsin is far behind other states in issuing those permits, with 280 of the total 610 major air pollution sources in the state not having permits. In fact, four of Wisconsin's five largest sources of cancer-causing air pollutants lack operating permits. In addition, Wisconsin has so few inspectors that it only inspects each of these large pollution sources every two to three years.

The primary reason Wisconsin hasn't issued these permits and increased the frequency of inspections is a lack of funding. However, the state doesn't need to **allocate** additional money for this purpose; the permit fees simply need to be raised. Major pollution sources currently pay permit fees of \$35.71 per ton of pollution, with a cap on fees for sources that emit more than 5,000 tons annually. DNR estimates that, in order to have the capability to issue permits in a timely manner and inspect each facility annually, permit fees would need to increase by \$26.46 per ton if the 5,000-ton cap is maintained. If the cap is removed, the fee would need to increase by only \$1.48 per ton.

Proposal: Increase Clean Air permit fees that pay for implementing the Clean Air Program.

Addition to Clean Air Program Fund Over the Biennium: \$7.3 million

Raising Permit Fees Does Not Harm Taxpayers

Federal law requires that the entire cost of the permit program be paid with permit fees, not by taxpayers. Consequently, the fees paid by power plants, paper mills, and other major pollution sources must be high enough to hire enough DNR staff to administer and enforce the program. In addition to protecting taxpayers by putting the program costs on the industries that create the pollution, higher fees per ton of pollution will provide an additional incentive for these sources to reduce their pollution.

Lack of Air Regulation Harms Public Health and the Environment

A significant portion of the air pollution that threatens millions of Wisconsin residents is from the state's largest industrial sources, such as power plants, refineries, paper mills, and other industrial facilities. These industries emit mercury, sulfur dioxide, dioxin, and many other hazardous chemicals into the air we breathe. Thousands of Wisconsinites suffer from the effects of this pollution, ranging from asthma and other respiratory illnesses to cancer and heart disease. Without permits, the state and Wisconsin residents have no way of knowing how much toxic pollution is being emitted into our air and are unable to enforce air quality standards.

More Recycling, Fewer Landfills

Wisconsin had the first statewide comprehensive mandatory recycling law in the country. That law has led to Wisconsinites recycling 40 percent of our trash, diverting that waste away from landfills and into the recycling process. However, the combination of the remaining Wisconsin waste, and the trash flowing into Wisconsin from surrounding states that do less recycling and have more expensive landfills, means that Wisconsin will still need to build more polluting landfills. One way to improve Wisconsin's recycling programs while discouraging landfilling is to increase recycling fees.

Low Recycling Fees Harm Taxpayers

Wisconsin has some of the lowest landfill rates in the Midwest. These low rates harm Wisconsin's recycling program. State law requires that local communities run their own recycling programs, and the state provides grants to help communities meet this requirement. The waste disposal fees are an important source of grant money. Without enough money available from the state, the funds will have to be found somewhere else. As is often the case, municipalities would likely look to

property taxes to fund their recycling programs.

The portion of landfill fees used to fund those recycling grants is called a "recycling fee." The current recycling fee of \$3 per ton is expected to bring in \$18 million in fiscal year 2003, based on DNR estimates of six million tons of municipal waste going to Wisconsin landfills this year. Increasing the fee to \$10 per ton would result in an additional \$42 million in revenue per year.

Low Recycling Fees Harm Public Health and the Environment

Keeping waste out of landfills allows us to avoid building new polluting landfills. Landfills contaminate our air and water with pollutants like cyanide, mercury, dioxins, and lead. Those contaminants get into the air we breathe, the water we swim and fish in, and the water we drink. Even the best landfills have emissions of methane and other air pollutants. And current landfill designs merely entomb waste that will eventually need to be treated. Building new landfills is a threat to human health, habitat, and animal and plant populations.

Proposal: Set recycling fees at \$10 per ton of waste dumped into Wisconsin landfills.

Additional Revenue Over the Biennium: \$84 million

Subsidy Reporting System

There is no reporting or tracking system in place in Wisconsin to monitor the economic effectiveness of the business subsidies distributed here, or the environmental impact of the subsidized business activity.

According to DOA, 23 different state agencies administer Wisconsin's business subsidy programs. In addition, local units of government compete for business investment through tax incentives. Whether the promised job-creation and other economic impacts actually occur is unknown in most cases. The lack of a business subsidy reporting system means decision-makers and the public are blind to whether taxpayer money is subsidizing business activities harmful to the environment. It also means that future subsidy efforts are made with no sense of what works and what doesn't work. A simple reporting requirement, administered through the Legislative Audit Bureau (LAB), could provide this information.

Proposal: Implement a business subsidy reporting system.

Savings Over the Biennium: Savings are likely to occur after the 2003-05 biennium.

The need for a business subsidy reporting system is particularly compelling as state government makes decisions about cutting spending. Implementing a reporting system would allow decision-makers to forego environmentally harmful and economically ineffective business subsidies to instead focus on economic development programs that work, both for business and for the environment.

A proposal currently being drafted would require every state agency to report its programs to the LAB, which would then prepare an annual report to the legislature. These reports would provide the basis for a comprehensive understanding of Wisconsin's business subsidy programs. They would provide the legislature, the press, and the general public with the information needed to assess the effectiveness of these programs.