



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #571

Recycling Demonstration Grants (DNR -- Air, Waste, and Contaminated Land)

[LFB 2005-07 Budget Summary: Page 384, #12]

CURRENT LAW

DNR administers the waste reduction and recycling demonstration grant program that provides cost-share grants to municipalities, public entities, businesses and nonprofit organizations for projects which implement innovative waste reduction and recycling activities. A grant may not exceed 50% of the project's actual eligible costs, or 75% of the actual eligible costs of a community-wide waste reduction project, or \$150,000, whichever is less. DNR may not award grants to any applicant under the current program that cumulatively total more than \$250,000. DNR is required to consider the following criteria when deciding eligibility and determining the amount of the grant: (a) the weight or volume of solid waste to be diverted from disposal; (b) the types of waste reduction and recycling activities to be implemented; (c) existing waste reduction and recycling activities; (d) existing and anticipated solid waste management needs; (e) the value of implementation of the waste reduction or recycling activities as a demonstration project; and (f) the implementation of innovative technologies.

In 2004-05, the demonstration grant program is appropriated \$500,000 SEG in a continuing appropriation from the segregated recycling fund. In addition, there was a July 1, 2004, unencumbered balance of \$1,256,600 carried forward from prior years.

GOVERNOR

Expand the eligible purposes of the waste reduction and recycling demonstration grant appropriation to include business waste reduction and recycling assistance. Authorize DNR to contract with nonprofit organizations to provide services to assist businesses to reduce the amount of solid waste generated or to reuse or recycle solid waste. Specify that the Department

could not provide more than \$500,000 annually under a contract. The bill would continue base funding of \$500,000 annually. None of the eligibility criteria, grant match requirements or cumulative grant limits under the existing waste reduction and recycling demonstration grant program would apply to the new use of the appropriation.

DISCUSSION POINTS

1. The existing demonstration grant appropriation will have an unencumbered balance on June 30, 2005, of approximately \$1,273,100. The balance grew over several years as the amount of grant awards was less than appropriated funds. The balance, along with \$500,000 of new funding in each of 2005-06 and 2006-07, would provide \$2,273,100 over the biennium for the existing and proposed use of the appropriation. The following table shows the number and amount of grants awarded in 2001-02 through 2004-05.

Waste Reduction and Recycling Demonstration Grant Awards

<u>Year</u>	<u>Number of Awards</u>	<u>Amount</u>
2001-02	4	\$237,177
2002-03	4	282,494
2003-04	6	267,134
2004-05	<u>10</u>	<u>478,312</u>
Total	24	\$1,265,117

2. DNR officials anticipate that they would issue a request for proposals (RFP) for contracts with nonprofit organizations under the bill, and would award contracts through an open bid process. Department officials plan to focus activities performed under the contracts on: (a) construction and demolition debris recycling and reuse; (b) electronic waste recycling (such as computers); (c) composting of organic and food waste; and (d) general recycling and waste reduction by businesses and industries.

3. The bill would allow DNR to contract with an unlimited number of nonprofit organizations to provide services to assist businesses to reduce the amount of solid waste generated or to reuse or recycle solid waste. The amount of money spent by DNR on the contracts would only be limited by the total amount of available funds in the appropriation. For example, under the bill, DNR could spend up to the entire \$2,273,100 in available funds during 2005-07 for the contracts with nonprofit organizations.

4. DNR officials indicate that they would enter into three to five contracts, ranging in size from \$50,000 to \$500,000 per contract per year. The Department would use the \$1,273,100 appropriation balance for the new purpose, and use the \$1,000,000 in base-level funds in the

biennium for grants under the existing program. However, the bill does not include this allocation of funds between the existing and new purpose. The Committee may wish to consider placing a limit on the amount spent on contracts to assist business recycling, so that a portion of the available funds would be reserved for the existing grant purposes. For example, the bill could be amended to limit the amount spent on all contracts for assistance to businesses to \$1,200,000 during the 2005-07 biennium.

5. DNR officials indicated they do not know how much of the funding available after the 2005-07 biennium would be used by the Department for current law demonstration grants, and how much would be used for the new contracts under the bill. The Committee may wish to consider placing a limit on the amount of the appropriation that could be spent on the contracts in years after 2006-07. For example, the bill could be amended to specify that in years after 2006-07, no more than 50% of the appropriated amount could be used for contracts for assistance to businesses.

6. The state has provided past recycling grants to nonprofit organizations for the purpose of assisting businesses in recycling and waste reduction. It is anticipated that these organizations may be interested in submitting proposals to receive contracts under the provision in the bill. The major recipients of past state grants of this type have been WasteCap Wisconsin, Inc., and the Business Materials Exchange of Wisconsin.

7. State recycling grants to WasteCap Wisconsin, Inc. began with DNR waste reduction and recycling demonstration grants of \$20,618 in 1997 and \$11,775 in 1999 for business-to-business information exchanges related to waste reduction. In 1998, WasteCap became a private nonprofit 501(c)(3) organization. In 1998-99 the Recycling Market Development Board (RMDB) awarded two grants to WasteCap totaling \$47,320. The RMDB was statutorily required to award \$50,000 annual grants to WasteCap Wisconsin, Inc. in 1999-00 through 2002-03. Those grants were used to: (a) conduct educational open houses called "talk and tours" at several state businesses to demonstrate innovations in reducing, reusing and recycling construction and demolition debris, food scraps and computers; (b) perform site visits to businesses to make waste reduction assessments; (c) maintain a web site and email bulletin; and (d) present information at meetings, workshops and conferences. The RMDB was eliminated in 2003. In 2003-04, DNR awarded a \$13,010 waste reduction and recycling demonstration grant to WasteCap to develop computer collection cooperatives for medium-sized businesses.

8. State recycling grants to the Greater Beloit Chamber of Commerce for the Business Material Exchange of Wisconsin (BMEX) began in 1995 with a DNR waste reduction and recycling demonstration grant of \$29,338 to implement a materials exchange network. The RMDB awarded grants to BMEX of \$116,386 in 1997-98 and \$70,714 in 1998-99. The RMDB was statutorily required to award funds to a business materials exchange in 1999-00 through 2002-03 and awarded \$100,000 annually to BMEX during those years. In 2003-04, DNR awarded a \$65,583 waste reduction and recycling demonstration grant to BMEX to modify its existing Internet web site that allows businesses throughout and outside the state to place materials on the exchange and to search for and respond to materials listed on the exchange.

9. Other nonprofit organizations, whether they have or have not received waste reduction and recycling demonstration grants, may be interested in entering into a contract with DNR under the provision to assist businesses.

10. Most state recycling funds have been spent to provide assistance to local governments for operation of residential recycling programs. In past years, the former Department of Development (now Commerce) and RMDB administered programs intended to promote the development of markets for recyclable materials. These programs have ended.

11. It could be argued that the contracts to nonprofit organizations could be an effective method of using state funds that have accumulated in the grant program to help businesses increase their recycling and waste reduction efforts and meet their responsibilities to recycle. Further, encouraging business recycling efforts is viewed as an area with a significant potential for diverting waste from landfills. Alternatively, it could be argued that state financial assistance programs to nonprofit organizations that primarily serve private businesses should not continue on an ongoing basis. If businesses want assistance in reducing the amount of solid waste generated or in reusing or recycling solid waste, they could choose whether, or to what extent, to pay for assistance.

12. The \$500,000 maximum contract is more than triple the maximum grant (\$150,000) under the existing demonstration grant program, and is much larger than the statutory awards required in previous years to nonprofit organizations that assisted businesses such as WasteCap Wisconsin (\$50,000) and BMEX (\$100,000). It is possible that if DNR awards a contract of \$500,000 to a nonprofit organization, it could represent a large percentage of the operating budget of the organization. In addition, if DNR would award a \$500,000 maximum grant to an organization in both years of the 2005-07 biennium, the \$1,000,000 would represent the majority of the \$1.2 million in carry-in balance of the appropriation. The Committee may wish to consider whether a smaller maximum grant would allow the available funds to be awarded to a larger number of organizations, and would allow the state to increase the availability of funds to organizations throughout the state. For example, the maximum contract could be established as \$150,000 (the same as a grant under the current program) or \$250,000 (the same as the amount of cumulative grant awards under the current program and half of the size of the maximum grant in the bill).

13. If DNR awards contracts under the bill that total close to or exceed the \$1.2 million appropriation account balance, the availability or source of funding for contracts after 2006-07 may need to be evaluated. The Committee may wish to consider amending the bill to specify that no moneys may be encumbered from the appropriation for the contracts after June 30, 2007. The issue of whether the contracts should be continued, or how they should be funded, could be considered as part of the 2007-09 biennial budget discussions.

14. The bill does not require nonprofit organizations that receive contracts under the provision to provide a match of non-state funds. Under the current program, grant recipients must provide a match of 50% of the project costs. DNR officials indicate the reason the current match requirements would not apply is that the state funds would be spent on contracts for services rather

than for grants for specific projects. However, it could be argued that requiring a match of non-state funds would encourage nonprofit organizations to obtain funding from other sources and to demonstrate that other entities support the work of the organization. In addition, it could reduce the possibility that a nonprofit organization would structure itself to depend primarily on a state contract.

15. The bill does not require the nonprofit organizations that receive contracts to meet specific goals or milestones or to report on activities completed as part of the contract. DNR officials indicate that when the Department issues a request for proposals, it will specify an objective for the activity and applicants will be selected based in part on how they will measure progress towards meeting the objective. The Committee could choose to include a statutory requirement that a contract entered into under the provision must include goals and objectives that the nonprofit organization will meet, methods that will measure progress toward the goals and objectives, and a schedule for reporting to DNR on the use of funds and progress towards the goals and objectives.

16. If the Committee chooses to not expand the purpose of the waste reduction and recycling demonstration grant program, it is unlikely that the existing grant program will spend the funds available under the bill (\$1.2 million appropriation account balance and \$1.0 million in base funding for the biennium). The Committee could choose to lapse the \$1,200,000 balance of the appropriation to the recycling fund. A separate budget issue paper discusses the Governor's recommendation to transfer \$11,584,200 from the recycling fund to the general fund during the 2005-07 biennium.

ALTERNATIVES

1. Approve the Governor's recommendations to: (a) expand the eligible purposes of the waste reduction and recycling demonstration grant appropriation to include business waste reduction and recycling assistance; (b) authorize DNR to contract with nonprofit organizations to provide services to assist businesses to reduce the amount of solid waste generated or to reuse or recycle solid waste; (c) specify that the Department could not provide more than \$500,000 annually under a contract; and (d) specify that none of the eligibility criteria, grant match requirements or maximum grant limits under the existing demonstration grant program would apply to the new use.

2. Approve the Governor's recommendations. In addition, approve one or more of the following:

a. Prohibit DNR from awarding a total of more than \$1,200,000 for contracts in the 2005-07 biennium under the new eligible use of the recycling demonstration grant appropriation.

b. Prohibit DNR from encumbering any funds for contracts under the new eligible use after June 30, 2007.

c. Prohibit DNR from awarding more than 50% of the appropriated amount in a fiscal

year after 2006-07 for contracts under the new eligible use of the recycling demonstration grant appropriation.

d. Prohibit DNR from providing more than \$250,000 annually under a contract to an individual organization (instead of \$500,000 under the bill).

e. Prohibit DNR from providing more than \$150,000 annually under a contract to an individual organization (instead of \$500,000 under the bill).

f. Specify that DNR not award a grant of more than 50% of a project's cost.

g. Require that any contract entered into under the provision must include goals and objectives that the nonprofit organization will meet, methods that will measure progress toward the goals and objectives, and a schedule for reporting to DNR on the use of funds and progress towards the goals and objectives.

3. Do not adopt the Governor's recommendation to expand program eligibility. Instead, lapse \$1,200,000 SEG from the balance of the waste reduction and recycling demonstration grant program to the recycling fund. (The funds would be available for appropriation to any of the purposes of the recycling fund.)

Alternative 3	SEG-REV
2005-07 REVENUE (Change to Bill)	\$1,200,000

4. Do not adopt the Governor's recommendation to expand program eligibility. Instead, lapse \$1,200,000 SEG from the balance of the waste reduction and recycling demonstration grant program to the general fund.

Alternative 4	GPR-REV
2005-07 REVENUE (Change to Bill)	\$1,200,000

5. Maintain current law.

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