

# Primer

House Appropriations Committee (D)



**JOE MARKOSEK**, DEMOCRATIC CHAIRMAN

December 14, 2016

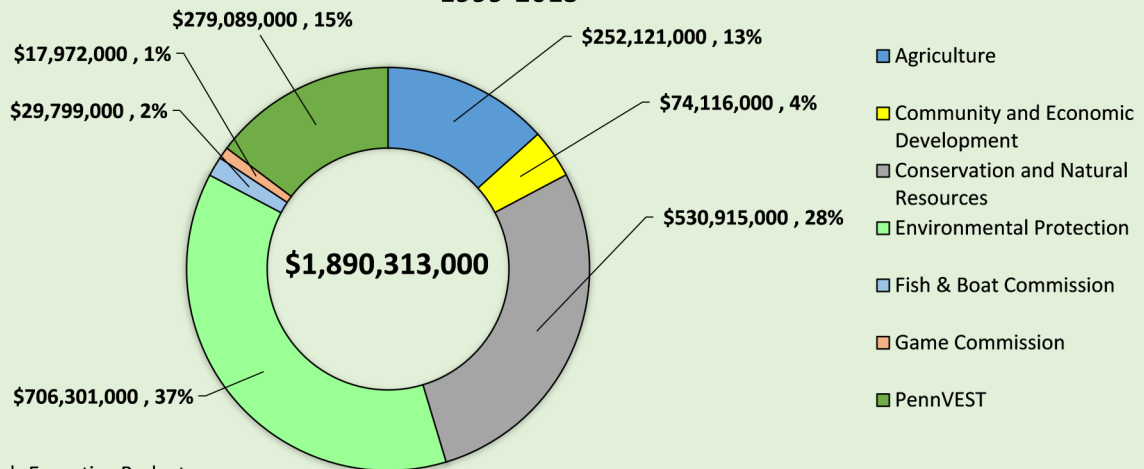
## Growing Greener (Update 8/8/19, pg. 5)

Growing Greener is responsible for critical watershed restoration projects, abandoned mine cleanup, farmland preservation, non-point source pollution mitigation, and supporting the maintenance of state parks.

According to the Department of Environmental Protection, Growing Greener represents the [largest investment](#) of state funds in Pennsylvania history to address critical environmental concerns. To date, the combined spending of the original Growing Greener program and the Growing Greener II bond issuance has resulted in \$1.89 billion for critical environmental projects.

With Growing Greener II funds spent or otherwise committed, many environmental advocacy groups and concerned citizens are petitioning for another infusion of state funds for environmental stewardship projects. Proposals for a Growing Greener III are garnering greater attention. In the waning months of the 15/16 legislative session, a \$315 million plan was introduced that would have included new funding for conserving land and water resources, restoring damaged waterways and land, and creating sustainable communities.

ENVIRONMENTAL INVESTMENTS OF GROWING GREENER  
1999-2015



Source: Governor's Executive Budget

Notes: Includes expenditures from the Environmental Stewardship Fund and the Growing Greener Bond Fund. Excludes disbursements to Treasury for Debt Service.

### Background

Pennsylvania has a long history of pioneering industrialization powered by plentiful natural resources and fossil fuels to make the economy flourish throughout most of the 20th century. However, toward the end of that century, the scars of resource exploitation and industrialization on the commonwealth were apparent.<sup>1</sup> In 1999, Gov. Tom Ridge and the General Assembly worked together on a grand plan to address environmental issues across Pennsylvania, including abandoned mines, polluted streams and waterways, and a backlog of agricultural land in need of preservation. The culmination of their cooperative efforts resulted in the Environmental Stewardship and Watershed Protection Act, more commonly known as Growing Greener (Act 68 of 1999).

#### House Appropriations Committee (D)

Miriam A. Fox, Executive Director

Mike Passiment, Budget Analyst  
Updated 8/8/19: Gueorgui Tochev

Mark Shade, Communications Director

## Growing Greener I

Act 68 added Chapter 61 to Title 27 (Environmental Resources) of the Pennsylvania Consolidated Statutes to create the Environmental Stewardship Fund in the state treasury and authorize a number of fund transfers into the new fund. From 1999/00 through 2003/04 under Act 68, the Environmental Stewardship Fund received transfers from the Recycling Fund and the Hazardous Sites Cleanup Fund (not to exceed \$30 million annually). The act also raised additional Environmental Stewardship Fund revenue through a 25 cents-per-ton fee on weighted waste for all solid waste received at a landfill.

The General Assembly also signaled its intent to appropriate \$100 million annually from the General Fund for environmental projects. Gov. Ridge proudly announced in 1999 that nearly \$650 million would be spent over the next five years.

The Environmental Stewardship and Watershed Protection Act established an allocation schedule for various state agencies to carry out the objectives of the new law. The table below shows the evolution of the distributions over time. The most notable amendment to the allocations came in 2015/16. In response to lower than expected revenues and growing expenditures within the Oil and Gas Lease Fund, language was included in the fiscal code bill to reduce transfer from that fund to the Environmental Stewardship Fund and to amend the allocation percentages. The amended allocation plan was continued in 2016/17.

The original Growing Greener program authorized disbursements from the Environmental Stewardship Fund to the departments of Agriculture, Conservation and Natural Resources, and Environmental Protection, and the Infrastructure and Investment Authority, or PennVEST. Specifically, Act 68 directed Growing Greener funds to the following departments for a variety of purposes:

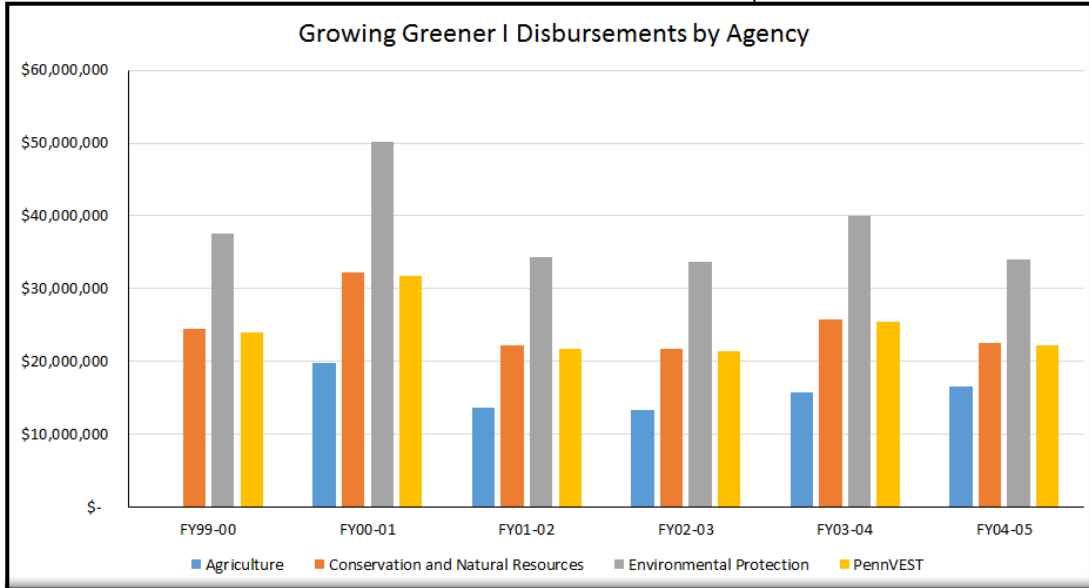
- Department of Agriculture
  - Authorized funds to be deposited into the Agricultural Conservation Easement Purchase Fund. Revenue in this special fund is used to purchase easements on agricultural land to assure its continued use for agricultural purposes. The easement purchase program began in 1989 and is responsible for the protection of 4,700 farms totaling more than 500,000 acres, and ensuring those tracts' future for productive, agricultural use. Growing Greener funds played a large role in maintaining this program.
- Department of Conservation and Natural Resources
  - Provided grants to counties, municipalities or conservation districts for planning, development, or rehabilitation of greenways, recreational trails, open space, natural areas, river corridors, watersheds, community and heritage parks, and forest conservation;
  - Provided funding to rehabilitate, repair and develop state park and state forest lands and facilities, and the acquisition of interior lands within state parks and forests; and
  - Provided grants to counties, municipalities, or conservation districts for research, planning and inventories intended to protect and conserve biological diversity of the commonwealth.
- Department of Environmental Protection
  - Funding provided for acid mine drainage abatement and cleanup of abandoned and orphan oil and gas wells;
  - Provided grants to local governments and conservation districts to plan and implement watershed-based conservation efforts;
  - Provided grants for safe drinking water projects and wastewater treatment projects; and
  - Offered funding for technical assistance and incentives to facilitate re-mining.

Environmental Stewardship Fund Allocation Percentages						
Department	1999/00	2000/01 - 2003/04	2004/05	2005/06 - 2014/15	2015/16	2016/17
Agriculture	-	14.8%	-	14.8%	18.7%	18.7%
Conservation & Natural Resources	28.4%	24.1%	28.4%	24.1%	23.0%	23.0%
Environmental Protection	43.7%	37.4%	43.7%	37.4%	35.7%	35.7%
PennVEST	27.9%	23.7%	27.9%	23.7%	22.6%	22.6%
Notes: Annual allocations from the Fund are calculated after transfers to the Hazardous Sites Cleanup Fund, and after debt service payments on Growing Greener bond funds						

- Infrastructure Investment Authority (PennVEST)
  - Used money from the Environmental Stewardship Fund to provide financial assistance (grants and matching grants) for storm water, water and sewer infrastructure projects.

Act 90 of 2002 established a \$4-per-ton disposal fee for municipal waste landfills. The fee was levied in addition to the \$2 per-ton Recycling Fund fee (Act 101 of 1988). For 2002/03 the law directed that the first \$50 million of revenue collected from this waste disposal fee be deposited into the Environmental

Stewardship Fund, with the remainder sent to the General Fund. In future years, all fees collected would be deposited into the Environmental Stewardship Fund. Revenue generated from the disposal fee rapidly became the primary funding source for the Environmental Stewardship Fund and the programs it supported.

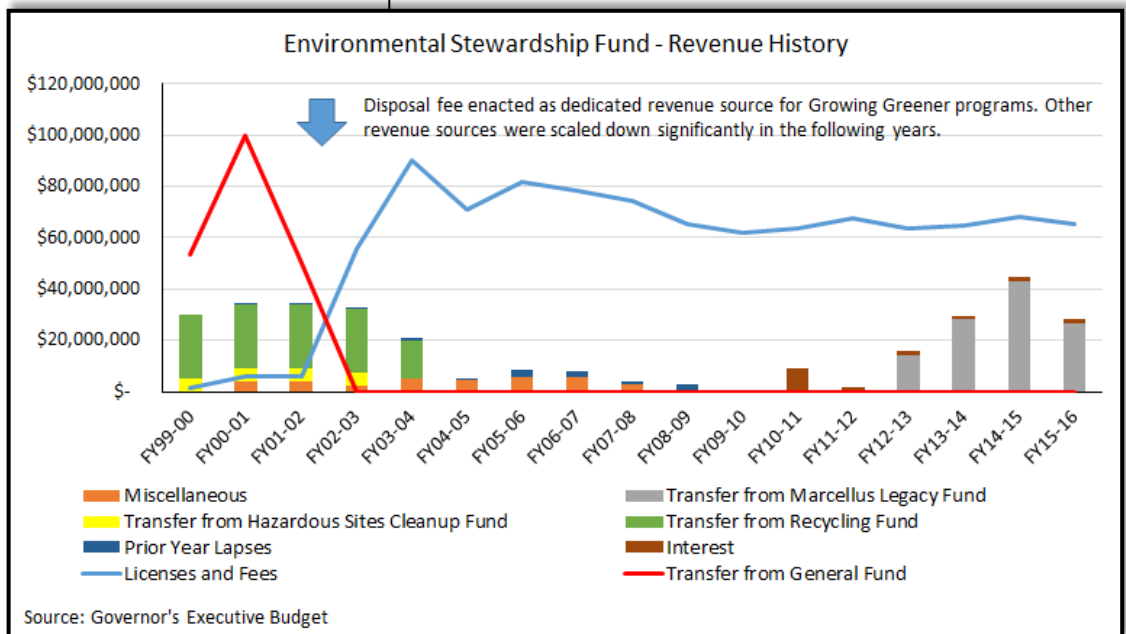


The chart above tracks Growing Greener I spending by state agency, from 1999/00 through 2004/05, before Growing Greener II disbursements began. The majority of state funds made available for the inaugural Growing Greener program were directed to DEP for watershed protection and restoration.

With the passage of Act 13 of 2012 to amend the state's oil and gas laws in response to the growing Marcellus Shale natural gas play, lawmakers created the Marcellus Legacy Fund to fund statewide environmental initiatives. A portion of funding was deposited into the Environmental Stewardship Fund, as can be seen in the chart below.

### Dedicated Funding for Growing Greener

From 1999 through 2002, the Environmental Stewardship Fund received its revenue through transfers from the General, Recycling, and the Hazardous Sites Cleanup funds. Act 90 of 2002 amended Title 27 to add Chapter 63, providing a dedicated funding source for Growing Greener.



Source: Governor's Executive Budget

## Growing Greener II

The initial Growing Greener program proved to be highly successful, providing much needed funding for statewide environmental restoration and stewardship projects. By 2005, Gov. Ed Rendell and the General Assembly began to look for ways to accelerate and continue Growing Greener I's success.

They turned to Pennsylvania voters.

Act 1 of 2005 enabled the governor and legislature to place a ballot question before Pennsylvanians about the idea of authorizing the commonwealth to incur debt through the sale of bonds:

*Do you favor authorizing the Commonwealth to borrow up to \$625,000,000,[SIC] for the maintenance and protection of the environment, open space and farmland preservation, watershed protection, abandoned mine reclamation, acid mine drainage remediation and other environmental initiatives?*

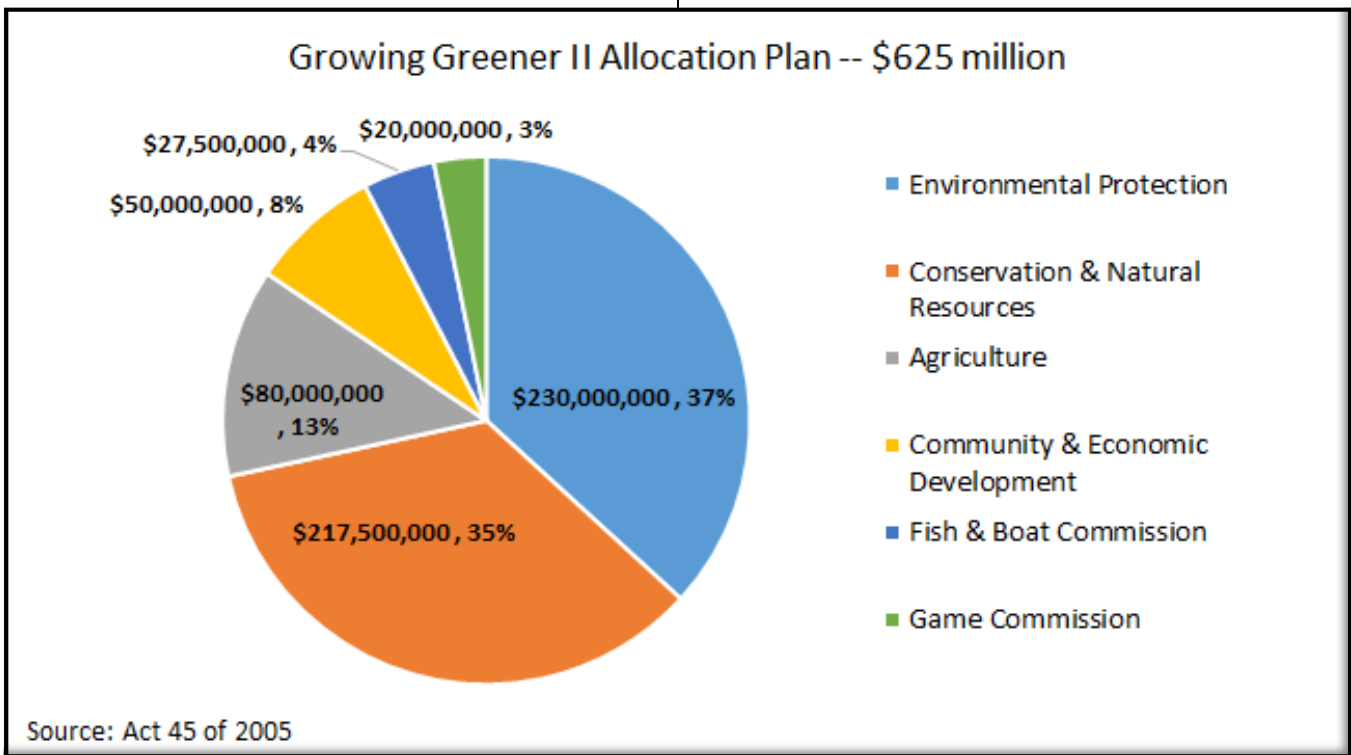
Sixty-one percent of voters supported the question statewide, while 76 percent supported the measure in southeastern Pennsylvania.<sup>ii</sup> In July 2005, Gov. Rendell signed Act 45 to codify Growing Greener II and direct fund distribution. State officials could now borrow the full \$625 million but in increments not to

exceed \$210 million every two years of a five-year period.

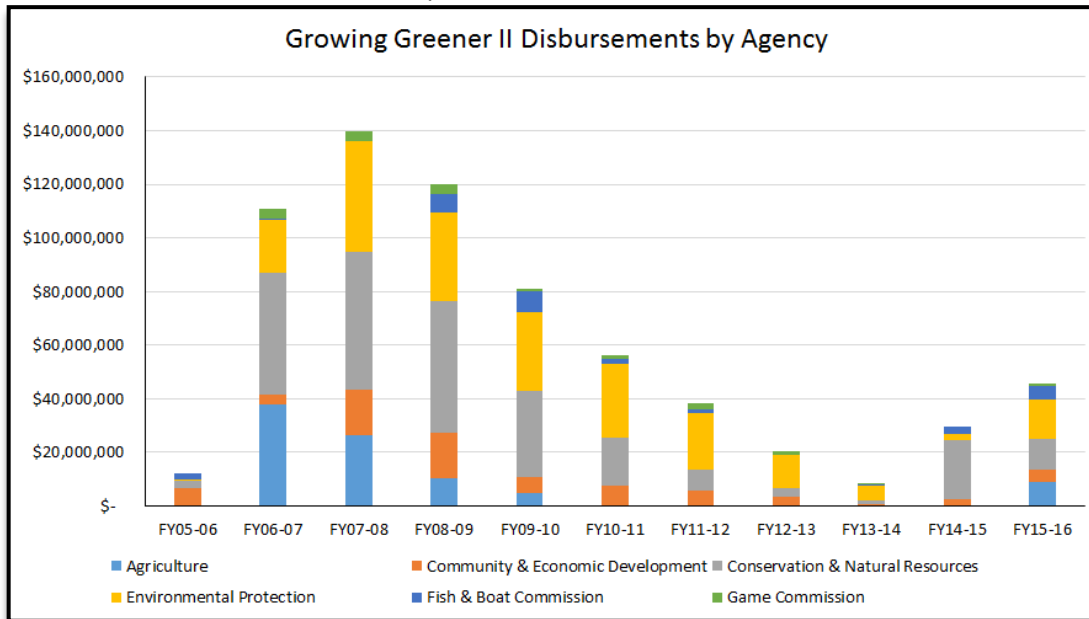
Act 45 established the Growing Greener Bond Fund in the state treasury as the depository for borrowed funds. The pie chart below shows how the law prescribed distribution of funds.

Spending for existing Growing Greener programs under Agriculture, Environmental Protection, and Conservation & Natural Resources was maintained. The act also outlined the following spending priorities:

- Of the \$230 million allocated to DEP:
  - At least \$60 million was to be used for acid mine drainage abatement,
  - Up to \$10 million annually to the Energy Development Authority for advanced energy projects, and
  - Up to \$5 million annually to the Department of Community and Economic Development for brownfields remediation
- Of the \$217.5 million allocated to DCNR:
  - No less than \$100 million for facility and infrastructure improvements to state parks and state forests (\$90 million of this allocation to be used for open space conservation)



- \$80 million allocated to Agriculture for farmland preservation programs
- \$50 million to Community and Economic Development for main street and downtown redevelopment, including water and wastewater infrastructure
- \$27.5 million to the PA Fish & Boat Commission for capital improvement projects to existing lands and facilities
- \$20 million to the PA Game Commission for capital improvement projects to existing lands and facilities
- \$20 million to the Hazardous Sites Cleanup Fund in 2005/06
- \$30 million to the Hazardous Sites Cleanup Fund in 2006/07



At the time of this writing, \$599 million in Growing Greener II bonds have been issued. The table below shows the timing and issuance amount of bonds, as well as the collected premiums.

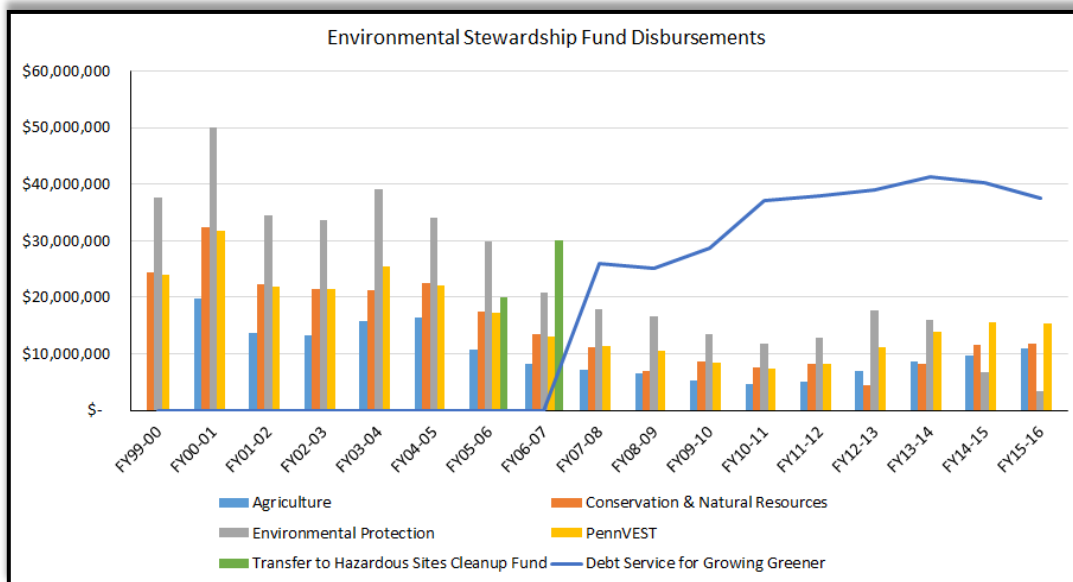
### Growing Greener Debt Retirement

Act 45 established a process to retire the debt incurred by Growing Greener II. The law directed the secretary of the Budget, upon approval by the governor, to use up to \$60 million from the Environmental Stewardship Fund (ESF) for annual debt service. Beginning in 2007/08, debt service payments became the largest annual disbursement from the Environmental Stewardship Fund. While a 2019 amendment to the [Fiscal Code](#) eliminated the pass-through transfer from the Oil & Gas Lease Fund to Marcellus Legacy Fund and then to ESF, the amendment offset the loss with \$20 million of Personal Income Tax (PIT) revenues dedicated to ESF, thereby maintaining necessary balances to support the Growing Greener II debt service payment.

The fund created under Growing Greener I would continue to provide investments in environmental programs, but this was secondary to providing debt service to Growing Greener II. The figure on page 6 traces the spending history of the Environmental Stewardship Fund, including the spending priority shift to debt service.

Fiscal Year of Issue	Bond Proceeds	Premium/Discount on Sale of Bonds*
2005/06	\$ 183,000,000	\$ 9,816,737
2006/07	\$ 27,000,000	\$ 1,527,818
2007/08	\$ 109,500,000	\$ 6,320,939
2008/09	\$ 65,000,000	\$ 4,871,474
2009/10	\$ 100,000,000	\$ 7,011,389
2010/11	\$ 19,500,000	\$ (198,703)
2011/12	\$ 25,000,000	\$ 3,838,653
2012/13	\$ 40,000,000	\$ 5,634,186
2013/14	\$ -	\$ -
2014/15	\$ 30,000,000	\$ 1,729,166
<b>Total</b>	<b>\$ 599,000,000</b>	<b>\$ 40,551,659</b>

\*This represents the amount received from sale of the bond above its face value, or sold at a discount.

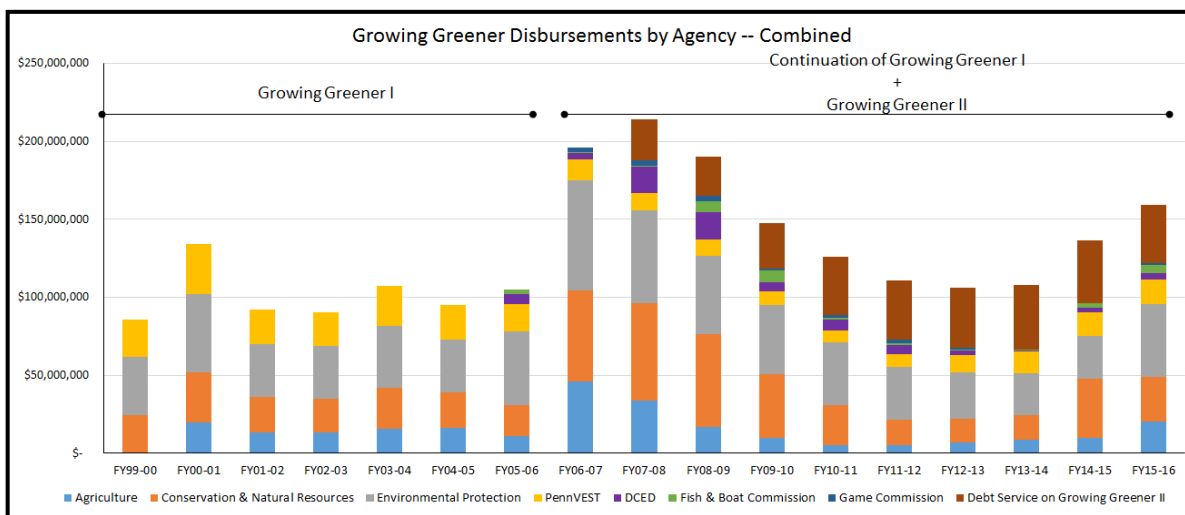


### Growing Greener III?

Today, Growing Greener II bond funds have largely been spent or committed. The environmental programs funded by the Environmental Stewardship Fund have been considerably smaller in recent years since tipping fee revenue has been diverted to debt service payments on Growing Greener II bonds. Many in the environmental community are now calling on the General Assembly to consider infusing the Growing Greener program with new funding.

In the 2016/17 legislative session, one bill ([SB 1374](#)) proposed a \$315 million investment in a Growing Greener III program. Additionally, the PA Growing Greener Coalition introduced a [\\$315 million spending plan](#) proclaiming that the new investments would support Pennsylvania’s economy and enhance the health of communities and residents’ quality of life.

Pennsylvania entered the 21<sup>st</sup> century with a landmark investment in the protection and preservation of its natural resources and environment. Growing Greener represents a concerted effort to mitigate the environmental challenges associated with the commonwealth’s fossil fuel heritage, to preserve open space and land for productive and responsible use, and to lay the framework for building a sustainable economy respectful of our obligation to coming generations. Above all, Growing Greener represented a genuine effort to protect the constitutional rights of Pennsylvania citizens to clean air, pure water, and to a preserved environment.<sup>iii</sup>



<sup>i</sup> Henderson, K. G. PATTERNS OF PUBLIC SUPPORT FOR PENNSYLVANIA’S “GROWING GREENER” PROGRAM.

<sup>ii</sup> <http://msaag.org/wp-content/uploads/2013/05/2-Henderson.pdf>

<sup>iii</sup> PA Growing Greener Coalition - <http://pagrowinggreener.org/issues/growing-greener/>