



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #592

Repeal Recycling Efficiency Incentive Grant Program (DNR – Air, Waste, and Contaminated Land)

[LFB 2009-11 Budget Summary: Page 485, #4]

CURRENT LAW

The recycling efficiency incentive grant program was created in 2001 Act 16. It provides grants to local governments that implement efficiencies in local recycling programs such as cooperative agreements between multiple local governments for recycling various recyclable materials, consolidation of recycling programs, and cooperative educational efforts about recycling. The program has been appropriated \$1,900,000 SEG from the recycling and renewable energy fund each year between 2002-03 and 2008-09.

GOVERNOR

Delete \$1,900,000 SEG annually from the recycling and renewable energy fund (\$3,800,000 during the biennium), and repeal the recycling efficiency incentive grant program.

DISCUSSION POINTS

1. A recycling efficiency incentive grant is available to responsible units (the term for the local units of government responsible for implementing state-mandated recycling programs, including cities, villages, towns, counties, Indian tribes, or other voluntary consolidated units) that received a basic recycling grant (the primary municipal and county recycling grant program) and have been approved by DNR as operating an effective recycling program that meets state requirements. Responsible units may choose whether to apply for a recycling efficiency incentive grant. DNR distributes available grant funds on a per capita basis to each responsible unit that submits a complete application that is approved by the Department. A recycling efficiency incentive

grant plus the basic grant may not exceed the net eligible recycling costs that the responsible unit incurred two years before the recycling efficiency incentive grant is made.

2. Some of the types of recycling efficiencies implemented through the 2008 grant cycle include cooperative agreements between multiple responsible units for: (a) collecting and transporting glass, mixed paper, plastic, and light bulbs; (b) sorting recyclables at a materials recovery facility; (c) undertaking educational outreach efforts; (d) recycling at multi-family dwelling complexes; (e) recycling at convenience stores; (f) developing marketing materials to promote recycling; (g) crushing glass to produce road aggregate; and (h) planning program development. Efficiencies have also included formal consolidation agreements for two or more responsible units.

3. The program is intended to reward efficiencies implemented during the prior year. For example, grants for 2007-08 were for recycling efficiencies implemented between October 31, 2006, and October 30, 2007. Awards totaling \$1,900,000 were made in 2007-08 to 227 responsible units, including 226 that received grants for cooperative agreements and one for a consolidation. The award was \$0.65 per capita for grant recipients. This represents about 22% of responsible units receiving an incentive grant.

4. In the fall of 2008, DNR notified responsible units that it would not fund any 2008-09 recycling efficiency incentive grants, but rather would transfer the \$1,900,000 appropriated amount to the general fund as part of DNR's allocated transfers under deficit reduction requirements of 2007-09 budget provisions. Local governments objected, saying they had already spent money to implement recycling efficiencies for the grant cycle. DNR subsequently informed responsible units that it would award \$1.5 million of the \$1.9 million appropriation, and transfer the remaining \$400,000 amount to the general fund. DNR will make 2008-09 awards in May, 2009, for efficiencies implemented between October 31, 2007, and October 30, 2008. There are approximately 165 eligible responsible unit applicants.

5. Some local governments rely on the recycling efficiency grant to initiate new efficiencies as an ongoing part of the operational budget for the local recycling program. Local governments may incorporate efficiencies initiated in prior years into ongoing operations, in order to contain overall program costs. For example, the 15 units receiving the largest amounts received grants in each of the past three fiscal years. If the grant would not be available, some local governments may choose not to seek additional efficiencies in program operations, or may use local property taxes to fund the upfront costs of achieving future efficiencies.

6. Some local governments may view the proposed repeal of funding and the program as an indication the state is not supporting local efforts to seek innovations, try new ways of recycling that will save money, and develop cooperation with neighboring local governments.

7. Since the grant is distributed to responsible units on a per capita basis, local governments with higher populations receive bigger grants. Table 1 shows the 15 largest grants in 2005-06 through 2007-08.

TABLE 1

15 Largest Recycling Efficiency Incentive Grants, 2005-06 Through 2007-08

<u>Responsible Unit</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>
City of Milwaukee	\$418,082	\$414,905	\$381,399
County of Waukesha	190,609	191,015	176,270
County of Outagamie	132,949	133,757	123,714
City of Green Bay	73,401	73,252	67,221
County of Eau Claire	69,916	70,114	64,631
City of Racine	56,777	56,462	51,737
County of St. Croix	47,105	48,421	45,007
City of Oshkosh	46,159	46,040	42,528
City of West Allis	42,682	42,378	39,039
County of Portage	42,053	42,056	38,858
County of Chippewa	39,074	39,296	36,594
City of La Crosse	36,271	36,109	33,333
City of Wauwatosa	32,664	32,413	29,681
County of Waupaca	30,201	30,263	27,957
County of Monroe	<u>29,593</u>	<u>29,820</u>	<u>27,598</u>
Top 15 Awards	\$1,287,536	\$1,286,299	\$1,185,568
As percent of total awards	68%	68%	62%
Other Units Receiving REI Grants	105	109	212
Award amount	<u>\$612,464</u>	<u>\$613,701</u>	<u>\$714,432</u>
Total REI Grants	120	124	227
Award amount	\$1,900,000	\$1,900,000	\$1,900,000

8. The administration has indicated the program is 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 save state funds. The administration has also indicated it intends to transfer the \$3,800,000 that would have been spent on the program during the biennium (\$1,900,000 in each year) from the balance of the recycling and renewable energy fund to the general fund to help decrease the general fund deficit.

9. However, others have argued it would be inappropriate to increase the recycling tipping fee and at the same time eliminate the recycling grant program that rewards efficiencies in local programs.

10. It could be argued that it is more important during difficult financial times to reward local governments that seek new efficiencies in recycling program operations or increase cooperation with neighboring governments. On the other hand, local cost savings from

implementing recycling efficiencies might be sufficient motivation to continue those efforts. Further, current state budget conditions may make it necessary to eliminate some programs in order to help balance the general fund.

11. Examples of recycling efficiencies implemented by local governments include: (a) Douglas County and the City of Superior created a county-wide program to encourage businesses to recycle; (b) twelve communities in Kewaunee County worked together to establish a waste recycling information and education program to increase the diversion of recyclable materials from the local landfill; (c) Brown County hosted a recycling program planning session attended by 21 municipalities within Brown and Oconto Counties; (d) Adams, Vernon, Jackson, and Monroe Counties worked together to provide recycling educational programs to school districts and to prepare a business recycling information kit; (e) the City of Beloit and two adjacent towns developed a business recycling information flyer and information packet for all businesses; (f) Burnett, Washburn, and Polk Counties cooperated to collect and recycle plastic garden pots; (g) three towns in Clark County entered into a joint contract for curbside collection of recyclable materials; (h) eleven local governments in southeastern Wisconsin worked together to promote waste reduction to lower solid waste costs; (i) the City of Wisconsin Rapids and three nearby communities agreed to allow the communities to use the Wisconsin Rapids compost facility instead of constructing their own; and (j) seventeen communities in Calumet and Fond du Lac Counties collaborated on educational efforts related to proper management of residential yard waste.

12. In March, 2009, DNR informed responsible units that it was reducing the total amount of basic recycling grants for 2008-09 from the \$31.0 million appropriated amount, by 10%, to \$27.9 million, and the \$3.1 million reduction will be transferred to the general fund as part of DNR's allocation of 2007-09 deficit reductions. Table 2 shows the amounts appropriated for the basic and recycling efficiency grant programs in 2008-09, the amounts planned to be awarded in 2008-09, and the amounts proposed under the bill. Under the bill, the amounts appropriated in each of 2009-10 and 2010-11 would be 7% less than the 2008-09 appropriations, but would be 4% greater than the 2008-09 award amounts. Under AB 75, the administration could also choose to transfer part of the appropriation for basic recycling grants to the general fund as part of 2009-11 transfers from SEG and PR appropriations. Between 2002-03 (when the efficiency grant was created) and 2006-07, \$26.4 million was appropriated.

TABLE 2

**Recycling Grants, Appropriation and Award:
2008-09 and Under AB 75 (\$ Millions)**

	2008-09 <u>Appropriation</u>	2008-09 <u>Award</u>	2009-10 <u>AB 75</u>	2010-11 <u>AB 75</u>
Basic Recycling Grant	\$31.00	\$27.90	\$30.69	\$30.69
Recycling Efficiency Incentive Grant	<u>\$1.90</u>	<u>\$1.50</u>	<u>0.00</u>	<u>0.00</u>
Total	\$32.90	\$29.40	\$30.69	\$30.69

13. The Committee could consider a broad range of options between approving the Governor's recommendation to repeal the program on the effective date of the bill (Alternative 1) and maintaining the current program authorization and funding amount (Alternative 5).

14. Statutory authorization for the program could be maintained, but no funding provided during the 2009-11 biennium. Restoring funds for the program could then be considered as part of 2011-13 budget deliberations (Alternative 2).

15. If the recycling efficiency incentive grant program would be continued for 2009-10, the program would reward recycling efficiencies that are implemented between October 31, 2008, and October 30, 2009. Responsible units would submit applications by October 1, 2009. It is uncertain how many responsible units have begun to invest in recycling efficiencies that would be eligible under the current program. However, some may argue that if the program is to be eliminated, it would be appropriate to provide one last year of funding in 2009-10, with a moderate amount of funding, and then eliminate the program. For example, funding of \$950,000 (half of the current appropriation) could be provided in 2009-10, and the program could be eliminated on June 30, 2010 (Alternative 3).

16. If the Committee wishes to downsize the program, but continue it at a more modest level of funding, one way of doing this would be to provide funding of \$950,000 in 2009-10, which is 50% of the current funding level, and \$475,000 in 2010-11, which is 25% of the current level (Alternative 4). Base funding for purposes of 2011-13 budget deliberations would be \$475,000.

17. Under any of the alternatives that would maintain some level of funding for the program during the biennium (Alternatives 3, 4, or 5), the bill would provide the Governor with authority to transfer funds from the appropriated amount to the general fund as part of the 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. If the Committee wishes to ensure that any funds appropriated for the program are not transferred to the general fund, this could be done by prohibiting transfers from the appropriation to the general fund during the biennium (Alternative 6).

ALTERNATIVES

1. Approve the Governor's recommendation to delete \$1,900,000 SEG annually, and repeal the recycling efficiency incentive grant program.

2. Delete \$1,900,000 SEG annually, but maintain statutory authorization for the program. There would be no funding for recycling efficiency incentive grants during the 2009-11 biennium, but the program would remain in the statutes.

3. Delete \$950,000 SEG in 2009-10 and \$1,900,000 SEG in 2010-11 and repeal the program June 30, 2010 (instead of on the effective date of the bill). This would provide \$950,000 for recycling efficiency incentive grants in 2009-10, and no program in subsequent years.

ALT 3	Change to Bill Funding
SEG	\$950,000

4. Delete \$950,000 SEG in 2009-10 and \$1,425,000 in 2010-11, and maintain the recycling efficiency incentive grant program. This would provide \$950,000 in 2009-10 and \$475,000 in 2010-11 for recycling efficiency incentive grants.

ALT 4	Change to Bill Funding
SEG	\$1,425,000

5. Delete provision. This would maintain the recycling efficiency incentive grant program and the current grant funding amount of \$1,900,000 annually.

ALT 5	Change to Bill Funding
SEG	\$3,800,000

6. In addition to Alternative 3, 4, or 5, prohibit transfer of funds from the recycling efficiency incentive grant program appropriation to the general fund in the 2009-11 biennium.

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