



Legislative Fiscal Bureau

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August 4, 2009

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Natural Resources: Governor's Section 13.10 Request for the Use of Federal Economic Stimulus Funding for Brownfields Cleanup Grants -- Agenda Item XVI

REQUEST

The Governor submitted a request dated July 22, 2009, to the Joint Committee on Finance for approval of the allocation and expenditure of \$2,000,000 in federal economic stimulus funds for the Department of Natural Resources (DNR) to provide brownfields grants for the cleanup of contaminated properties.

BACKGROUND

The federal American Recovery and Reinvestment Act of 2009 (ARRA) provides \$37.3 million nationwide for assessment and cleanup of contaminated properties that meet the federal definition of a brownfield, which includes "real property, the expansion, redevelopment, or reuse of which may be complicated by the presence or potential presence of a hazardous substance, pollutant, or contaminant." On May 8, 2009, the U.S. Environmental Protection Agency (EPA) awarded \$2,000,000 from ARRA funds to the DNR to capitalize the Department's existing Ready for Reuse program fund from which DNR provides loans and grants for cleanup actions at sites contaminated with hazardous substances.

In addition, EPA awarded \$1,000,000 in ARRA funds directly to Wisconsin communities for assessment of brownfields properties, including \$200,000 to Baraboo, \$400,000 to the Redevelopment Authority of the City of Milwaukee and \$400,000 to Wauwatosa. Finally, in addition to the ARRA funds, EPA also awarded \$74.6 million nationwide from EPA brownfields general program funding, which included \$1,000,000 to the DNR for brownfields assessments and \$1,600,000 to the Redevelopment Authority of the City of Milwaukee.

Applicants must meet all of the following criteria: (a) the site must meet the federal definition of a brownfield; (b) for grants, the applicant must be a governmental entity, tribe, or eligible non-profit organization, and must own the site; (c) for loans, the applicant must be a governmental entity (loans are available with a 0% interest rate); (d) the applicant must not have Superfund liability at the site; (e) the cleanup would be for hazardous substances, or hazardous substances commingled with petroleum; (f) the site investigation is complete and has been approved by DNR or submitted to DNR for approval; (g) the cleanup action will begin no later than October 1, 2009, and will be substantially complete by October 1, 2010; (h) the applicant has financing in place to complete the cleanup and redevelopment; (i) a municipal resolution authorizing the governmental entity to apply for and receive DNR funding has been passed (not applicable for non-profit organizations); (j) the project promotes economic development, including job retention and/or creation; and (k) the grantee or borrower is prepared and able to complete monthly and/or quarterly tracking forms in order to meet federal and state ARRA reporting requirements. The EPA must approve the applicant's eligibility.

The Department is developing scoring criteria based on factors such as economic hardship, readiness of the applicant to begin the project cleanup, existence of the municipal resolution approving the application by municipalities, job creation or retention, and geographic balance. The criteria will be modeled on the criteria for the current DNR Ready for Reuse program.

The following eligible activities can be paid for with the grant or loan: (a) cleanup actions associated with removing, mitigating, or preventing the release or threat of a release of a hazardous substance, pollutant, contaminant or controlled substance into the air, land or water; (b) finalization of a remedial action plan for cleanup work to be done at the site; (c) demolition only if necessary to access contaminated soils beneath a structure, and if pre-approved by DNR and EPA; (d) asbestos abatement or lead mitigation only if necessary as part of a pre-approved demolition; (e) short-term site monitoring; (f) environmental consulting fees necessary to implement the cleanup; (g) costs associated with meeting community involvement requirements, worker health and safety activities, and interagency coordination; and (h) fees assessed by DNR under administrative rules for the review of cleanup plans.

ANALYSIS

DNR staff indicate the specific recipients of grants or loans under the ARRA brownfields grant will be determined in late August. DNR held a training meeting for over 125 people on June 16 about the ARRA funds and preliminary procedures. The Department began accepting applications from eligible applicants on June 23, 2009. Applications are due August 14, 2009. DNR intends to score the applications, hopes to award all of the funds by the end of August, and plans to enter into agreements with grant or loan recipients as soon as possible after that, so that cleanup work can begin during September. If any of the \$2,000,000 in ARRA funds remains after the first application round, DNR will continue to accept and score applications, and will award funds based on eligibility, project readiness, and score.

Since the ARRA funding must be used for specific types of brownfields cleanup projects that are ready to proceed, Committee approval of the ARRA funding at this time would allow DNR to award funds as soon as it is able to municipal and nonprofit grant or loan recipients who can begin cleanup projects before October 1, 2009. Alternatively, if the Committee wishes to review the final scoring criteria and award decisions made by DNR, the Committee could deny the request at this time. The Governor could resubmit the request to the Committee when that information is available. However, resubmittal of the request may make it more difficult to start some cleanup projects prior to the October 1 deadline.

ALTERNATIVES

1. Approve the expenditure of \$2,000,000 FED in 2009-10 of federal stimulus funds for DNR brownfields cleanup grants and loans.
2. Deny the request.

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