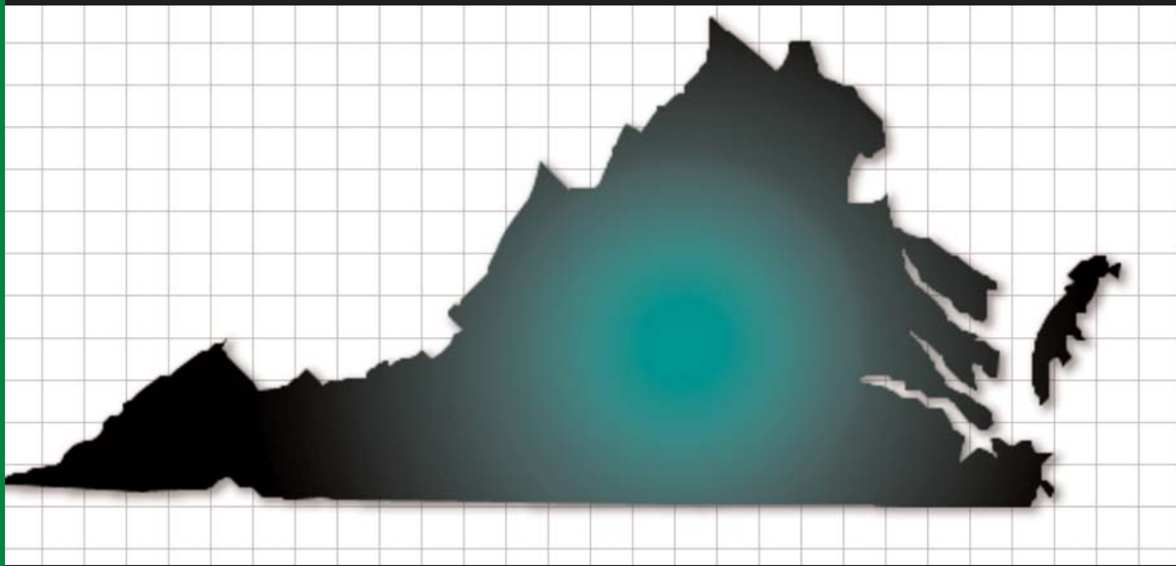
E N V I R O N M E N T A L   L A W   I N S T I T U T E

Greening the Budget 2005:

6 WAYS TO SAVE TAXPAYER DOLLARS AND PROTECT THE ENVIRONMENT IN THE COMMONWEALTH OF VIRGINIA



A Green Scissors Report

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The recommendations in this report are designed to help frame public policy debates and push budget cuts that help both the environment and taxpayers. The approach, pioneered by the national Green Scissors Campaign, led by Friends of the Earth, Taxpayers for Common Sense and the U.S. Public Interest Research Group, has successfully cut more than $26 billion in wasteful programs and subsidies that have been eliminated from the federal budget. Similar state-level reform efforts have been undertaken in California, the District of Columbia, Maryland, Michigan, Minnesota, North Carolina and Washington.

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GREENING THE BUDGET 2005

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6 WAYS TO SAVE TAXPAYER DOLLARS AND PROTECT THE ENVIRONMENT IN THE COMMONWEALTH OF VIRGINIA

Prepared by

The Environmental Law Institute

October 2004

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GREENING THE BUDGET: 6 WAYS TO SAVE TAXPAYER DOLLARS AND PROTECT THE ENVIRONMENT IN THE COMMONWEALTH OF VIRGINIA

EXECUTIVE SUMMARY

The six fiscally sound and environmentally friendly "green budget" policies set forth in this report show how Virginia can save taxpayer dollars while discouraging waste and pollution and protecting Virginia's natural resources. Reforming subsidy programs, eliminating wasteful expenditures, ensuring that Virginia gets its full share of federal dollars to address problems of congestion and poor air quality, and making sure that industries adversely affecting the environment bear the costs of their activities, are important components of sound fiscal and environmental policy.

Virginia's natural resources contribute to the economic health of the Commonwealth in many ways. They support resource-based industries, such as agriculture, seafood and timber, as well as tourism, which is dependent on preservation of our scenic and historic resources. Moreover, preserving Virginia's quality of life is important in maintaining Virginia's appeal to new and expanding businesses. This report identifies critical areas in which reforms can produce both environmental and fiscal benefits, thus producing two-fold benefits for Virginia's taxpayers.

Here are six sensible steps the Commonwealth can take and the fiscal implications of these policies:

1. Implement Smarter Development Incentives — **$30 million biennially**

Link economic incentive programs to sustainable land use principles to avoid incurring additional sprawl-related costs.

2. Eliminate Wasteful Transportation Projects — **$100 - $3,400 million**

Implement Virginia's Fix It First policy, fund non-highway transportation alternatives, and reform the Public Private Transportation Act.

3. Make Sure Virginia Gets its Share of Federal Funds — **$80 million**

Maximize use of the federal Congestion Mitigation and Air Quality funds to which Virginia is entitled.

4. Dedicate Pollution Fund Receipts — **$11.6 million**

Dedicate funds generated by the sale of air pollution credits to air quality monitoring and improvement programs.

5. Pay To Throw Away — **$56 million annually**

End taxpayer subsidies of the solid waste industry and out-of-state disposers.

6. Ensure That Users Pay for Permit Programs — **$8.4 million annually**

End taxpayer subsidies of waste and water permit programs.

"To the end that the people have clean air, pure water, and the use and enjoyment for recreation of adequate public lands, waters, and other natural resources, it shall be the policy of the Commonwealth to conserve, develop and utilize its natural resources, its public lands, and its historical sites and buildings. Further, it shall be the Commonwealth's policy to protect its atmosphere, lands, and waters from pollution, impairment, or destruction for the benefit, enjoyment, and general welfare of the people of the Commonwealth."

Constitution of the Commonwealth of Virginia, Article XI, section 1.

INTRODUCTION
A Call for Fiscal and Environmental Responsibility

Economic prosperity and environmental responsibility go hand in hand. The Commonwealth of Virginia pursues an aggressive policy of attracting business and spurring economic development. Virginia's environment is a cornerstone of Virginia's appeal to families, tourists and businesses seeking to relocate. Likewise, economic development should support the ongoing health of Virginia's environment. However, too frequently economic incentives and government programs are implemented in such a way as to require Virginia taxpayers to subsidize activities that are harmful to the state's environment. Subsidies, inadequate fee systems, understaffed regulatory programs, and even the outright gift of public dollars to wasteful or poorly planned projects are a poor substitute for wise stewardship of our precious financial and natural resources.

In the first Special Session of 2004, the General Assembly passed tax reform legislation that will generate additional funds[1] to address the long-term budget shortfalls projected by the Department of Planning and Budget in January 2004.[2] However, at this time of fiscal uncertainty, the Commonwealth of Virginia cannot afford to continue to subsidize activities that are harmful to our health, our environment, and our economy.

"[W]e must recognize that we now have an even greater responsibility to make sure that every state agency and every state program provides full value for the money that the taxpayers provide. That means continually looking for ways to reduce costs, and simultaneously looking for ways to operate more effectively. I would be the first to acknowledge that there is much more to be done in this area."

Governor Mark Warner, in a speech to the Senate Finance, House Appropriations, and House Finance Committees, August 23, 2004

1. IMPLEMENT SMARTER DEVELOPMENT INCENTIVES

Link Economic Incentive Programs to Sustainable Land Use

The Commonwealth of Virginia spends millions of dollars every year in economic development grants to attract and retain job-creating businesses in the state. However, these economic incentive programs do not consider their effects on patterns of growth. In practice, some of these expenditures generate sprawl by establishing business sites without regard to existing communities, transit resources, farmland and open space. This drives additional expenditures for infrastructure, schools, services, and conservation to mitigate land conversion.

Sprawling development rarely brings about the economic benefits anticipated. Frequently, the public cost of providing infrastructure and services to sprawling growth areas outstrips the tax revenues generated. A summary of 40 years of fiscal impact studies showed that more sensible growth patterns consume 45 percent less land, costs 25 percent less for roads, 15 percent less for utilities, 5 percent less for housing, and costs 2 percent less for other fiscal impacts than current trends of sprawl development.[3] By not tying economic incentive programs to smart growth policies, Virginia is missing an opportunity to save taxpayers money.

Current Policy

Virginia pursues an aggressive policy of attracting business and spurring additional economic development, but does not consider the land use or fiscal impacts of its development subsidies. Virginia is rapidly transforming. Certain suburban regions of Virginia are experiencing explosive population growth, while rural areas continue to decline.[4] Between 1982 and 1997, Virginia lost more than 834,000 acres of rural land; a rate of 49,000 acres of farmland and 9,000 acres of forest each year.[5] Suburban population growth, land development and economic prosperity are reshaping the Commonwealth, but many of these changes are poorly planned.

Virginia employs a number of economic development incentive programs, including two direct grant programs: the Governor's Opportunity Fund and the Virginia Investment Partnership Grant Fund, both administered by the Virginia Economic Development Partnership (VEDP). The Governor's Opportunity Fund is designed as a "deal closing" fund to be employed at the Governor's discretion when necessary to secure a company location or expansion in Virginia.[6] Grants can be used for such things as public and private utility expansion or capacity development, road, rail or other transportation access, site acquisition, grading, draining, paving or, construction, and "anything else permitted by law."[7] The Virginia Investment Partnership Grant Fund is a discretionary investment performance grant program for existing Virginia manufacturers and large basic employers. The program is targeted to companies that have operated in Virginia for at least five years and that are proposing expansion projects, which meet certain investment and job-creation criteria. In 2003 and 2004, the Governor approved nearly $30 million in grants through the Governor's Opportunity Fund and the Virginia Investment Partnership.[8]

Despite Virginia's rapid population growth and sprawling development trends, Virginia's economic incentive programs are administered without consideration of the impact these programs have on patterns of growth. There are no requirements that VEDP consider factors such as the effects of grants and other subsidies on infrastructure needs, land use,

TABLE 1

Principles for Better Land Use			
◆ Mix land uses; ◆ Take advantage of existing community assets; ◆ Create a range of housing opportunities and choices; ◆ Foster "walkable," close-knit neighborhoods;	◆ Promote distinctive, attractive communities with a strong sense of place, including the rehabilitation and use of historic buildings and sites; ◆ Preserve open space, farmland, natural beauty, and critical environmental areas;	◆ Plan for green infrastructure, including greenways and corridors connecting larger preserved areas; ◆ Strengthen and encourage growth in existing communities; ◆ Provide a variety of transportation choices;	◆ Make development decisions predictable, fair, and cost-effective; ◆ Encourage citizen and stakeholder participation in development decisions; and ◆ Encourage local land-use planning for compatible uses near military installations.

Source: National Governors' Association, NGA Policy NR-13 (2004).

Green Budget Proposal

➢ Link economic incentive programs to sustainable land use by making compliance with growth criteria a requirement of grant fund eligibility.

Fiscal Implication

$30 million biennially

or other growth-related impacts.[9] Such inadequacies in the evaluative process for allocation of subsidies are a missed opportunity for Virginia's long-term commitment to sustainable development.[10]

Green Budget Proposal

Link economic incentive programs to sustainable land use by making compliance with growth criteria a requirement of grant fund eligibility.

While the specifics of these criteria should be developed through a public process that would obtain input from Virginia local governments, businesses, and citizens, the nonpartisan National Governors' Association's "Principles for Better Land Use" serves as a model.[11] (See Table 1) The criteria should also include a requirement that applicants disclose the anticipated external costs of the project to facilitate a more accurate public return on investment analysis.

Impact on Taxpayers

Building smart growth policies into Virginia's economic incentive programs reduces the direct and indirect costs of unplanned development - costs that are borne by localities and taxpayers. A state subsidy that drives up future public expenditure compounds the wasteful expenditure of taxpayer dollars. If even half of the $30 million in subsidies is misdirected, it can drive millions of dollars of additional outlays. A study comparing the costs and benefits of two different development scenarios for Virginia Beach found that the fiscal impact on the general fund of the smart growth plan was 127 percent less than the sprawl development scenario.[12] (See Table 2) Locating new businesses in redeveloped brownfield locations, downtown districts, and areas with existing infrastructure obviates the need for additional taxpayer investment in otherwise unnecessary roads and public services. Other indirect taxpayer costs that can be avoided include economic decline in city centers, damage to farmland and the rural economy, increased traffic congestion, and erosion of the local tax base and rising property taxes. Moreover, because logistical efficiencies and quality of life are important factors in business site location, preventing uncontrolled development protects Virginia's long-term competitiveness and prosperity.

Impact on the Environment and Communities

Sprawl has many adverse impacts on the environment and Virginia's communities. Low-density development in areas without transit options increases the use of motor vehicles, which results in greater emission of air pollutants that are damaging to public health and the environment. Land consumption and replacement of natural cover with impervious paved surfaces destroys natural habitat, contributes to species loss, and degrades water quality. While economic incentives may bring jobs and development to a new locality, sprawl drains resources from existing communities and leads to declining cities and inner suburbs. Providing smart growth incentives through economic development grant programs is an effective way to combat these trends. By reusing existing sites, mixing land uses and locating development in areas with existing transit infrastructure, development grant funds can be instrumental in preserving habitat and open space, revitalizing urban areas and improving Virginians' traditional, community-based quality of life.

TABLE 2

Comparison of Smart-Growth Versus Sprawl Development for 70,000 Dwelling Units, Virginia Beach, Virginia

	Sprawl Development	Smart Growth	Benefits of Smart Growth
Farm land developed	12,691 acres	7,559 acres	Consumes 45% less land
Annual fiscal impacts on general fund	Negative $19,067,709	Positive $5,121,592	Costs 127% less
Total infrastructure costs	$613,681,094	$338,270,087	Infrastructure costs 45% less
Total vehicle miles traveled per day 5	1,711,124	600,635	Citizens drive 65% less, air pollution cut by 50%

Source: State of Virginia Department of Conservation and Recreation, (prepared by the Center for Watershed Protection), The Economic Benefits of Better Site Design In Virginia, December 2001. (Primary source: Siemon, Larsen, Purdy et al., 1990)

2. ELIMINATE WASTEFUL TRANSPORTATION PROJECTS

Move Virginia Towards a More Balanced Transportation Program

Virginia spends hundreds of millions of dollars on wasteful projects that damage the environment and harm public health. Foremost among these wasteful programs are inefficient highway projects that exacerbate sprawl, fail to reduce congestion, and are damaging to the environment and public health.

Current Policy

Transportation spending in Virginia is largely driven by highway construction and bypass projects. In the Virginia Department of Transportation's (VDOT's) current six-year plan, $1.1 billion out of a total $6.3 billion in capital spending is earmarked for bypass highway construction,[13] and only $246 million out of $3.1 billion of VDOT's current annual operating budget is allocated to mass transit, ports and airports.[14] Because increasing highway capacity and building bypass roads does not necessarily provide long-term relief from congestion, much of the taxpayers' money spent on these roads will be wasted.[15] The *2004 Road to Ruin* report identified more wasteful and destructive highway proposals in Virginia than in any other state.[16] Of the 27 construction proposals named in the report, four (the Route 29 bypass of Charlottesville, I-81, I-73, and the Western Transportation Corridor) are in Virginia.

The focus on finding funding to build highways, rather than looking for demand management approaches, has led to extensive use of the Public Private Transportation Act (PPTA) of 1995 to promote highway expansion.[17] The PPTA allows private entities to enter into agreements with the Virginia Department of Transportation to construct, improve, maintain and operate transportation facilities. There have been a number of construction projects initiated under the PPTA or earlier initiatives that allowed private entities to undertake highway construction projects. These include the Dulles Greenway, the Route 28 expansion in the 1980s and the recent Route 28 interchanges in Northern Virginia, and the Pocahontas Parkway (Route 895) and Route 288 in the Richmond area.[18] Additionally, VDOT is currently considering six PPTA proposals, including the I-81 Truck Lanes, which would require $1.6 billion or more in public funds, and an unsolicited proposal to build a third crossing between South Hampton Roads and the Peninsula, which would require as much as $1.8 billion in public funds.[19] By allowing unsolicited proposals, especially those in outer semi-rural areas, these projects divert transportation dollars away from transit, secondary roads and safety; can contribute to sprawl development; and can be extremely costly to local taxpayers and local governments. For example, to service the debt incurred for the original expansion of Route 28, developer landowners in the district agreed to pay a tax surcharge, but because forecasted revenue did not materialize, a total of $36.2 million was diverted from other Northern Virginia transportation projects to service the debt.[20]

While VDOT is spending over a billion dollars a year on new highway construction, existing roads are falling into disrepair. Despite a law requiring that road maintenance be funded first,[21] as of 2001, nearly two-thirds of Virginia's roadway miles were found to be in less than good condition,[22] and a 2003 report by the Surface Transportation Policy Project ranked Virginia last among states based on the amount Virginia spends on road repair per mile of roadway that is in less than good condition.[23] Even the industry-supported Road Information Project recognizes that the poor condition of Virginia's roadways costs the state's drivers approximately $4.4 billion annually in the form of traffic accidents, additional vehicle operating costs and congestion-related delays.[24] Under new leadership, VDOT has been increasing the percentage of its budget allocated to road maintenance and repair. Even so, the focus still appears to be on road construction as the solution to many of Virginia's transportation problems.

Green Budget Proposals

➢ Implement the "Fix it First" policy embodied in Virginia law by focusing on repairing existing transportation infrastructure and cutting funding for wasteful construction projects.

➢ Reallocate transportation funding to non-highway alternatives such as public transit, freight rail, transit-oriented development, walking and bicycling.

➢ Reform the PPTA to accomplish timely and less costly transportation improvements.

Fiscal Implication

$100-3,400 million

Green Budget Proposals

Implement the "Fix it First" policy embodied in Virginia law by focusing on repairing existing transportation infrastructure and cutting funding for wasteful construction projects.

Reallocate transportation funding to non-highway alternatives such as public transit, freight rail, transit-oriented development, walking and bicycling.

Reform the PPTA to accomplish timely and less costly transportation improvements.

PPTA reform should include:

- Greater public participation including full disclosure of project costs and design and public hearings on project proposals;
- More reliable financial modeling based on realistic estimates of demand for a road at the toll level required to pay off the debt;
- Evaluation of land uses that may require more local government expenditures for services;
- Consideration of the costs to the state of operation and maintenance of the new facility; and
- Incorporation of smart growth principles in the evaluation of project proposals, focusing on relief of the most congested corridors rather than greenfields projects.

Impact on Taxpayers

Virginia could save millions of dollars in the coming decade by withdrawing funding from wasteful highway projects. By rejecting a PPTA proposal to construct dedicated truck lanes on I-81, Virginia could avoid an expenditure of over $100 million of state transportation funds and avoid tying up as much as $800 million of Virginia's federal highway fund allocations.[25] Rejecting the proposed Western Transportation Corridor would save at least $2 billion.[26]

A 2004 Federal Highway Administration study showed that investments in road and bridge repair create 9 percent more jobs per dollar than building new roads or bridges. Public transportation spending creates 19 percent more jobs.[27] Thus investing in the repair of Virginia's transportation system provides secondary economic development benefits.

The prospect of failed PPTA projects could jeopardize Virginia's bond rating and its ability to issue bonds in the future. A 2002 study by Standard & Poor's concluded that toll-road projects are susceptible to systematic forecasting errors such as overestimation of toll-road traffic and revenue projections.[28] A VDOT Advisory Panel noted that private contractors' financial plans for PPTA proposals "leave little room for error in traffic assumptions, revenue collections, or adjustments in project costs."[29] In November 2003, the three major agencies responsible for rating the health and status of issued bonds expressed concern about the Pocahontas Parkway (Route 895), a completed PPTA project, because traffic and toll revenues were lower than projected. Reform of the PPTA legislation can protect Virginia taxpayers from these economic risks.

Impact on Commuters and the Environment

Keeping our roads in good repair is not only an essential element of highway safety, but also helps reduce congestion by maintaining traffic flow and preventing blockage from traffic accidents. As acknowledged in the recent draft VTRANS 2025 Phase III report, construction of highways and bypasses can induce development in rural areas.[30] Moreover, devoting funds primarily to new and enlarged highways destroys farmland, forest and natural habitat, as well as historic resources. The proposed expansion of I-81 would destroy 187 acres of Civil War battlefields for interchanges alone,[31] and the resulting increase in heavy-truck traffic would increase air pollution.

Flexing transportation dollars to non-highway alternatives such as public transit, freight rail, transit-oriented development, walking and bicycling, supports smarter growth. Providing transit options for commuters and shifting freight to rail address the problem of congestion on Virginia's highways can reduce the related adverse air quality impacts. By reducing its dependence on highway construction, VDOT can develop a more balanced transportation plan that is more financially and environmentally sustainable.

3. MAKE SURE VIRGINIA GETS ITS SHARE

Maximize Use of Federal Funding for Pollution Mitigation Projects

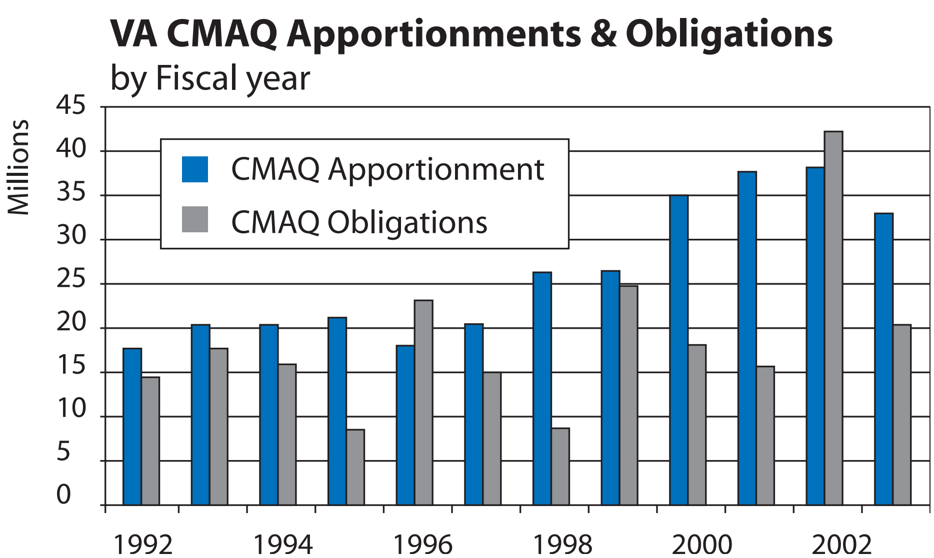
Congestion in Virginia is progressively worsening. People in Northern Virginia who drive during peak periods spend an average of more than two work weeks each year stuck in traffic,[32] and on average, Virginians drive over 212 million miles daily - farther than the distance to the sun and back every day.[33] In addition to costing citizens in lost hours and fuel consumption, and businesses in delivery difficulties and production delays, the resulting emissions are a major contributor to Virginia's air pollution problems.

To address these issues across the nation, the United States Congress created the Congestion Mitigation and Air Quality (CMAQ) program to fund regional and local efforts to achieve compliance with national air quality standards set under the Clean Air Act for areas in non-attainment of federal standards for air quality.[34] But Virginia has missed opportunities to access these federal funds.

Current Policy

To the detriment of areas like Northern Virginia, where the level of ozone pollution is classified by the EPA as "severe,"[35] Virginia has failed to take full advantage of federal funding provided through the CMAQ program. Over the 12 fiscal years that the program has been in place, the federal government has allocated $313 million in CMAQ funds to Virginia, but the state has only obligated $224 million, placing it near the bottom of all states in its use of available CMAQ funds and leaving nearly $90 million on the table.[36] (See Figure 1) Unobligated CMAQ funds lapse after four years. However, for fiscal year 2004, Virginia has over $80 million to spend on congestion mitigation and air quality improvement in air quality nonattainment areas.[37] Virginia cannot access this funding source unless it obligates the apportionment to specific CMAQ eligible projects.

FIGURE 1.



Source: Surface Transportation Policy Project, The Congestion Mitigation and Air Quality Improvement Program (CMAQ): Untapped Resources for Metro's Capital Program Needs.

Green Budget Proposal

➢ **Give CMAQ eligible projects funding priority and adjust Virginia's CMAQ obligation commitments upward in order to leverage the federal funds available to supplement Virginia's transportation budget.**

Fiscal Implication

$80 million

Green Budget Proposal

Give CMAQ eligible projects funding priority and adjust Virginia's CMAQ obligation commitments upward in order to leverage the federal funds available to supplement Virginia's transportation budget.

Impact on Taxpayers

The Federal share for most CMAQ-eligible projects is 80 or 90 percent. Under certain conditions, the Federal share can even be higher and certain activities, including traffic control signalization, commuter carpooling and vanpooling, and signalization projects to provide priority for transit vehicles, may be funded at 100 percent Federal share.[38] Making use of the CMAQ funds allows the Department of Transportation to stretch taxpayer dollars for the cost-effective establishment of new or expanded transportation projects and programs to help reduce emissions. Employing the federal funds to which Virginia is entitled for CMAQ eligible projects targets transportation dollars to the most congested metropolitan areas, creates transportation options, and improves transportation efficiency, thus avoiding lost work hours due to congestion, and the negative health impacts of increased air pollution. Maximizing the use of federal CMAQ funding produces a net economic benefit for Virginia.

Impact on the Environment

The increase in congestion and vehicle miles traveled by Virginians has led to increased vehicle emissions, which contribute to global warming and seriously threaten Virginia's ecosystems. Poor air quality also causes public health concerns, such as increased asthma rates and ozone and smog alerts. Nationwide, CMAQ projects have made significant improvements in air quality. The Federal Highway Administration reports that in 2000, CMAQ projects nationwide reduced VOC emissions by a maximum of 33,303 kg/day; reduced CO emissions by a maximum of 21,100 kg/day; reduced NOx emissions by a maximum of 27,240 kg/day; and reduced PM-10 emissions by a maximum of 3,513 kg/day.[39] Using CMAQ funds to make Virginia's highways more efficient, reduce traffic demand, and increase transit service, helps Virginia bring nonattainment areas into compliance with the minimum air quality standards of the Clean Air Act.

4. MANAGE STATIONARY SOURCE AIR POLLUTION

Dedicate Funds For Air Quality Improvement

Air pollution from power plants puts at risk the lives and health of millions of Virginians, harms water quality, impairs animal and plant life across the Commonwealth, adversely affects agriculture, and degrades the state's vistas, which diminishes tourism. Virginia's taxpayers are bearing many of the resulting expenses.

Current Policy

The State Air Pollution Control Board promulgates regulations to control and reduce air pollution across the Commonwealth of Virginia. These regulations, which are administered by the Department of Environmental Quality (DEQ), cover stationary sources, such as industrial facilities and other fixed emission sources, mobile sources, such as vehicle emissions, and regulations to ensure that certain projects conform to federal requirements.[40] However, more than 2.6 million Virginians live in areas where the air is unhealthful to breathe because of ozone pollution,[41] and 43 localities in Virginia are designated by the U.S. Environmental Protection Agency (EPA) as having air quality that fails to attain the minimum ambient air quality standards required by the Clean Air Act.[42]

In June 2004, the DEQ conducted a one-time auction of new source nitrogen dioxide (NOx) allocations for the 2004 and 2005 ozone seasons. The auction generated $11.6 million in proceeds. However, these proceeds were used to supplement the general fund rather than invested in monitoring and mitigation of the pollution generated by purchasers of pollution allocations. In response to this sale of new source allocations, the General Assembly passed Chapter 334 of the Acts of Assembly of 2004, which mandates the Air Pollution Control Board to promulgate regulations to provide for emissions trading programs, but prohibits the future sale of new source set-asides.[43]

Green Budget Proposal

Amend the 2004-2006 budget to earmark the revenues generated by the auction of NOx allocations for air quality monitoring and improvements in the Commonwealth.

Remove the prohibition against the sale of emission allocations in Chapter 334 of the Acts of Assembly of 2004.

Impact on Taxpayers

The economic costs of air pollution in Virginia are significant. In 2000, Abt Associates, the consulting firm used by the U.S. EPA, released a report concluding that ozone smog and poor visibility caused primarily by air pollution from coal-fired power plants costs Virginia taxpayers, small businesses and farmers in excess of $138 million excluding health-related costs.[44] The hospital costs for primary diagnosis of lung-related illnesses in Virginia in 2002 were $707.4 million.[45]

Reinvesting the funds generated by the sale of pollution allocations in improved air quality ensures that the rate of pollution is directly linked to the resources dedicated to ameliorating the impact of that pollution on Virginia's economy and environment.

Impact on the Environment, the Economy, and Public Health

Air pollution affects human health, the environment and the economy. Microscopic particles of pollution, mostly produced in Virginia by power plants, penetrate deep into the lungs, where they cause lung damage, make breathing more difficult, and can lead to early death. Exposure to fine particulate pollution from the power plant sector shortens the lives of 1,000 people in Virginia annually. Additionally, fine particulate pollution is responsible for more than 1,400 heart attacks and 23,000 asthma attacks in the Commonwealth every year. Virginians miss 246,000 days of work every year due to pollution-related illness. Improving air quality will dramatically reduce the human and economic costs associated with air pollution.

Reducing air pollution will also have a positive effect on tourism and the environment. Shenandoah National Park attracts 1.4 million visitors annually, and more than $2 billion is spent every year on wildlife-associated recreation in Virginia. However, reduced visibility in Virginia's mountains ranks Shenandoah as the third most polluted national park in the country and results in decreased and shortened visits. Reducing air pollution and enhancing visibility by 25 percent would generate a 10-25 percent increase in visitation to the Park and would result in an additional $13-32 million in income to local businesses and 300-700 new jobs.[48]

In addition to its detrimental effects on tourism, ozone smog causes reduced crop yields and a weakening of the ability of plants to withstand pests and disease. In 2000, ozone pollution is estimated to have cost Virginia farmers between $12 million and $19 million due to reduced yields of corn, soybeans, wheat, barley, peanuts, and cotton.[49]

Stricter emissions controls could stem the negative economic impact of air pollution and smog on public health, tourism, agriculture, and recreational and commercial fishing. The enhanced standards would have a far-reaching positive influence on Virginia's economy. Moreover, removing the prohibition on the sale of air pollution allocations arms the Air Pollution Control Board with an effective tool in providing economic incentives for industry to reduce air emissions.

Green Budget Proposal

- **Amend the 2004-2006 budget to earmark the revenues generated by the auction of NOx allocations for air quality monitoring and improvements in the Commonwealth.**
- **Remove the prohibition against the sale of emission allocations in Chapter 334 of the Acts of Assembly of 2004.**

Fiscal Implication

$11.6 million

5. PAY TO THROW AWAY

Waste Tipping Fees

Material that is discarded by industry, business establishments, and individuals and is not reused or recycled is deposited in landfills or burned in incinerators. Landfills and waste incinerators pose a threat to public health and the environment because chemicals and microbes that are released or generated as the waste is burned or decomposed can contaminate the air, water or soil. The low cost of waste disposal in Virginia encourages the poor use of natural resources, exacerbates problems of limited landfill capacity, and burdens taxpayers with cleanup costs.

Current Policy

Virginia is the second largest importer of solid waste in the country, behind Pennsylvania. In 2003, Virginia landfills and incinerators disposed of 6.6 million tons of out of state waste.[50] But this "leadership" comes at a cost. Each year the Commonwealth of Virginia incurs significant costs directly in the form of remediation of leaking and abandoned waste sites, and indirectly in the form of secondary health impacts from exposure to contaminated groundwater and emission of toxic chemicals, such as dioxin into the air. A January 1996 report commissioned by the General Assembly estimated the clean up costs for abandoned waste sites in the Commonwealth at between $277 million and $670 million.[51] This study did not include 56 sites of unknown risk and the estimated costs do not take into account the clean-up costs for presently operating or future facilities. Of approximately 990 permitted landfills, there are at least 93 permitted landfills with groundwater contamination on site.[52]

Staffing and administrative resource restrictions limit the timely assessment of landfills by DEQ staff and, although the current permit program requires the permit holder to assure that finances are available to close, maintain, and monitor the permitted landfills and to implement corrective action measures, back-up funds are not available if the permit holders do not comply.

Unlike many other states, Virginia does not levy a disposal fee based on the amount of waste accepted for disposal.[53] The state does assess waste permit fees and annual facility fees, but these are projected to cover only 39 percent of the direct costs of administering the permitting program in the 2004-2006 biennium and do not cover any secondary costs, such as inspection, enforcement, or remediation. Nor does Virginia have any dedicated sources of revenue for abandoned sites, for support of recycling, or for other waste management needs. For the 2004-2006 biennium, nearly $7 million of taxpayer money has been appropriated for Waste Disposal Site Remediation.[54] Thus, Virginia taxpayers are subsidizing the solid waste industry and subsidizing out-of-state waste generators, including the local taxpayers in other states whose waste is cheaply sent for disposal in Virginia.

Green Budget Proposal

Establish a disposal fee levied by landfill and incinerator owners per ton of waste deposited in landfills or incinerated.

The fee should support local and state waste reduction and recycling programs, as well as a special revenue fund earmarked for waste management programs, including enforcement and landfill cleanup and closure. Part of this fee should cover some of the costs of developing a comprehensive Virginia waste management plan for at least a 20-year horizon. This plan should include an evaluation of the Commonwealth's solid waste policies, set state-level goals and create incentives for waste reduction and recycling, and create a schedule for remediation of facilities such as abandoned landfills. Better waste management leads to fewer costs for Virginia taxpayers today and tomorrow.

Pennsylvania, the largest waste importer in the country, has levied successive fees and now charges a total of $7.25 per ton of waste. It uses the revenues for a local government recycling fund and for payments to host municipalities, both of which help offset the local effects of the fee. After meeting these needs, the fee also supports the Growing Greener program, a statewide environmental fund devoted to a variety of purposes including waste management and drinking water improvements, farmland preservation, state park and local recreation projects, and watershed restoration programs.[55] By not charging a tipping fee we are selling Virginia cheap.

Impact on Taxpayers

In 2003, Virginia landfills and incinerators accepted 18.75 million tons of waste for disposal.[56] At this rate, a fee of $3 per ton applied to the waste would generate $56 million to fund solid waste management, remediation, and recycling and waste reduction activities, and could be used to replace the taxpayer expenditures currently subsidizing the waste management industry.

Impact on the Environment and Public Health

Landfills and incinerators pose risks to human health due to chemicals leaching into the soil and groundwater being emitted into the air. In addition to environmental contamination, poor waste management presents problems of misuse of natural resources and encroachment into green space. Organic materials and recyclable objects deposited in landfills waste precious natural resources and quickly fill up limited disposal spaces.

Recycling and waste reduction practices are essential for the reduction of problems associated with solid waste disposal. Increased tipping fees can provide a significant source of income to reduce the impact of these problems, as well as an incentive to generate less waste.

Green Budget Proposal

- **Establish a disposal fee levied by landfill and incinerator owners per ton of waste deposited in landfills or incinerated.**

Fiscal Implication

$56 million annually

6. ENSURE THAT USERS PAY

End Hidden Subsidies for Permitted Activity

Green Budget Proposal

➢ Set fees to fully cover the direct costs of administering the waste and water permit programs.

Fiscal Implication

$8.4 million annually

Industries that pollute the air, water and land benefit from subsidies hidden in the way regulatory programs are structured and operated. Polluting industries benefit when Virginia taxpayers finance permitting, monitoring, regulation, and mitigation of their activities.

Current Policy

The Department of Environmental Quality administers Virginia's waste and water permitting systems. The projected direct program costs of the waste and water permitting programs for fiscal year 2005 total $15.4 million.[57] These costs are primarily borne by Virginia's taxpayers. Although in 2004 the General Assembly raised waste and water permit fees, revenues from these fees still cover only 39 percent and 35 percent of the direct cost of administering the waste and water permit programs respectively. Thus, a disproportionate amount of DEQ's budget subsidizes the water and waste permit programs.

Discharge of pollutants or wastewater into Virginia's waters requires payment of a permit fee ranging from $2,000 for a minor municipal facility to $24,000 for a major industrial facility. Annual fees range from $1,080 for a minor municipal facility ($400 if it discharges less than 1,000 gallons per day) to $4,800 for a major industrial facility. For wetland development a permit fee is assessed at $2,400 for up to two acres of impact, plus an additional $220 for every one-tenth of an acre of impact over two acres, up to a maximum fee of $60,000. Still, taxpayers are subsidizing these enterprises.

Similarly, landfills, incinerators and other solid waste disposal facilities are required to obtain a permit from the DEQ and pay a permit fee set by regulation according to type of facility. For example, the permit fee for a landfill is $22,860; the permit fee for an incineration facility is $5,880; and the permit fee for a transfer station is $4,310. While some types of facilities are charged a flat rate annual fee (ranging from $500 for composting facilities to $8,000 for noncaptive industrial landfills), sanitary landfills and incinerators are assessed an annual fee ranging from 6 to 10 cents per ton.

Green Budget Proposal

Set fees to fully cover the direct costs of administering the waste and water permit programs.

Impact on Taxpayers

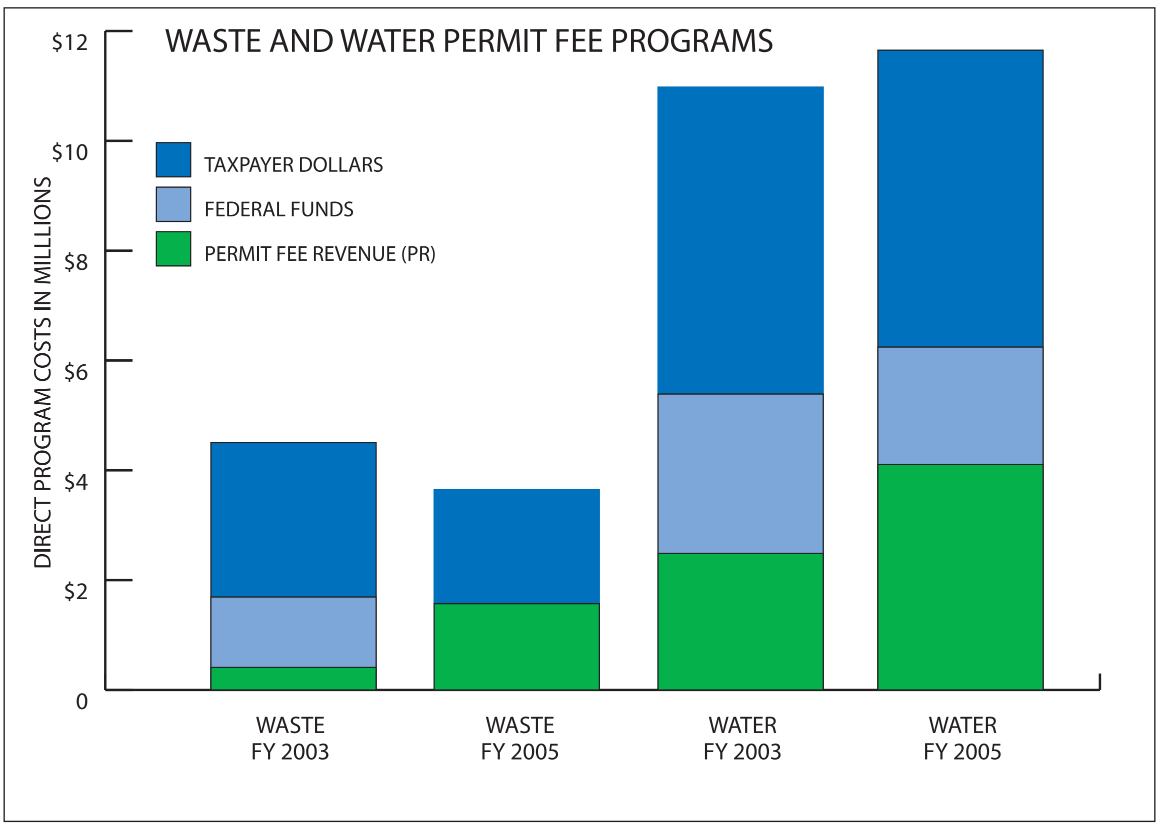
Currently, waste and water permit fees do not cover the direct program costs of issuing permits and conducting inspections, much less the costs of managing the impacts of solid waste disposal and point source water pollution or water quality program development. (See Figure 2) In addition to the direct costs of administering the permit programs, for fiscal year 2005 the DEQ has budgeted $6.1 million for inspection, enforcement and remediation of solid waste facilities, and $20 million for water management, inspection, enforcement, research and planning, and compliance assistance.[58] Moreover, during the last 10 years the number of facilities requiring permits and oversights increased significantly, but during that same period staffing and funding decreased.[59] Failure to cover direct costs via fees means that Virginia taxpayers are paying for the economic burden of these programs.

Increasing permit fees to cover the direct costs of administering the permit programs would make additional general fund revenues of $8.3 million available to begin to address work backlogs at the DEQ, to increase resources for managing the negative impacts of solid waste and water pollution on public health and the environment, or to return funds to Virginia's taxpayers. Raising permit fees would shift more of the burden of protecting water quality onto the industries that benefit from being allowed to dispose of their waste into Virginia's waterways. By tying the level of the permit fee to the level of pollution produced, the fee structure could serve as an economic incentive to reduce emissions and thus substantially reduce the cost of the permits to the industry.

Impact on the Environment

Solid waste disposal facilities and point source dischargers in Virginia's waterways release pollutants that cause diseases like cancer, disrupt ecosystems, kill aquatic organisms, and make water unsafe for fishing and swimming. Inadequate permit fees subsidize this environmental damage. Not only would increasing permit fees to cover direct program costs eliminate taxpayer subsidies for pollution, it would reduce incentives to damage precious natural resources and harm human health.

FIGURE 2.



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