



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #593

Repeal Demonstration and Business Recycling Grant Programs (DNR -- Air, Waste, and Contaminated Land)

[LFB 2009-11 Budget Summary: Page 486, #5]

CURRENT LAW

DNR administers two waste reduction and recycling grant programs from the same appropriation with a total of \$1,500,000 annually from the segregated recycling and renewable energy fund. The programs include: (a) waste reduction and recycling demonstration grants to public and private entities for innovative projects that reduce the amount of waste generated or disposed of; and (b) contracts with nonprofit organizations to provide businesses with waste reduction and recycling assistance. DNR may determine how much of the appropriation to allocate to each program.

GOVERNOR

Delete \$1,500,000 SEG annually from the recycling and renewable energy fund, and repeal the waste reduction and recycling demonstration grant program and business waste reduction and recycling assistance grant program.

DISCUSSION POINTS

1. Under 2005 Act 25, use of the appropriation was expanded to include contracts with a nonprofit organization for services to assist businesses to reduce the amount of solid waste generated or to reuse or recycle solid waste. Under 2007 Act 20, the appropriation amount was increased from \$500,000 to \$1,500,000 annually, beginning in 2007-08, with the intent of allocating the \$1,000,000 increase for business waste reduction and recycling assistance. DNR may not provide more than \$250,000 annually to any nonprofit organization.

2. DNR awarded a cumulative total of almost \$13.3 million for 192 waste reduction and recycling demonstration grants, including five grants totaling \$500,000 in 2007-08. The largest categories of grant projects have related to plastic, construction and demolition materials, industrial waste, and paper. DNR received 16 applications totaling \$1,559,300 in August, 2008, for 2008-09 demonstration grants. DNR decided not to award any grants in 2008-09, and to instead transfer \$1.3 million to the general fund.

3. DNR entered into six business waste reduction and recycling assistance contracts for \$780,274. The biggest contract, for \$295,600, was for a nonprofit organization to work with the Department of Administration Division of State Facilities to train state staff and building construction contractors on how to integrate recycling and reuse of construction and demolition debris into state facility projects. DNR also entered into a contract for \$272,174 to perform reviews of materials going to landfills to identify opportunities for additional recycling of waste materials. Other projects are developing resources for businesses to use to increase their recycling, options to divert food waste from the waste stream, and methods to recycle construction and demolition debris. In 2008-09, DNR was in the process of developing a request for proposals (RFPs) for contracts with nonprofit organizations when the Department made a decision to instead transfer funds to the general fund. DNR officials indicate some of the business sectors or materials that might have been potential targets for RFPs are restaurants, hotels, tourism businesses, convenience stores, agricultural plastics, and food waste.

4. The Department transferred \$602,800 from the appropriation in 2007-08, and plans to transfer \$1,311,400 to the general fund in 2008-09 as part of the deficit reduction requirements of 2007 Acts 20 and 226. Thus, \$1,914,200 of the \$3,000,000 appropriated for the programs during the 2007-09 biennium is being transferred to the general fund.

5. The administration has indicated the programs are proposed for repeal because, during the current time of large fiscal pressures faced by the state, it is refocusing on essential programs and looking for opportunities to address the general fund shortfall. The administration has also indicated it intends to transfer the \$3,000,000 that would have been spent on the programs during the 2009-11 biennium (\$1,500,000 in each year) from the balance of the recycling and renewable energy fund to the general fund to help decrease the general fund deficit.

6. Some may argue that the demonstration grant component of the program should be retained because it rewards innovation, has helped start up businesses, tests or pilots waste reduction activities that could help businesses or local governments save money, and provide a tangible example of recycling revenues helping entities recycle. Others may argue that demonstration grants should be eliminated because, during difficult state budget conditions, it is more important to use available revenues to maintain essential programs.

7. Some suggest that the business assistance component of the program should be retained because it fills a need identified by local governments and businesses and had begun to demonstrate potential for recycling assistance when state budget problems prompted a reduction in contracts. Others may argue that business recycling assistance contracts could be eliminated as

potential cost savings and market demand may spur businesses to continue recycling efforts.

8. The Committee could choose to maintain authorization for one or both of the programs (Alternatives 2a, 2b, or 2c). A broad range of funding could be provided. For example, \$250,000 annual funding would allow DNR to target a few projects (Alternative 3a), or funding could be provided in the amount of \$500,000 (Alternative 3b), the level available through 2006-07.

9. Another option would be to maintain statutory authorization for one or both of the programs, but provide no funding during the 2009-11 biennium. This would allow review of the program during 2011-13 biennial budget deliberations (Alternative 2).

10. Under any of the alternatives that would maintain some level of funding for the program during the biennium (Alternatives 3 or 4), the bill would provide the Governor with authority to transfer funds from the appropriated amount to the general fund as part of allocation of SEG and PR lapses to benefit the general fund balance. Therefore, it is uncertain whether any grants would be awarded in 2009-11.

ALTERNATIVES

1. Approve the Governor's recommendation to delete \$1,500,000 SEG annually from the recycling and renewable energy fund, and repeal the waste reduction and recycling demonstration grant program and business waste reduction and recycling assistance grant program.

2. Approve one of the following program authorizations:

a. Maintain statutory authorization for the waste reduction and recycling demonstration grant program.

b. Maintain statutory authorization for the business waste reduction and recycling assistance grant program.

c. Maintain statutory authorization for both programs.

3. In addition to Alternative 2, approve one of the following funding levels for the program:

a. \$250,000 annually

ALT 3a	Change to Bill Funding
SEG	\$500,000

b. \$500,000 annually

ALT 3b	Change to Bill Funding
SEG	\$1,000,000

c. \$1,000,000 annually

ALT 3c	Change to Bill Funding
SEG	\$2,000,000

4. Delete provision (both programs would be restored at the base funding level).

ALT 4	Change to Bill Funding
SEG	\$3,000,000

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