



Petroleum Inspection Fee Revenue Obligations Program Fiscal Year 2015-16

Background

The State of Wisconsin Petroleum Inspection Fee Revenue Obligations Program (the program) was established in January 2000 to provide financing to pay claims under the State of Wisconsin Petroleum Environmental Cleanup Fund Award (PECFA) program. The program is administered jointly by the Department of Natural Resources (DNR) and the Department of Administration (DOA).

As of June 30, 2016, a total of \$112.6 million in revenue obligations remained outstanding, including [\\$41.4 million in revenue bonds](#) and [\\$71.2 million in commercial paper](#). In October 2016, the State issued refunding revenue bonds to fund the outstanding commercial paper. The revenue obligations are not general obligations of the State of Wisconsin. Instead, they are payable from, and primarily secured by, a [\\$0.02 per gallon fee charged to suppliers of petroleum products](#) received for sale in Wisconsin.

2015 Wisconsin Act 55, the 2015-17 Biennial Budget Act, [sunsets the PECFA program](#). As of July 20, 2015, no new sites may be accepted into the program, but debt will remain outstanding until fully repaid. It is expected that the debt will be fully repaid in fiscal year (FY) 2019-20.

At the request of DNR and DOA, we conducted a financial audit by auditing the program's financial statement in accordance with applicable government auditing standards, issuing our auditor's opinion, and reviewing internal controls.

Audit Results

We [provided an unmodified opinion](#) on the program's financial statement for the fiscal years ended June 30, 2016, and June 30, 2015. We provide an unmodified opinion when audit evidence supports the conclusion that the financial statement provides a fair view of an entity's financial activity. Our audit report also includes the [Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters](#).

Key Findings

We found that [fees charged to petroleum suppliers](#) totaled \$74.6 million in FY 2015-16. Of this amount, \$28.7 million was retained by the program to pay principal and interest on outstanding revenue obligations. The [remaining fees of \\$45.9 million](#) were deposited in the Petroleum Inspection Fund. Of this amount, \$5.2 million was used to pay PECFA claims; \$29.0 million was transferred to other funds, including \$27.3 million to the Transportation Fund as required by 2015 Wisconsin Act 55; and \$11.7 million was used for other purposes. Transfers from the Petroleum Inspection Fund to other funds have occurred in each of the past twelve fiscal years.