



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #145

Buy Local, Buy Wisconsin Grants (Agriculture, Trade and Consumer Protection)

[LFB 2009-11 Budget Summary: Page 93, #14]

CURRENT LAW

DATCP awards grants under the Buy Local, Buy Wisconsin program for projects to increase sales of products grown or produced in Wisconsin that will be purchased in close proximity to where they are produced. The statutes specify that grants may be awarded for: (a) the creation or promotion of regional food and cultural tourism trails; and (b) the development of regional food supply systems. DATCP had authority to award \$225,000 GPR for grants in 2007-09, with funding provided in 2007-08 in a biennial appropriation. Additionally, DATCP has 1.0 position and \$229,100 GPR authorized for administration of the grant program.

GOVERNOR

Provide \$211,400 GPR each year for the Buy Local, Buy Wisconsin grant program.

DISCUSSION POINTS

1. The administration intends for this provision to restore grant funding to the Buy Local program. The program has no base funding, as 2007 Act 20 provided \$225,000 GPR in 2007-08 only. DATCP believes this was a technical error, and that the program was intended to have funding provided in 2008-09 to establish a base for the 2009-11 biennium. However, the Legislature provided \$225,000 GPR in 2007-08 for Buy Local grants and deleted the same amount from the Wisconsin Development Fund on a one-time basis. It could be argued that the decision of whether to fund the program on an ongoing basis, and the source and amount of such funding, was left to future legislation.

2. Act 20 also provided ongoing funding of \$229,100 GPR, which in 2008-09 consists of \$64,100 GPR with 1.0 position for program administration and \$165,000 GPR for training, marketing, data tracking and information technology related to Buy Local initiatives. The budget provisions were similar to those contained in 2007 Senate Bill 89, which proposed a Buy Local, Buy Wisconsin program, except that bill would have provided grant funding of \$225,000 GPR in both 2007-08 and 2008-09.

3. DATCP administrative rules limit grant awards to \$50,000 per recipient. In addition, recipients must contribute at least 33% of the grant award (25% of eligible project costs) in cash or in-kind match. DATCP may not make more than one grant to any person each biennium. Payments are made on a reimbursement basis, and the following expenses are eligible for reimbursement if they are reasonable and necessary for the project: (a) direct operating expenses, including salaries and wages, contract or consulting services, travel, supplies and public information; (b) rental of real estate and equipment during the term of the contract; (c) purchase of non-durable equipment; and (d) costs of capital equipment depreciation incurred during the term of a grant contract. Grant contracts generally last up to two years, unless the Department grants a request for a third year.

4. The program provides support for initiatives around the state that seek to increase awareness and purchases of Wisconsin goods that are produced in close proximity to consumers and commercial buyers. Proponents contend this approach fits with a national trend of consumers becoming more discerning in food and other purchases. Specifically, supporters contend that for economic, social and environmental reasons, consumers and commercial buyers are giving greater preference to goods produced in their state or region. Supporters argue the state and its agricultural producers could benefit from greater statewide and regional awareness and consumption of Wisconsin-made products.

5. The Buy Local program experienced significant program demand with the first grants announced in July, 2008. DATCP reports 94 applicants requested \$3.4 million in funding, for an average of approximately \$36,200 per applicant. DATCP ultimately awarded seven grants. These recipients are listed in the attachment, with a description of the activities each organization is pursuing with grant funding. The administration points to the substantial demand for the grants as warranting continuation of the program in the next biennium.

6. Proponents of the Buy Local program point to economic benefits to the state and to areas in which grant recipients are located. For example, the seven Buy Local grant recipients reported to DATCP a total of approximately \$584,000 in new sales between July 1 and December 31, 2008. DATCP reports that these increases were attributable to sales to hospitals, institutions and food tourists. Such sales increases may encourage further investments and growth in local food growers, processors and distributors.

7. If the Committee wished to provide funding for the program and to establish a base for the 2011-13 biennium, it could adopt the grant funding as proposed by the Governor (Alternative 1). However, establishing a base for the 2011-13 biennium that does not exceed funding levels provided in the 2007-09 biennium could also be considered. Providing \$112,500

GPR annually for grants (Alternative 2) would provide the same level of grant funding for the 2009-11 biennium as in the 2007-09 biennium.

8. AB 75 would annually provide \$211,400 GPR for the program in 2009-11. This is \$13,600 less than the \$225,000 that was provided in 2007-08. If the Committee wanted to maintain the program at the \$225,000 level for each year of the biennium, an additional \$27,200 GPR would be needed. This is reflected in Alternative 3.

9. Given the current estimated condition of the general fund, using alternative funding sources may be appropriate. For example, the agrichemical management (ACM) fund or the agrichemical cleanup program (ACCP) fund could be considered. The administration has proposed annual transfers from each fund in 2009-11, in part, to offset tax credits enacted in 2009 Act 2 for dairy cooperative manufacturing facilities and meat processing facilities. (The estimated conditions of the ACM and ACCP funds are addressed in a separate paper.) One could argue that a transfer to the Buy Local program would serve a similar economic development purpose and benefit the general fund balance. One may also argue such a transfer is warranted, given the demand for Buy Local grants.

10. The Committee could consider a one-time transfer to the general fund equal to the amount appropriated in 2009-11 for the Buy Local program (Alternative 4). The Committee could also consider converting the appropriation for Buy Local grants from GPR to either the ACM or ACCP fund (Alternative 5). This would permanently transfer GPR obligations for Buy Local grants to either the ACM or ACCP funds.

11. Transferring an amount to the general fund in 2009-11 equal to the Buy Local grant authority would be a one-time GPR offset. It could also be argued that there is not a direct link between the intent of the Buy Local program, which is the development of local food supply systems, and the purposes of the ACM and ACCP funds, which primarily support DATCP management, regulation, and cleanup grants for agricultural and other chemicals. The revenue sources for these funds include fees assessed to producers, distributors and carriers of fertilizers, pesticides and other agricultural chemicals.

12. Under current administrative rule a match of at least 33% of the grant award is required. This would total \$16,500 for a maximum \$50,000 state grant, or approximately 25% of eligible project costs of \$66,500. The rule specifies matching contributions may consist of the reasonable value of the direct contribution of capital, land, labor, equipment or cash. While match requirements vary considerably, many programs require an equal (dollar-for-dollar) match or 50% of the grant amount, which equals one-third of eligible project costs. An equal match helps ensure the recipient has a substantial financial stake in the project, which may help ensure costs are contained. It also allows limited state resources to reach more projects and thereby produce greater program impact by increasing the distribution of local products. On the other hand, some may argue requiring a grant recipient to provide an equal matching amount could dissuade some applicants or place an undue burden on some producers. Alternative 6. a. would limit state grants to not more than 50% of eligible projects costs, while Alternative 6. b. would limit state grants to two-thirds of

eligible project costs.

13. If the Committee were to provide no funding for the grant program, the AB 75 amounts would be reduced by \$211,400 GPR annually (Alternative 7).

14. Some would contend market forces and consumer preferences may be sufficient to continue increasing markets for locally produced goods. If the Committee supports this position, the grant program and associated administrative funding could be repealed. This would result in an additional \$458,200 GPR reduction for 2009-11 (Alternative 8).

ALTERNATIVES

1. Adopt the Governor's recommendation to provide \$211,400 GPR annually for Buy Local, Buy Wisconsin grants.

2. Provide \$112,500 GPR annually for Buy Local, Buy Wisconsin grants.

ALT 2	Change to Bill
	Funding
GPR	- \$197,800

3. Provide \$225,000 GPR annually for Buy Local, Buy Wisconsin grants.

ALT 3	Change to Bill
	Funding
GPR	\$27,200

4. In addition to the amount provided under Alternative 1, 2, or 3, specify a one-time transfer to the general fund, equal to the GPR appropriations in 2009-11, from:

- a. The ACM fund;
- b. The ACCP fund; or
- c. One-half from each fund.

ALT 4	Convert ALT 1	Convert ALT 2	Convert ALT 3
	Revenue	Revenue	Revenue
SEG	- \$422,800	- \$225,000	- \$450,000
GPR	<u>422,800</u>	<u>225,000</u>	<u>450,000</u>
Total	\$0	\$0	\$0

5. In addition to the amount provided under Alternative 1, 2, or 3, convert the Buy Local, Buy Wisconsin grant appropriation to be funded by:

- a. The ACM fund; or
- b. The ACCP fund.

ALT 5	Convert ALT 1	Convert ALT 2	Convert ALT 3
	Funding	Funding	Funding
SEG	\$422,800	\$225,000	\$450,000
GPR	- 422,800	- 422,800	- 422,800
Total	\$0	- \$197,800	\$27,200

- 6. Limit state grant awards to one of the following amounts:
 - a. Up to 50% of eligible project costs (a dollar-for-dollar recipient match).
 - b. Up to two-thirds of eligible project costs (a 50% match to the state grant).

7. Delete provision. (This would delete the funding recommended by the Governor, but retain the program’s authorization in the statutes and retain administrative and marketing funding and personnel in DATCP.)

ALT 7	Change to Bill
	Funding
GPR	- \$422,800

8. Repeal the program, delete funding recommended by the Governor, and delete base funding of \$229,100 GPR annually and 1.0 position associated with administration of the Buy Local, Buy Wisconsin program.

ALT 8	Change to Bill	
	Funding	Positions
GPR	- \$881,000	- 1.00

Prepared by: Paul Ferguson
Attachment

ATTACHMENT

<u>Recipient</u>	<u>Description</u>	<u>Grant Amount</u>
River Country Resource Conservation and Development Council, Inc. (Altoona)	Developing the Chippewa Valley Buy Local Consortium, which includes farms and institutions from 11 Northwestern Wisconsin counties, to sell and purchase food locally.	\$41,660
Research, Education, Action and Policy on Food, Inc. (Madison)	Supporting the Buy Fresh, Buy Local Southern Wisconsin program to help restaurant and food service operations in Southern Wisconsin increase local food purchases from area producers.	\$43,580
Badgerland Produce Co-op Auction (Montello)	Expanding operational and infrastructural capacity to expand sales of locally grown fruits and vegetables through a partnership with the Institutional Food Market Coalition (IFM), a project of the Dane County Planning and Development Department.	\$46,540
Wisconsin Apple Growers Association Inc. (Waterloo)	Creating the Autumn Harvest Trail from the Kenosha/Racine/Milwaukee area to Madison. The trail will include stops at farms, orchards, festivals, farmers markets and restaurants to increase local food sales and educate travelers on Wisconsin agricultural products.	\$12,155
Braise on the Go Culinary School LLC (Milwaukee)	Creating the Milwaukee Area Restaurant-Supported Agriculture (RSA) project to provide means for local farmers to distribute products to Southeastern Wisconsin restaurants.	\$25,502
Pri-Ru-Ta Resource Conservation & Development Council, Inc. (Medford)	Developing a cooperative for the Wisconsin Grass-Fed Beef Producers to market, process and distribute locally produced grass-fed beef.	\$28,980
Northwest Wisconsin Regional Food Network (Rice Lake)	Supporting the Nourishing Northern Wisconsin project to develop a cooperative business model to aggregate, market, and distribute local foods, as well as provide education and outreach to consumers.	\$26,583
	Total	\$225,000