



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #486

Wisconsin Bioenergy Initiative (DNR and UW System)

[LFB 2015-17 Budget Summary: Page 324, #8, and 461, #9]

CURRENT LAW

Funding from the environmental fund is provided to the UW System through the appropriation for the Wisconsin bioenergy initiative. These funds are used to support research into improved plant biomass and biomass processing, the conversion of biomass into energy products, the development of sustainable energy economy, and the development of enabling technologies for bioenergy research under the Wisconsin bioenergy initiative. Adjusted base level funding for the Wisconsin bioenergy initiative is \$4,069,100 SEG with 35.2 positions.

GOVERNOR

Eliminate funding for the Wisconsin bioenergy initiative appropriation under the UW System and the related positions beginning in 2015-16 and delete the appropriation on July 1, 2016.

DISCUSSION POINTS

1. The 2009-11 biennial budget provided \$4,050,000 SEG annually from the recycling and renewable energy fund to the UW System through a new appropriation for the Wisconsin bioenergy initiative. These funds, which were generated by a \$1 per ton increase in the recycling tipping fee, were provided to support research into improved plant biomass and biomass processing, the conversion of biomass into energy products, the development of sustainable energy economy, and the development of enabling technologies for bioenergy research under the Wisconsin bioenergy initiative. Under 2011 Act 32, recycling tipping fees are deposited in the environmental fund and funding for the Wisconsin bioenergy initiative are now transferred from the environmental

fund. UW-Madison, UW-Stevens Point, and UW-Green Bay currently receive funds through the Wisconsin bioenergy initiative.

2. The majority of the funding provided through the appropriation for the Wisconsin bioenergy initiative is allocated to UW-Madison. In 2013-14, UW-Madison's WBI expenditures totaled \$3,684,100. As of October, 2014, UW-Madison was using funding provided through the Wisconsin bioenergy initiative appropriation to fund 26.82 positions. Most of the positions supported with WBI funds are partially supported with those funds and partially supported with funds from other sources. In total, WBI funds fully or partially support 45 positions at UW-Madison including 11 faculty members and four scientists.

3. In 2007, UW-Madison was awarded a five-year grant from the U.S. Department of Energy to establish the Great Lakes Bioenergy Research Center (GLBRC) on its campus. GLBRC is one of three such research centers funded by the U.S. Department of Energy. The amount of the initial grant was \$125 million and was awarded to UW-Madison as the leading partner of a consortium that includes Michigan State University and other partners. At the time, it was estimated that \$60 million of the \$125 million grant would be spent at UW-Madison.

4. In support of UW-Madison's grant application, the Governor committed \$104 million to support GLBRC including \$4 million for new faculty hires and \$100 million for a new bioenergy building located on the UW-Madison campus. 2009 Act 28 provided \$4.05 million SEG through the new appropriation for the Wisconsin bioenergy initiative, a portion of which was allocated to GLBRC, and enumerated \$100 million, including \$50 million in general fund supported borrowing (GFSB) and \$50 million in gifts and grants, for the Wisconsin Energy Institute. In August, 2010, the Building Commission approved the construction of the first phase of the Wisconsin Energy Institute at a total cost of \$55,586,600 which included \$51,010,600 of GFSB and \$4,576,000 in gifts and grants. According to the UW System, a timeline has not been established for the construction of the second phase of the Wisconsin Energy Institute.

5. The U.S. Department of Energy renewed the grant awarded to the consortium led by UW-Madison for an additional five years beginning on December 1, 2012. The total amount of the grant will be \$125 million of which \$64.4 million is anticipated to be spent by UW-Madison, \$49.3 million is anticipated to be spent by Michigan State University, \$7.7 million is anticipated to be spent by other members of the consortium, and \$3.6 million will be awarded directly from the Department of Energy to UW-Madison's federal national laboratory partner. The grant renewal letter says that UW-Madison indicated in its application that it intends to provide \$104 million in contributions including \$4 million in staff support and \$100 million for the construction of a facility. The letter specifies that the center facility will be planned and built in phases using state and other funds as they become available. The letter also states that UW-Madison shall use its best efforts to provide these contributions and shall report to the U.S. Department of Energy on a semi-annual basis of fulfilling these contributions. The letter does not say whether the grant would be revoked if UW-Madison did not provide these contributions.

6. According to UW-Madison staff, UW-Madison is obligated to provide the contributions identified in its application for the U.S. Department of Energy grant and could lose that funding if those contributions are not provided. If the funding provided through the Wisconsin

Bioenergy Initiative were to be deleted as proposed by the Governor, UW-Madison would fund the positions and other activities currently supported by those funds with other moneys available to the institution.

7. UW-Stevens Point also receives \$440,000 annually from the appropriation for the Wisconsin Bioenergy Initiative. This funding is currently used to support the Director of the Wisconsin Institute for Sustainable Technology (WIST) and three faculty members in the College of Natural Resources.

8. WIST conducts research in the areas of biofuels, renewably sourced chemicals from biomass, and value-added uses of agricultural and forestry residuals from processing. In addition, WIST provides laboratory services to business and industry in the areas of paper testing, paper grade development, coating and lamination, and compostability. In addition to the Director, WIST has 11 full-time employees who are currently supported by industry contracts, a federal grant from the U.S. Department of Agriculture (USDA), and two UW System economic incentive grants. According to the WIST Director, five of the positions within WIST will be eliminated this year as the USDA and UW System grants end. The WIST director indicates that WIST has sufficient cash balances to fund his position for the next year. According to UW-Stevens Point budget staff, the WIST Director position will be eliminated in the following year if WIST is unable to secure sufficient revenue through industry contracts and other sources to support that position.

9. The remainder of the WBI money allocated to UW-Stevens Point is used to support three faculty members in the following departments within the College of Natural Resources: (a) human dimensions of natural resource management; (b) soil science; and (c) water resources. In addition, these funds had been used to support a 0.25 communications and policy position but that position has been held open since it became vacant earlier this year. The faculty member in the human dimensions of natural resource management department leads UW-Stevens Point's minor in sustainable energy. The soil science professor specializes in composting and works in the WIST laboratory. The faculty member in the water resources department is a water chemist and also works with WIST. According to UW-Stevens Point budget staff, all three positions have been identified as high priorities for the campus and would be shifted to other fund sources if the WBI funding were deleted. However, shifting these positions to other fund sources would prohibit UW-Stevens Point from hiring faculty members in other areas. For example, UW-Stevens Point budget staff indicate that the number of faculty members in the College of Natural Resource's Department of Paper Science and Engineering would be reduced from four to three if one of the positions funded with WBI funds were shifted from that fund source to state GPR.

10. UW-Green Bay's Environmental Management and Business Institute also receives \$50,000 annually to promote its green innovations symposium. The symposium is an annual conference that features international experts and local panelists who provide insight on topics including sustainability in transportation, wind energy, regional health, regional sustainability, and water management. The target audience of the symposium is local businesses and community leaders.

11. If the Committee wishes to continue to support the positions and activities funded with moneys from the WBI appropriation at UW-Madison, the Committee could modify the Governor's

budget to continue to provide funds from the environmental management account of the environmental fund to the UW System for that purpose. A separate budget paper provides a general overview of the environmental management account, the estimated condition of the account, and expenditure changes made under the bill in appropriations funded from the account. Based on current revenues and other changes in expenditures included in the Governor's budget bill, it is estimated that the unallocated balance of the account will be insufficient to fully fund WBI positions and activities at UW-Madison in both years of the 2015-17 biennium. To continue to fully fund WBI positions and activities at UW-Madison from the environmental management account, the Committee would have to make other modifications to either the account's revenues or expenditures. The Committee could also provide a smaller amount from the environmental management account to UW-Madison or provide state GPR instead of moneys from the environmental management account to support WBI positions and activities at UW-Madison.

12. If the Committee wishes to continue to support the positions and activities funded with moneys from the WBI appropriation at UW-Stevens Point and UW-Green Bay, the Committee could modify the Governor's budget to continue to provide funds from the environmental management account of the environmental fund to the UW System for that purpose. Based on current revenues and other changes in expenditures included in the Governor's budget bill, it is estimated that the unallocated balance of the account would be sufficient to fund WBI positions and activities at UW-Stevens Point and UW-Green Bay during the 2015-17 biennium. Alternatively, the Committee could provide state GPR instead of moneys from the environmental management account to support WBI positions and activities at these institutions.

13. The Governor's budget bill would delete all of the UW System's program revenue, federal revenue, and segregated revenue appropriations on July 1, 2016. Beginning on that date, the proposed UW System Authority would have two appropriations: one GPR general program operations appropriation (referred to as the "block grant") and one GPR debt service appropriation. The deletion of the UW System's PR, FED, and SEG appropriations is part of the Governor's proposal to convert the UW System from a state agency to a public authority. However, statutes do not prohibit public authorities from having PR, FED, and SEG appropriations. As an example, the Legislature has provided funding from the environmental fund, the agrichemical management fund, and the petroleum inspection fund to the Wisconsin Housing and Economic Development Authority (WHEDA) through segregated fund appropriations under WHEDA in past biennia. If the Committee wishes to continue to provide funds from the environmental management account for the Wisconsin Bioenergy Initiative, the Committee could restore the appropriations for that purpose.

14. If the Committee wishes to continue to provide funds from the environmental management account for the Wisconsin Bioenergy Initiative, but does not want to create segregated appropriations under the UW System Authority, it could create an appropriation under the Department of Natural Resources (DNR) directing DNR to transfer funds to the UW System Authority for that purpose. Under current law, there are a number of examples where an agency is directed to provide funds to the UW System where there is not a corresponding appropriation under the UW System for the receipt of those funds. For example, DNR is currently required to allocate \$500,000 annually from its appropriation for watershed-nonpoint source contracts for contracts with the UW-Extension. The source of these funds is the environmental fund. There is not a

corresponding segregated fund appropriation under the UW System for nonpoint source contracts with DNR.

15. If the Committee chooses to provide state GPR to fund the Wisconsin Bioenergy Initiative, the funding could be provided through the UW System's GPR block grant appropriation. This would allow the Committee to fund either or both programs without creating additional appropriations under the proposed UW System Authority or DNR.

ALTERNATIVES

A. Funding

1. Approve the Governor's recommendation.

2. Modify the Governor's recommendation to provide funding for one or more of the following from the environmental fund. If the Committee adopts this alternative, it should either increase revenues to the environmental fund or decrease the other expenditures from the environmental fund.

a. Restore the Wisconsin Bioenergy Initiative funding and positions allocated to UW-Madison with \$3,576,900 annually and 26.82 positions.

ALT A2a.	Change to Bill	
	Funding	Positions
SEG	\$7,153,800	26.82

b. Restore the Wisconsin Bioenergy Initiative funding and positions allocated to UW-Stevens Point with \$442,200 annually and 4.0 positions.

ALT A2b.	Change to Bill	
	Funding	Positions
SEG	\$884,400	4.00

c. Restore the Wisconsin Bioenergy Initiative funding allocated to UW-Green Bay with \$50,000 annually.

ALT A2c.	Change to Bill	
	Funding	Positions
SEG	\$100,000	

3. Modify the Governor's recommendation to provide funding for one or more of the following from state general purpose revenue instead of the environmental fund as under current law. This funding would be provided through the UW System's GPR block grant appropriation.

a. Provide GPR to fund the positions and activities currently funded with Wisconsin Bioenergy Initiative funds at UW-Madison with \$3,576,900 annually and 26.82 positions.

ALT A3a.	Change to Bill	
	Funding	Positions
GPR	\$7,153,800	26.82

b. Provide GPR to fund the positions and activities currently funded with Wisconsin Bioenergy Initiative funds at UW-Stevens Point with \$442,200 annually and 4.0 positions.

ALT A3b.	Change to Bill	
	Funding	Positions
GPR	\$884,400	4.00

c. Provide GPR to fund the activities currently funded with Wisconsin Bioenergy Initiative funds at UW-Green Bay with \$50,000 annually.

ALT A3c.	Change to Bill
GPR	\$100,000

B. Appropriation

1. If the Committee adopts alternatives A2a., A2b., or A2c., modify the bill by one of the following:

a. Restore the appropriation for the Wisconsin Bioenergy Initiative under the UW System.

b. Create a segregated fund appropriation under the DNR directing DNR to transfer fund to the UW System for the Wisconsin Bioenergy Initiative.

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