



## **Petroleum Inspection Fee Revenue Obligations Program Fiscal Year 2016-17**

### **Background**

The State of Wisconsin Petroleum Inspection Fee Revenue Obligations Program is administered jointly by the Department of Natural Resources (DNR) and the Department of Administration (DOA). 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.

As of June 30, 2017, a total of \$76.1 million in revenue bonds remained outstanding, including \$62.4 million of refunding revenue bonds the State issued in October 2016 to fund outstanding commercial paper. It is expected that the outstanding revenue bonds will be repaid in fiscal year (FY) 2019-20. 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, sunset the PECFA program. As of July 20, 2015, no new sites may be accepted into the PECFA program. All claims for reimbursement of cleanup costs must be submitted before July 1, 2020.

At the request of DNR and DOA, we conducted a financial audit of the Petroleum Inspection Fee Revenue Obligations Program 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, 2017, and June 30, 2016. 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 \$76.6 million in FY 2016-17. Of this amount, \$31.2 million was retained by the program to pay principal and interest on outstanding revenue obligations. Revenue from the remaining fees of \$45.4 million was 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 \$11.2 million was used for other purposes.