



## House Bill 453 Printer's Number 2410 *Environment & Agriculture*

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*(Note: This document will be updated as more information becomes available)*

The House Republican budget proposal is full of one-time special fund transfers to the General Fund that would seriously hinder the commonwealth's ability to conserve its natural resources, promote recycling and sustainable solid waste processing, restore contaminated and polluted sites, and remediate abandoned mines and oil and gas wells.

Of the \$630.5 million in one-time fund transfers, \$217.1 million, or 34 percent, would come from funds that support environmental protection and conservation across Pennsylvania.

The Department of Environmental Protection relies heavily on special funds to maintain its essential functions. In 2017/18 more than 40 percent of DEP's total budget will come from these special funds. In a letter to the House and Senate Environmental Resources and Energy committees, DEP Secretary Patrick McDonnell said:

"Many of the funds targeted for transfers are used to cover shortfalls in the DEP budget not covered by the General Fund appropriations, and are not paid for with taxpayer dollars. Reducing these funds would lead to subsequent lapses and delays in inspections, enforcement, and permit reviews and potential staffing furloughs. At a time when DEP has begun showing progress in improving permit timeframes and inspection coverage, this proposal would send us in the wrong direction."

**The following analysis reflects the House Republican proposal as adopted by the House in HB453 PN2410. This proposal has changed since the Republican Press Conference on Sept. 5. Since then, Republicans reduced proposed transfers from the Keystone Recreation, Park and Conservation Fund, Recycling Fund, and reversed transfers from the Hazardous Sites Cleanup Fund, and Agricultural Conservation Easement Purchase Fund. HB453 would also provide slightly smaller transfers from the Environmental Stewardship Fund, Conservation District Fund, and other small environmental funds, as compared to the original House Republican proposal.**

### [Keystone Recreation, Park and Conservation Fund](#)

- Amount identified: \$50 million.
- Non-recurring
- Description: The Keystone Fund, established by Act 50 of 1993, sought to preserve the commonwealth's park and forest systems, local parks, zoos, and establish recreational facilities to foster tourism and economic development, plus provide for rehabilitation and capital investments in educational facilities and public libraries.

- The Keystone Fund received its initial funding via voter referendum, and \$50 million in bond proceeds deposited into the fund. It also receives revenue from 15 percent of annual Realty Transfer Tax revenues.
- A \$50 million cut to the Keystone Fund would severely hamper DCNR's ability rehabilitate state parks and forest facilities, establish new trails, and provide for river conservation projects. Also note, some non-environmental impacts will compromise funding for the Pennsylvania State System of Higher Education deferred maintenance costs, and support for community libraries across the commonwealth.

### **Programs**

- The Keystone Fund supports a number of programs and policy objectives, and funds are distributed as follows:
  - 65 percent to DCNR
    - 30 percent for state park and forestry facility rehabilitation and construction
      - Up to 10 percent for rails-to-trails
      - Up to 10 percent for river conservation projects
    - 25 percent for community recreation
    - 10 percent for grants to land trusts
  - 18 percent to State System of Higher Education for deferred maintenance expenses
  - 13 percent to Pennsylvania Historic and Museum Commission for restoration of historic resources and sites
  - 4 percent to Pennsylvania Department of Education for local library rehabilitation

### **Impact on the People and Economy**

- As a dedicated funding source for recreation, conservation, historic preservation, parks, and libraries, the Keystone Fund has supported thousands of capital projects across all 67 counties. In addition to jobs and tourism fostered by Keystone investments, DCNR reports the following impacts of the Keystone Fund:
  - 800+ projects funded in small communities to improve outdoor recreation.
  - For every \$1 invested in conservation through the Keystone Fund, \$7 is returned in flood control and prevention, water treatment, and natural services.
  - \$1.02 billion has been leveraged through public-private partnerships to complete more than 4,500 Keystone-funded projects.
- DCNR manages more than \$2 billion in infrastructure on public lands, and it contracts with private developers for park and forest road repair, bridge repair and construction, dam repairs, cabin construction, and sewage and water treatment plant work. The loss of dollars from the Keystone Fund and Environmental Stewardship Fund could compromise DCNR's ability to complete this necessary maintenance.

### **Cost Shifts to Communities**

- The Republican budget proposes a one-time transfer of \$50 million from the Keystone Recreation, Park and Conservation Fund to balance the state General Fund budget. This move would severely hamper the program's ability to continue providing grants.
- Through the various grant programs within DCNR's recreation and conservation grant program, municipalities and non-profit entities across the state implement park rehabilitation, create trails, and purchase recreation equipment. A substantial cut to the Keystone Fund could compromise payments to current grantees and potentially scale back funding for applications pending for the next round of DCNR's community conservation partnership grants. This could, potentially, shift the full burden of local park maintenance and related capital projects onto local governments.

### **Recycling Fund**

- Amount identified: \$70 million.
- Non-recurring
- Description: The Municipal Waste Planning, Recycling, and Waste Reduction Act (Act 101 of 1988) was the commonwealth's response to improper municipal waste practices that were causing health hazards and environmental pollution and economic loss. Many parts of the state were experiencing decreasing waste disposal capacity and a more sustainable solution was needed. Act 101 also created the Recycling Fund to provide for recycling and planning grants, and public information and recycling education activities across the commonwealth. Revenue for

the fund is generated from a \$2 per ton fee levied on all waste disposed of in landfills or processed by resource recovery facilities.

### Programs

- The Recycling Fund promotes and encourages recycling in Pennsylvania through a number of grant programs:
  - Planning grants reimburse counties for up to 80 percent of costs associated with preparing waste management plans and pollution prevention education activities.
  - Program and implementation grants reimburse counties and municipalities for 90 percent of costs related to identifying markets, purchasing collection equipment, or other expenses related to establishing a recycling program.
  - Recycling coordinator grants reimburse counties for salary and expenses of recycling coordinators.
  - Recycling performance grants are available to all local governments with recycling programs and are based on the applicant’s recycling rate and total tons recycled.

### Impact on the People and Economy

- Recycling is a positive force within the commonwealth, making substantial contributions to a healthy environment and a strong economy.
- According to a recent report by IHS Markit and the Pennsylvania Recycling Markets Center, the recycling marketplace in Pennsylvania employs more than 66,000 people and has led to the creation of nearly 110,000 indirect jobs. This includes core recycling activities, downstream manufacturing sectors, and re-use and remanufacturing sectors.
- The recycling industry also provides good paying jobs. The average labor income per direct job in the recycling marketplace stands at \$73,000, while those jobs in the indirect and induced employment categories average \$64,500, well above the state average.
- The recycling marketplace also contributes significantly to government revenues, with the entire sector paying over \$1.6 billion in state and local taxes in 2015.

<b>Figure ES.1: Summary of Pennsylvania Recycling Marketplace Economic Contribution Indicators</b>				
<b>Economic Indicator</b>	<b>Direct</b>	<b>Indirect</b>	<b>Induced</b>	<b>Total</b>
Employment (workers)	66,041	56,075	53,470	175,586
Value added (\$, mil.)	11,271	6,934	4,481	22,685
Labor income (\$, mil.)	4,812	3,921	2,587	11,319
Output (\$, mil.)	29,971	13,674	7,323	50,968
Labor income/worker (\$)	72,860	69,918	48,377	64,465
Value added/worker (\$)	170,660	123,651	83,805	129,198
State and local taxes (\$, mil.)	635	579	436	1,650
Federal taxes (\$, mil.)	1,242	849	560	2,651

Source: IHS Markit © 2017 IHS Markit

Source: The Economic Contributions of Recycling to the Pennsylvania Economy, <http://www.pennrmc.org/parecyclingmarketplace/>

- Pennsylvania plays a key role in the recycling marketplace by providing grants to local communities to lessen the expense of recycling implementation and simultaneously encourage its sustainable growth.

### Cost Shifts to Communities

- The Republican budget proposes a one-time transfer of \$70 million from the Recycling Fund. The 2016/17 budget already transferred \$9 million from this fund to the state General Fund.
- Concurrently, DEP, which administers the fund and recycling in Pennsylvania, is awaiting legislative action to reauthorize the \$2-per-ton recycling fee paid by landfills and waste resource recovery facilities. The existing fee is

scheduled to sunset Jan. 1, 2020. There are a number of proposals to extend the sunset date or eliminate it altogether. DEP has already stopped accepting applications for recycling implementation grants since these are reimbursed over a 2-3 year period.

- The potential transfer of \$70 million from the Recycling Fund would negatively impact various grant programs. Some 11.6 million residents, at least 94 percent of the state's population, have access to recycling. There are roughly 1,050 curb-side recycling pickup programs, and 870 drop-off locations exist for rural Pennsylvanians. If there were a substantial reduction in recycling funds the cost of implementing and maintaining recycling programs could fall to municipalities. Communities across the commonwealth depend on continued state support to maintain and grow their programs.

## Environmental Stewardship Fund

- Amount identified: \$70 million.
- Non-recurring
- Description: The Environmental Stewardship and Watershed Protection Act (Act 68 of 1999) established the Environmental Stewardship Fund to provide for water quality improvement, unmet needs in water and sewer infrastructure, abandoned mine reclamation, and other environmental pollution mitigation. Revenue for the fund initially came from transfers from the Hazardous Sites Cleanup Fund and the Recycling Fund, and a \$0.25-per-ton fee on all solid waste received at a landfill (tipping fees). In 2002, an additional \$4-per-ton fee was added. Act 13 of 2012, which created the natural gas impact fee and regulated Marcellus Shale, also provided revenue for the Environmental Stewardship Fund.

### *Programs*

- The Environmental Stewardship Fund provides finances for a wide variety of positive environmental initiatives, including:
  - Preservation of agricultural lands,
  - Grants to counties and municipalities for greenways, recreational space and trails,
  - Rehabilitation of state park and forest lands,
  - Biological diversity grants,
  - Acid mine drainage abatement,
  - Recovery of abandoned or orphaned oil and gas wells,
  - Grants for safe drinking water, and
  - Financial assistance for water and sewer infrastructure projects.
- The Environmental Stewardship Fund was designed as the mechanism to carry out Growing Greener I. Growing Greener is, to date, the largest single investment of state funds in Pennsylvania's history to address critical environmental concerns. The success of these programs, funded by the Environmental Stewardship Fund, led to Growing Greener II, a voter-approved plan that invested \$625 million to clean rivers and streams, preserve farms, protect open space, and shore up key environmental programs. Growing Greener II funds have been depleted but there are renewed efforts for a Growing Greener III circulating in the General Assembly.

### *Impact on the People and Economy*

- Since its inception in 1999, the Environmental Stewardship Fund – and the Growing Greener program more broadly – has protected more than 50,000 acres of threatened open space, restored hundreds of miles of streams and waterways, funded hundreds of local parks and trail projects, and protected more than 78,000 acres of farmland.
- Additionally, \$290 million has been transferred to PennVEST for stormwater, water and sewer grants. These funds have supported projects to promote sound land use and improve water resources. But more can be done. The American Society of Civil Engineers rates Pennsylvania's stormwater, drinking water, and waste water infrastructure as "poor," and the Environmental Protection Agency has warned the commonwealth of the consequences of continued violations and noncompliance with safe drinking water regulations. Pennsylvania must look for new ways to invest in rebuilding infrastructure, not cutting current investments toward this goal.
- Raiding the Environmental Stewardship Fund would also further exacerbate its revenue problem. Due to weak revenue for the Oil and Gas Lease Fund in 2015/16 and 2016/17, Act 25 and Act 85 (fiscal code bills) reduced the Act

13-authorized transfer to the Environmental Stewardship Fund from \$35 million to \$20 million. The 2017/18 budget makes this reduced transfer permanent. The net effect of this decision would be a cumulative \$45 million reduction in revenue for the Environmental Stewardship Fund.

- The table below shows the cumulative impact of these revenue reductions and reflects the diminished capacity of the Environmental Stewardship Fund.

<b>Environmental Stewardship Fund Revenue Summary – Transfer Reductions</b>			
	A	B	A-B
<b>Fiscal Year</b>	<b>Act 13 of 2012 Scheduled Transfer In</b>	<b>Actual Transfer In</b>	<b>Net Reduction in Revenue</b>
2015/16	\$35 million	\$20 million	-\$15 million
2016/17	\$35 million	\$20 million	-\$15 million
2017/18	\$35 million	\$20 million	-\$15 million
2015/16 – 2017/18 Cumulative Impact	\$105 million	\$60 million	<b>-\$45 million</b>

**Notes:** The Environmental Stewardship Fund has collected \$45 million less in revenue than it would have if the Act 13 transfers were maintained since 2015/16.  
The House Republican budget proposes to take an additional \$70 million away from the fund in 2017/18, on top of the reduced transfer. If this proposal were enacted, the Environmental Stewardship Fund will have taken a \$115 million hit over a three-year period.

- The largest expenditure from the Environmental Stewardship Fund is not for any of the aforementioned programs and projects, but for debt service on the Growing Greener II bond. This payment to the Treasury has consumed, on average, 40 percent of spending from the Environmental Stewardship Fund each year. Although this debt service was anticipated, it limits its ability to meet Growing Greener’s programmatic goals. DEP has raised concerns that these debt service payments could be at risk if Republicans are successful in its proposed \$70 million one-time transfer.
- Clearly, the Republican budget proposal to transfer \$70 million from the Environmental Stewardship Fund, in addition to reduced revenue in the past two years, would have a serious impact on the viability of Growing Greener programs in the departments of Agriculture, Conservation and Natural Resources, and Environmental Protection, as well as PennVEST. These sustained cuts would trickle down and negatively impact communities awaiting grants or are in need of financial assistance.

### Industrial Sites Cleanup Fund

- Amount identified: \$10 million
- Non-recurring
- Description: The Land Recycling and Environmental Remediation Standards Act (Act 2 of 1995) was enacted to accomplish the broad goal of eliminating environmental and public health hazards on existing commercial and industrial land across the commonwealth, and ensuring the reuse of these lands for employment, housing, recreation, or open-space areas. The purpose of the Industrial Sites Cleanup Fund is to provide financial assistance to those not responsible for contamination on a property and who propose to voluntarily cleanup the property. Revenue for this fund is derived from loan and interest repayments, and, most notably, from a transfer from the Hazardous Sites Cleanup Fund.

### Program

- Through a partnership between the Department of Environmental Protection and the Department of Community and Economic Development, funds in the Industrial Sites Cleanup Fund support the broad goals of Act 2 of 1995, including land recycling, remediation of brownfields, and restoration of land to economic value. DCED offers grants and low-interest loans via the Industrial Sites Reuse Program for environmental site assessment and remediation.
- Act 6 of 2000 authorized DCED to offer performance-based loans to applicants performing remediation of brownfield sites or nonhazardous waste or debris sites.

- DCED awards funds from the Industrial Sites Reuse Program on a competitive basis, giving special priority to sites with the greatest potential for development, will result in clean-up of contamination significantly affecting the environment, and secure a high level of matching investment from other private and public sources.

### **Cost Shifts to Communities**

- A \$10 million cut in funds for the Industrial Sites Cleanup Fund could potentially shift the financial burden of site cleanup and land remediation to municipalities across the commonwealth. Act 2 of 1995 allows DCED to award financial assistance up to 75 percent of the costs incurred for an environmental study and cleanup plan. Raiding funds could hamper the department’s ability to provide timely reimbursements or accept new applications. Furthermore, as many municipalities are seeking public support for a wide range of economic development initiatives, including mitigating brownfields, tackling blight, and restoring land to productive use, this plan could limit the commonwealth’s ability to aid in that important effort.

### **Other Environmental Funds**

- Total amount identified: \$16,921,000.
- Non-recurring
- In addition to the deep cuts made to critical funds and environmental initiatives listed above, the Republican budget balancing plan would go even further by making cuts to smaller funds. Despite their relative size, they serve specific interests and beneficial programs. Smaller funds that have been targeted for raiding include:

Industrial Sites Environmental Assessment Fund	-\$7,500,000
Energy Development Fund	-\$3,967,000
Conservation District Fund	-\$2,506,000
Coal Lands Improvement Fund	-\$2,000,000
Environmental Education Fund	-\$500,000
Solid Waste Resource Recovery Fund	-\$448,000
<b>TOTAL:</b>	<b>-\$16,921,000</b>

### **Industrial Sites Environmental Assessment Fund**

- Amount identified: \$7.5 million.
- Description: This fund works in tandem with the Industrial Sites Cleanup program by specifically appropriating funds for environmental assessments. This fund, created by Act 4 of 1995, was part of a package of bills focusing on land recycling and remediation.

### **Energy Development Fund**

- Amount identified: \$3,967,000.
- Description: The Energy Development Authority and Emergency Powers Act of 1982 created this fund along with the Pennsylvania Energy Development Authority. PEDA’s mission, and the purpose of this fund, is to encourage the development and use of clean, indigenous energy resources in Pennsylvania, and to spur economic and job growth in the clean energy sector.
- Although PEDA received executive authorization for \$50 million from the Growing Greener II bond program between 2005 and 2009, nearly all of these funds have been spent or committed. These funds are not deposited directly into the Energy Development Fund, they are maintained by the Governor’s Budget Office in a separate fund for general obligation bond proceeds.
- A \$3.9 million raid of this fund would seriously hinder PEDA’s work, and the broader goal of clean energy research and development. DEP says this transfer would overdraw the Energy Development Fund by nearly \$300,000 and halt current solar power manufacturing projects.
- The goal of PEDA is to grow Pennsylvania’s energy sector in an environmentally beneficial manner. At a time when we should be strengthening our focus on energy efficiency and devoting more investment to clean and sustainable energy sources that protect public health, this transfer would set back the commonwealth.

### **Conservation District Fund**

- Amount identified: \$2.5 million.
- Description: In 1945, the General Assembly adopted the Conservation District Law to spur the development of grassroots conservation efforts across the commonwealth. Today, a local conservation district office can be found in 66 of Pennsylvania's 67 counties. They help with a wide range of issues, including:
  - Erosion and sedimentation pollution control
  - Nutrient management programs
  - Stormwater management
  - Waterway protection
  - Wildlife management
  - Dirt & Gravel Roads program
  - Chesapeake Bay program
  - Agricultural land preservation
- A significant cohort of conservation districts have also played a critical role in helping the commonwealth in confirming the good work farmers have been doing to meet the state obligation to the Chesapeake Bay pollution reduction plan.
- This \$2.5 million cut from the fund could negatively impact the fund's cash flow, and potentially force these districts to eliminate positions or scale back technical assistance to farmers. House Republicans promised "not one job" would be lost with their proposal. **Agriculture Secretary Russell Redding, in a letter to the General Assembly, said: "Taking funds from districts at a time like this – when they have been such phenomenal partners of the state – is a betrayal of the commitment we have made to support their valuable work, and it will cause real pain and hardship at the local level."**

### **Coal Lands Improvement Fund**

- Amount identified: \$2,000,000
- Description: This fund, created by Act 117 of 1965, remediates land defaced by open pit or strip mining and poses a public health risk.
- DEP says that removing these funds would halt projects already underway and postpone or cancel future acid mine drainage projects.

### **Environmental Education Fund**

- Amount identified: \$500,000
- Description: The Environmental Education Act of 1993 created this fund as the depository for 5 percent of all pollution fines and penalties; the money to be used for environmental education. Since 2001/02, \$17 million has been awarded in grants by DEP and DCNR to support programs and projects that provide creative, hands-on lessons for students, teacher training programs, and outdoor learning resources.

### **State College Experimental Farm Fund**

- Amount identified: \$24,000.
- Department: Treasury/Penn State
- Description: Old fund dating to 1887 to receive proceeds from the sale of property, with the interest to be disbursed to Penn State.

### **Impact on the People**

- Penn State, but less than \$200/year disbursed to them.

### **Cost Shifts**

- Minor cost shift to PSU.

### **Revenue Source**

- Interest on the account.

## *Balances*

- A balance is kept in the fund to generate interest earnings for Penn State, but the amount is minimal.

## Cigarette Fire Safety

- Amount identified: \$250,000
- Non-recurring
- Description: The Cigarette Fire Safety and Firefighter Protection Act of 2008 created this fund to help with certification of compliance by manufacturers, and cigarette fire safety. Revenue comes from certification fees at a rate of \$1,000 per brand family and \$500 for each additional listing in a brand family. The attorney general enforces the act and uses fee revenue to pay for lab testing to ensure compliance with the act.