



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #602

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

Bill Agency

[LFB 2007-09 Budget Summary: Page 429, #3]

CURRENT LAW

The current waste reduction and recycling program is appropriated \$500,000 in 2006-07, in a continuing appropriation from the segregated recycling fund. In addition, the appropriation has an available balance from the prior year of \$204,400. The appropriation may be used for two purposes. First, 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. Second, in the 2005-07 biennial budget, DNR was authorized to also use the waste reduction and recycling appropriation for business waste reduction and recycling assistance. DNR is authorized to contract with nonprofit organizations for services to assist businesses to reduce the amount of solid waste generated or to reuse or recycle solid waste.

GOVERNOR

Provide an additional \$1,000,000 annually from the segregated recycling fund for the waste reduction and recycling appropriation. The administration indicates the funds would primarily be used for DNR contracts with nonprofit organizations to assist businesses to reduce the amount of solid waste generated or to reuse or recycle solid waste.

DISCUSSION POINTS

1. DNR calls the proposal “environmental results for business.” The Executive Budget Book states that the funds would be used for contracts with nonprofit organizations to assist businesses with: (a) direct recycling projects; (b) best practices exchanges among nonprofit organizations, businesses and local governments; and (c) research and development to address environmental or market issues with specific technologies.

2. In the 2005-07 biennium, DNR used funds from the carry forward appropriation balance from 2004-05 to enter into three contracts, totaling \$99,500, with nonprofit organizations to assist businesses with recycling. In 2005-06, DNR awarded one grant of \$24,500 to Recycling Connections Corporation to develop recommendations that DNR can use to work with responsible units of local government to increase recycling by businesses. In January, 2007, Recycling Connections Corporation submitted a report to DNR with recommendations for strategies to increase commercial recycling. In 2006-07, DNR entered into a \$50,000 contract with WasteCap Wisconsin to work with the DOA Division of State Facilities to develop methods for, standards relating to, and training of staff in, successful, measured construction and demolition debris recycling on state projects. In 2006-07, DNR entered into a second contract with WasteCap Wisconsin, for \$25,000, to create a web-based, searchable database of construction and demolition debris recycling markets for use by businesses, contractors, remodelers, demolition companies, building owners, recycling professionals and others.

3. The bill would allow 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. The amount of money spent by DNR on the contracts would only be limited by the total amount of available funds in the appropriation. DNR could choose how much of the \$3,000,000 in appropriated funds during 2007-09 (plus approximately \$134,200 in carry forward funds from 2006-07) would be spent on contracts with nonprofit organizations, and how much would be spent on waste reduction and recycling demonstration grants.

4. There is no maximum contract amount, match requirement, or reporting requirement for the contracts with nonprofit organizations. In the 2005-07 biennial budget, the Legislature approved the Governor's proposal to allow use of the recycling demonstration grant appropriation for contracts with nonprofit organizations. However, the Legislature decreased the Governor's proposed maximum contract amount from \$500,000 to \$250,000, and added requirements for a 50% match, goals and objectives in contracts, and reporting requirements. The Governor vetoed the maximum contract amount and the additional requirements.

5. Under the bill, DNR plans to seek larger projects than it contracted for in 2005-07, and that would have a greater impact than could be funded during 2005-07 with more limited funding. DNR plans to implement the provision by issuing a request for proposals within 90 days of the effective date of the budget, and sign contracts within 90 days after that. DNR anticipates issuing a second request for proposals in August, 2008. DNR anticipates signing two to three large contracts with nonprofit organizations that would cover both years of the biennium, and possibly a

few smaller contracts. Under the contracts, a nonprofit organization might perform the following types of activities: (a) help businesses share transportation costs to recycle similar materials in a region; (b) organize businesses to improve recycling opportunities; and (c) provide seed money to help businesses handle new types of waste materials as an incentive to try a product or engineer a use for a product.

6. DNR anticipates that there are several existing non-profit organizations which may be interested in entering into contracts under the provision. In addition, DNR anticipates that some business sectors or groups of businesses may choose to form a nonprofit organization to access funds. Examples of sectors that may be interested include builders, scrap metal recyclers, foundries, landscapers, restaurants, and medical or hospital facilities.

7. It could be argued that the contracts to nonprofit organizations could be an effective method of appropriating state recycling funds to help businesses increase their recycling and waste reduction efforts and meet the statutory requirement to keep recyclable materials out of landfills. Further, encouraging business recycling efforts is viewed as an area with a significant potential for diverting waste from landfills. Finally, increasing the funds that are specifically allocated to assisting businesses could be viewed as a way of "giving back" a portion of the recycling surcharge and recycling tipping fees paid by businesses.

8. In DNR's budget request, the Department requested \$3,000,000 in 2007-08 and \$2,000,000 in 2008-09, and 0.5 position to administer the program. The Governor included \$1,000,000 annually of the requested funds, and did not provide the staff. DNR indicates it would reallocate staff time in the waste and materials management program, from work with responsible units of local governments, to manage the contracts under the bill, perform policy research and issue identification to promote business recycling, assist with outreach and communication, and work with nonprofit organizations to measure success. The waste and materials management program is also working on changes to provide online reporting and self-certification of compliance by responsible units.

9. The Council on Recycling (a statutory advisory group to DNR, the Governor, and Legislature) asked DNR why it was outsourcing activities and contracting with organizations to assist businesses rather than providing assistance with DNR staff. DNR officials indicated that the Department does not have the expertise related to business needs and management, and that certain nonprofit organizations are in a better position to assist businesses so that recycling and waste reduction can be increased. In addition, DNR officials believe that, because of the Department's regulatory role, nonprofit organizations may be more effective at assisting businesses.

10. Commerce is responsible for working directly with businesses in an economic development role, and used to administer recycling market development programs directed towards businesses, and administered the Recycling Market Development Board. These programs were repealed in 2003 Act 33, and Commerce has not provided direct recycling assistance to businesses since. The Wisconsin Development Fund can provide financial assistance to businesses that may include components related to recycling.

11. DNR officials indicate that the difference between the currently proposed business assistance activities and the former Commerce recycling market development activities, is that the proposed funding would help businesses increase waste reduction, diversion of materials from landfills, and management of materials. In addition, DNR believes it would be the appropriate agency to administer the funding because the funding would focus on environmental issues related to waste and materials management by businesses. In comparison, the previous recycling market development programs focused on creating markets for recyclable materials.

12. DNR officials indicate that the program would motivate businesses to increase recycling, reuse and waste reduction activities. They believe that, as contracts are implemented and measure success, the amount of funding for the program could be increased. They indicate that the \$2 million provided in the bill would generate savings for businesses that increase recycling, reuse materials in other items that manufacturers make, redesign items to be completely recyclable, and discover new methods to recover and reuse waste materials. This would help businesses meet the statutory requirements to keep certain recyclable materials out of Wisconsin landfills. Further, they argue the state would then benefit from the beneficial reuse of these materials and a reduced need for landfill space.

13. It is unknown how much assistance would be provided, what the amount of any specific contract would be, the precise activities that would be funded, which businesses might be helped, how long it would take to disburse contract funds, and what types of measurable results will be obtained. A smaller amount of funding could be approved to allow DNR to enter into a more modest amount of contracts with nonprofits for business recycling assistance. For example, \$500,000 could be provided in each year instead of \$1 million. This would double funding under the waste reduction and recycling program and allow for a significant increase over the \$99,500 in contracts entered into during 2005-07.

14. It could be argued that the funding should be provided on a one-time basis because the program could be viewed as an experimental venture, with uncertain costs, results or applicability to other businesses. It is unknown how effective DNR will be in expanding the contracts from the \$25,000 to \$50,000 size provided to nonprofits in 2005-07, to the larger size that might occur during the 2007-09 biennium under the \$1.5 million annual funding level. One-time funding could provide the Governor and Legislature an opportunity to evaluate what is accomplished with the 2007-09 contracts for business recycling assistance before continuing funding in the 2009-11 biennium. In addition, some may argue that state financial assistance programs to nonprofit organizations that primarily serve private businesses should not continue on an ongoing basis. If businesses value 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 this assistance.

15. DNR officials indicate that the funds are provided as ongoing in order to provide enough seed or development moneys to businesses to demonstrate success in increasing recycling or waste reduction. They also indicate that if the funding was provided as one-time instead of ongoing in the budget, the funding may not be provided for a sufficient time to demonstrate success.

16. While the Governor vetoed the 2005-07 provisions adopted by the Legislature related to maximum contract size, match, and reporting requirements, it could be argued that the proposed \$1 million funding increase is large enough to warrant including some measures of accountability. For example, the Committee could choose to establish a maximum of \$250,000, or \$500,000 in annual grants to an organization. This would ensure that contracts would be awarded to at least a few different organizations each year. The Committee could choose to require that the nonprofit organization provide a match. While many state grant programs require an equal match amount, program requirements can vary widely. The Committee could consider requiring a match of 50% of the project costs. DNR argues that the funding would be spent on contracts for services rather than for grants for specific projects, and therefore a match requirement may not be warranted in some instances. However, it could be argued that requiring some amount of non-state funds would encourage nonprofit organizations to obtain funding commitments from other sources, such as the business community that would be served by the contract. Another option would be to require a match of at least 20% of project costs.

17. Under the bill there would be no requirement that the nonprofit organizations that receive contracts 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 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.

18. If the funding increase is not approved, DNR could choose to use a portion of the existing \$500,000 annual funding amount for contracts with nonprofit organizations to assist businesses. In 2006-07, \$499,200 of the \$500,000 appropriation was awarded as waste reduction and recycling demonstration grants to six organizations. Thus, under current funding levels, DNR may have to provide fewer demonstration grants in order to provide additional funds from the existing appropriation for contracts with nonprofit organizations.

ALTERNATIVES TO BILL

1. Approve the Governor’s recommendation to provide \$1,000,000 annually to the waste reduction and recycling appropriation from the segregated recycling fund primarily for contracts with nonprofit organizations to assist businesses to recycle.

ALT 1	Change to Bill Funding	Change to Base Funding
SEG	\$0	\$2,000,000

2. Provide \$500,000 annually to the waste reduction and recycling appropriation from the segregated recycling fund primarily for contracts with nonprofit organizations to assist businesses to recycle.

ALT 2	Change to Bill Funding	Change to Base Funding
SEG	-\$1,000,000	\$1,000,000

3. Approve Alternative 1 or 2, but provide the funding as one-time during the 2007-09 biennium.

4. In addition to Alternative 1, 2, or 3, approve one or more of the following:

a. Prohibit DNR from providing more than \$500,000 annually under the provision to an individual organization.

b. Prohibit DNR from providing more than \$250,000 annually under the provision to an individual organization.

c. Specify that the grant recipient must provide an equal match of non-state funds to the state grant.

d. Specify that the grant recipient must provide a match of non-state funds equal to at least 20% of project costs.

e. 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.

5. Delete provision.

ALT 5	Change to Bill Funding	Change to Base Funding
SEG	-\$2,000,000	\$0

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