



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #697

Recycling Program Expenditures (DNR; Commerce; DOC; DOR; UW-System)

[LFB 1999-01 Budget Summary: Pages 494-497, #1 thru 3 & 5; Page 220, #31; and Page 689, #26]

CURRENT LAW

The Legislature enacted 1989 Wisconsin Act 335 to provide a statewide regulatory and financial assistance program aimed at encouraging, and in some instances requiring, solid waste recycling and reduction. Most of the solid waste management, recycling regulation, financial assistance and technical assistance programs are administered by the Department of Natural Resources (DNR). DNR administers the municipal and county recycling grant program that provides financial assistance to responsible units of local government for eligible recycling expenses. The grant program is appropriated \$24.5 million in 2000-01. DNR also administers a waste reduction and recycling demonstration grant program that is appropriated base funding of \$0.5 million annually. The Recycling Market Development Board in the Department of Commerce administers recycling market development financial assistance programs. Other programs are administered by the University of Wisconsin System, UW-Extension, the Department of Corrections and the Department of Revenue.

GOVERNOR

In general, SB 55 would reduce program expenditures to reflect current law recycling fund revenues. No additional revenue would be provided for the recycling fund. Appropriations from the recycling fund would be provided to DNR, Commerce, the UW System, UW-Extension, Corrections and Revenue with total funding of \$16.0 million in 2001-02 and \$17.5 million in 2002-03.

Recycling fund appropriations for all agencies are shown in Table 1. The table shows 2000-01 adjusted base funding, and the Governor's recommended funding levels for 2001-02 and 2002-03. The Governor's specific recommendations are discussed in the sections of this paper that relate to each agency. In general, the Governor's recommendations for recycling fund expenditure changes include the following:

a. Reduce funding for DNR recycling administration by \$931,300 and 11.0 positions in 2001-02 and \$927,400 and 11.0 positions in 2002-03 to decrease the number of positions funded from the recycling fund from 19 to seven in each of 2001-02 and 2002-03. In addition, one project position expires on October 14, 2001 and is deleted under standard budget adjustments.

b. Reduce base funding for DNR municipal and county recycling grants from \$24,500,000 by \$10,500,000 in 2001-02 and \$11,000,000 in 2002-03 to provide local grant funding of \$14,000,000 in 2001-02 (calendar year 2002) and \$13,500,000 in 2002-03 (calendar year 2003).

c. Provide DNR with \$2,000,000 annually beginning in 2002-03 for a new regional recycling grant program.

d. Provide Corrections with \$145,800 and 4.0 positions annually to continue a computer recycling program and convert the 4.0 two-year project positions to permanent.

e. In UW-System and UW-Extension, delete \$541,800 and 4.5 positions for solid waste experiment centers, grants made by the Solid Waste Research Council in the UW-System and recycling-related activities in the UW-Extension Solid and Hazardous Waste Education Center to eliminate use of the recycling fund for these activities.

TABLE 1

**Recycling Fund Appropriations, All Agencies
SB 55**

	<u>2000-01 Adjusted Base</u>		<u>2001-02 Governor</u>		<u>2002-03 Governor</u>	
	<u>Funding</u>	<u>Positions</u>	<u>Funding</u>	<u>Positions</u>	<u>Funding</u>	<u>Positions</u>
Commerce	\$141,800	2.0	\$130,100	2.0	\$130,100	2.0
Corrections	500,000	4.0	386,300	4.0	387,200	4.0
Natural Resources						
Municipal & County Recycling Grants	24,500,000	0.0	14,000,000	0.0	13,500,000	0.0
Regional Recycling Grants	0	0.0	0	0.0	2,000,000	0.0
Waste Reduction and Recycling Demonstration Grants	500,000	0.0	500,000	0.0	500,000	0.0
Administration	1,926,600	19.0	745,900	7.0	732,300	7.0
Revenue	245,900	1.5	258,800	1.5	258,800	1.5
University of Wisconsin System	<u>527,400</u>	<u>4.5</u>	<u>0</u>	<u>0.0</u>	<u>0</u>	<u>0.0</u>
Total	\$28,341,700	31.0	\$16,021,100	14.5	\$17,508,400	14.5

DISCUSSION POINTS

1. Table 2 shows the estimated balance of the recycling fund. Under the bill, the recycling fund will have an estimated June 30, 2003, unencumbered balance of \$1.4 million. (Budget Paper #698 on recycling revenues explains the variation between fiscal year collections and estimated surcharge revenues.) Current law revenues from the recycling surcharge, recycling tipping fee and interest income will provide revenues of approximately \$16.7 million annually. Expenditures would total approximately \$16.0 million in 2001-02 and \$17.5 million in 2002-03 under the bill.

TABLE 2

**Recycling Fund Condition -- SB 55
(\$ Millions)**

	1999-00 <u>Actual</u>	2000-01 <u>Estimated</u>	2001-02 <u>Estimated</u>	2002-03 <u>Estimated</u>
Opening Balance -- July 1	\$62.3	\$15.6	\$8.6	\$2.2
Recycling Surcharge	9.6	22.8	7.3	14.4
Recycling Tipping Fee	0.5	2.0	2.1	2.1
Interest Income and Other	<u>3.2</u>	<u>1.8</u>	<u>0.2</u>	<u>0.2</u>
Total Revenue	13.3	26.6	9.6	16.7
Total Revenue Available	\$75.6	\$42.2	\$18.2	\$18.9
Expenditures	34.9	28.3	16.0	17.5
Reserves and Lapses	0.0	-1.7	0.0	0.0
Encumbrances and Continuing Balances	<u>10.1</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total Expenditures and Reserves	\$45.0	\$26.6	\$16.0	\$17.5
Transfer to General Fund	-15.0	-7.0	0.0	0.0
Closing Balance -- June 30	\$15.6	\$8.6	\$2.2	\$1.4

2. If the current level of authorized expenditures would be continued for financial assistance and staff, expenditures would total \$28.0 million annually in the 2001-03 biennium. Expenditures would total \$56.0 million over the biennium instead of \$33.5 million under the bill, or \$22.5 more over the biennium. Under current law expenditures and revenue, the recycling fund would be in deficit by \$21.1 million on June 30, 2003. Under current law, the Department of Administration and state agencies would have to manage expenditures so that they would be \$21.1 million less than authorized base levels during the biennium.

A. DNR Municipal and County Recycling Grants

3. During the last 12 years, the largest recycling program expenditure has been for the DNR municipal and county recycling grant program, which provides financial assistance to responsible units of local governments for a portion of eligible recycling expenses. Approximately two-thirds of cumulative recycling fund expenditures have been for the municipal and county recycling grant program. A responsible unit is the local unit of government responsible for implementing state-mandated recycling programs and can be the town, village, city, county, Indian Tribe or multiple-jurisdiction unit.

4. When the program was created in 1990, the grant program was designated to end with calendar year 1999 grants. 1997 Act 27 increased the amount of grant funding for 1999 from the \$17,000,000 originally specified to \$24,000,000 (the same as for 1998) and extended the grant program through the year 2000 with \$24,000,000 in grant funding. 1999 Act 9 increased the annual amount of grant funding to \$24,500,000 beginning in 2000 and established that amount as an annual appropriation, with no statutory end date for grant funding.

5. SB 55 would reduce base funding for municipal and county recycling grants by \$10,500,000 SEG in 2001-02 and \$11,000,000 SEG in 2002-03 from the recycling fund to reduce grant funding from \$24,500,000 in 2000-01 (calendar year 2001) to \$14,000,000 in 2001-02 (calendar year 2002) and \$13,500,000 in 2002-03 (calendar year 2003).

6. Municipal and county recycling grants averaged 30.4% of the estimated net eligible recycling costs of responsible units of local government in 2000 and 29.0% in 2001. Local governments use the grants to implement "effective recycling programs" that include specific components, and to comply with the landfilling and incineration bans that prohibit certain recyclable materials from being landfilled (for example, newspapers, aluminum cans and glass containers). The remainder of local recycling programs costs are paid by the local government. Local governments indicate that the main local revenue sources for recycling programs are: (a) the state grant program; (b) local property tax revenues; and (c) in some communities, volume-based or other user fees. The average municipal and county recycling grant as a percent of net eligible costs has decreased from almost 52% in 1992 to 29% in 2001. Table 3 shows the grant as a percent of net eligible costs from 1992 through 2001.

7. At the time the program was created the state promised to provide municipal grants through 1999. That obligation has been met. 1999 Act 9 provided additional funding for financial assistance to local governments of \$49 million for the 1999-01 biennium (2000 and 2001). The bill would provide \$27.5 million for two additional years of local recycling grants (through 2003). Some would argue that the state has met its obligation to fund local recycling programs and that state support of local recycling programs should be discontinued.

8. The markets for recyclable materials and goods made from recycled materials have not developed as envisioned in 1989. Therefore, revenues received by municipalities for the sale of recyclable materials have been disappointing and net costs of operating local recycling programs

have remained high.

TABLE 3

**Municipal and County Recycling Grants: Eligible Cost,
Grant Award and Award as Percent of Costs
(\$ Millions)**

<u>Year</u>	<u>Net Eligible Recycling Costs</u>	<u>Grant Award</u>	<u>Grant Award as Percent of Net Eligible Costs</u>
1992	\$35.6	\$18.5	52.0%
1993	48.5	23.7	48.9
1994	56.5	29.8	52.7
1995	61.0	29.1	47.7
1996	66.3	29.2	44.0
1997	68.8	29.2	42.4
1998	71.4	23.9	33.5
1999	73.3	24.1	32.9
2000*	80.3	24.4	30.4
2001*	84.2	24.4	29.0

*estimate

9. Local governments argue that the state imposes a mandate for them to administer effective recycling programs and that the state should either help fund the mandate or eliminate the requirements for local governments to administer recycling programs. Some argue that the total amount of state funding for local recycling grants should not decrease below the current level of \$24,500,000, which would continue to provide roughly 30% of local recycling program expenses on average. Others argue that the state should pay a higher percentage of local recycling program expenses, and that doing so would allow local governments to reduce the increase in local property taxes or use the revenues on other local programs.

10. Under the bill, the average municipal and county recycling grant would be approximately 16% of the net eligible recycling expenses, assuming approximately a 3% annual growth in local government recycling program costs. Some would suggest that the amount of state funding for local recycling grants should remain at the current levels (\$24.5 million) or increased to funding levels provided in some previous years (\$29.2 million), in order to fund a greater portion of local recycling program expenses. For example, if \$20,000,000 would be provided in each year, state grants would fund an average of approximately 23% of local recycling program expenses in 2002 and 2003. If the current level of \$24,500,000 in annual grants would be provided in each year, as was provided for calendar years 2000 and 2001, state grants would fund an average of approximately 28% of local recycling program expenses in 2002 and 2003. If \$29,200,000 would be provided in each year (as was provided for calendar years 1995 through 1997), state grants would fund an average of approximately 33% of local recycling program expenses.

11. There is wide variation among responsible units in the grant award as a percent of net eligible recycling costs. While the average 2000 grant was 30.4% of net eligible recycling costs, 10.4% of responsible units received grant awards equaling 60% or more of net eligible costs. This

is shown in Table 4. The variation in 2000 grant awards reflects the complex formula that existed prior to 2000, that considered both eligible costs, minimum per capita funding levels and a supplemental grant for responsible units that implemented a system of volume-based fees (user fees charged to residents for some portion of their solid waste, based on volume.) For grant years 2000 and after, the grant formula provides each responsible unit with the same percentage of total grant funds as the responsible unit received in 1999, and caps the grant at the current year's net eligible recycling costs.

TABLE 4

**2000 Municipal and County Recycling Grant Award
as a Percent of Net Eligible Recycling Costs**

<u>Award as % Of Net Eligible Recycling Costs</u>	<u>Percentage of Responsible Units with Portion of Costs Covered</u>	<u>Percentage of Population in Responsible Units</u>
0.1% to 19.99%	13.2%	10.6%
20 to 39.99	61.0	70.4
40 to 59.99	15.4	10.6
60 to 79.99	6.7	4.8
80 to 100	<u>3.7</u>	<u>3.6</u>
Total	100.0%	100.0%

12. A January, 2001, Legislative Audit Bureau (LAB) evaluation of state recycling programs examined questions related to the cost-effectiveness of local recycling programs. Among the LAB findings were: (a) in most cases, as municipalities spend more per capita, they collect more recyclable materials per capita; (b) the relationship between the size of a responsible unit's recycling grant and the amount of recyclables collected is relatively weak; (c) responsible units with average grant sizes recycled widely varying amounts of recyclable materials, with municipalities with grants near the statewide average of \$4.64 per capita collecting between 43.8 and 695.0 pounds of recyclable materials per capita; and (d) responsible units that collected similar pounds of recyclables per capita to the statewide average of 292 pounds per capita received dissimilar per capita grant amounts, ranging from \$1.75 to \$7.25 per capita in 1999.

13. Some suggest that the grant formula should be changed so that it is not indefinitely linked to the percentage of total grant funds that each responsible unit received in 1999. Some would argue that available grant funds should be distributed on a per capita basis, capped at the responsible unit's net eligible costs. Under this approach, the \$14.0 million provided in the bill for 2001-02 would equal roughly \$2.64 per capita (based on a population of 5.3 million) and the \$13.5 million provided for 2002-03 would equal roughly \$2.55 per capita.

14. Another per capita distribution grant method would be similar to that adopted by the

Legislature in the 1999-01 biennial budget, but item vetoed by the Governor. In 1999 Act 9, Governor Thompson vetoed a per capita grant distribution enacted by the Legislature that would have provided that a responsible unit would receive a grant amount of \$7.90 per capita for the entire responsible unit population if 50% or more of the population is served by a curbside collection program that collects the recyclable materials banned from landfills at least once per month or a grant amount of \$4.40 per capita for the entire responsible unit population if more than 50% of the population is served by drop-off collection. The Legislature would have provided \$37,800,000 annually for municipal and county recycling grants. The grants would have been limited to the eligible costs incurred by the responsible unit two years earlier and reported to DNR in the previous year. In his veto message, Governor Thompson indicated that he objected to creating a per capita distribution formula without a full discussion of the impact on local governments and that the veto would reduce the administrative burden on local governments and DNR.

15. While a per capita grant distribution may simplify grant administration, some suggest that it may not reward local recycling programs that reduce costs. Others suggest that a per capita grant distribution would encourage responsible units with per capita costs that are higher than the per capita grant amount to reduce costs in order to minimize the local share of recycling expenditures. The LAB evaluation suggests that if the grant formula is shifted from the former cost-based model to a standard per capita grant that is adjusted for whether or not curbside service is mandated by law for the community, it might remove any incentive responsible units may have to shift costs such as equipment or administrative expenses from solid waste services to the recycling grant program.

16. Local governments that currently receive grants exceeding the per capita grant would experience a decrease in their grant under a shift to a per capita grant. Local governments whose current grant is less than the per capita grant would experience an increase in their grant under a per capita distribution. In comparison, the former grant formula, upon which 2000 and subsequent year grants are based, arguably rewarded cost increases, because the grant increases as local recycling program costs increase.

17. DNR staff indicate that a per capita grant distribution with costs capped at net eligible costs would take only slightly less time to administer than the current grant formula. Responsible units would still need to apply for grants, DNR would still need to review net eligible costs and effective program status, and responsible units would still need to submit a final report after the calendar year that describes actual expenses.

18. A per capita grant distribution formula that would not be capped at net eligible costs would be considerably simpler to administer than the current formula or than a per capita formula that is capped at net eligible costs. However, it would provide grants in excess of 100% of net eligible costs to responsible units that have costs less than the per capita grant distribution amount. It could be argued that the state should not provide recycling financial assistance that exceeds 100% of a responsible unit's recycling program costs.

19. One of the several effective recycling program criteria that responsible units must

meet is a standard for the pounds of material collected per capita per year, set in administrative rule at 82.4 pounds per capita for rural municipalities (those municipalities with a permanent population of 70 persons per square mile or fewer) or 106.55 pounds per capita in other municipalities. The LAB evaluation indicates that in 1999, 281 responsible units, or more than one-fourth of the 1,010 responsible units receiving grants that year, did not meet the total per capita collection standard, and that those responsible units received \$5.1 million in grants, or 21.2% of grants awarded in 1999. The LAB evaluation states that DNR takes no action against municipalities that fail to meet collection standards. Prior to 2000, responsible units that did not meet the collection standard were required to request an exemption from DNR and were notified of DNR's determination. Beginning in 2000, municipalities requesting exemptions were instructed by DNR that they would receive them unless informed otherwise. DNR has never denied a municipality's request for an exemption from the collection standard. If DNR were to deny a municipality's request, the responsible unit would lose its effective recycling program status. Thus, a municipality would not be allowed to dispose of residual amounts of recyclables in solid waste, and would not be able to dispose of waste within Wisconsin. DNR staff indicated that they believe that if a municipality does not meet the per capita collection standards, it would not be enough of a noncompliance issue to prompt revocation of effective program status, and they believe it would be detrimental to the environment and public health to deny a responsible unit permission to dispose of waste in Wisconsin.

20. The LAB evaluation indicates that DNR currently has no practical means of enforcing per capita collection standards. DNR has no means of sanctioning responsible units for failure to meet effective program criteria other than revoking effective program status and thus prohibiting responsible units from disposing of solid waste in Wisconsin. DNR has never revoked a responsible unit's effective program status. The Committee could consider amending the grant eligibility provisions to establish penalties for noncompliance with effective program criteria. For example, DNR could be directed to reduce the grant amount of a responsible unit that is determined to be noncompliant with effective program criteria by at least 10% in the following grant year. DNR could be directed to promulgate administrative rules to implement penalty provisions.

21. The bill would require that responsible units of local government seeking financial assistance under the municipal and county recycling grant program submit an application on forms provided by DNR and delete the requirement that an application provide the following information: (a) documentation that the financial assistance will result in the responsible unit maintaining an effective recycling program that meets statutory criteria (the bill would maintain the requirement that the responsible unit operate an effective recycling program); (b) a financial report on the activities that have been or are likely to be funded by the grant in the preceding grant period, including a statement of whether any portion of that preceding grant was or is likely to be spent on activities not related to the requirements of the municipal and county recycling grant program; (c) information on financial incentives that the responsible unit is using or plans to use to encourage reduction of the amount of solid waste generated or disposed of in the region; and (d) information concerning user fees used or proposed to be used to finance costs of the recycling program and, if no user fees are used, an explanation of why they are not used.

22. The proposed changes in information to be included in grant applications are

intended to simplify application procedures. DNR indicates that the changes would reflect that current requirements are sometimes redundant with materials required to be submitted as part of the effective program certification process.

B. DNR Administration

23. SB 55 would reduce funding for DNR recycling administration by \$931,300 SEG and 11.0 SEG positions in 2001-02 and \$927,400 SEG and 11.0 SEG positions in 2002-03 from the recycling fund. This would decrease DNR recycling staff from 19 positions in 2000-01 to 7.0 beginning in 2001-02. The bill also deletes 1.0 project position under standard budget adjustments. 1999 Act 9 reduced DNR recycling staff from 28.5 in 1998-99.

24. The administration indicates that the rationale for deleting DNR positions was to reduce administrative costs by an amount that was needed to provide the amounts recommended for appropriation to recycling grant programs. DOA further indicated that it expects DNR to reallocate existing resources, reprioritize, find creative ways to do more with less, and be more innovative and cost-effective in administering the state recycling programs.

25. In the DNR waste management program, the bill would delete \$480,300 in 2001-02 and \$476,400 in 2002-03 with 7.0 positions annually from the recycling fund for recycling administration. These positions include Air and Waste Division staff in the central office who perform policy development, administrative, planning, evaluation, markets directory and data management functions and regional staff in five regional offices who provide technical assistance and outreach to local governments and also process applications for the municipal and county grant program. Under the bill, \$414,500 with 5.0 positions would remain in 2001-02 and \$400,900 with 5.0 positions in 2002-03 would perform these functions.

26. DNR waste management program staff indicate that under the staff reductions in the bill, the program would develop a plan for decreasing the amount of time spent on recycling activities to reflect staff levels of five instead of 12 positions. DNR staff indicate that in 1999-01, under the 1999 Act 9 reductions of waste management staff levels from 15.75 (excluding the project position which the waste management program has loaned to the communication and education program and which will expire in October, 2001) to 12 positions, the waste management program has spent less time visiting responsible units for review of effective program status, providing technical assistance to responsible units, haulers and others, working with local governments on enforcement issues, and working with recycling markets issues related to various commodities.

27. The LAB program evaluation reviewed the functions performed by waste management recycling staff and time reported by them on recycling activities in 1999-00. The LAB evaluation indicates that work activities coded directly to recycling activities represented a total of approximately 7.5 FTE positions, and that hours totaling an additional 0.9 FTE were apportioned from "integrated" work effort involving solid waste, hazardous waste, mining and recycling, for a total of 8.4 FTE positions compared to the authorized 12.0 positions. The LAB evaluation indicates

that DNR staff believe as much as 10% of work hours recorded for solid waste activities was miscoded by staff and actually represented recycling work effort. The LAB evaluation indicated that because of DNR's belief that staff under-report recycling work, a fully accurate and documented determination of the amount of recycling work performed by Bureau of Waste Management staff may not be possible. The LAB evaluation suggested that because municipal recycling programs are mature and the number of DNR staff identified as actually working on recycling is lower than DNR's authorized position level, the Legislature may wish to require DNR to justify its need for the current number of authorized recycling-funded positions.

28. In response to the LAB program evaluation, DNR submitted a recycling staff utilization report to the Co-Chairs of the Joint Committee on Finance on March 30, 2001. The report indicates that DNR believes that a problem existed with the precision of staff time reporting. The DNR report provides a description of an estimated 11.95 FTE of staff time that was or will be spent on recycling-related activities during 2000-01. An additional 2.3 recycling fund positions are vacant. The DNR report states that recycling-related work includes the following activities: (a) waste reduction and recycling activities such as recycling annual report reviews, responsible unit program audits, development and distribution of recycling publications, developing and participating in workshops and conferences related to recycling, technical assistance to communities, haulers and others on recycling issues, compliance assistance and enforcement; (b) activities related to encouraging recycling of and developing recycling infrastructure for non-traditional items such as computers, electronics, carpets, construction and demolition debris and food waste; (c) recycling-related solid waste work such as siting, licensing and compliance activities at yard waste and composting sites, verification of compliance with the recycling law during solid waste landfill inspections, tire management activities, complaint response related to haulers disposing of recyclables in landfills, medical waste reduction activities and waste reduction annual reports; and (d) waste reduction and reuse work related to beneficial reuse of high-volume industrial wastes, innovative cooperative environmental agreements, mercury reduction and management, and hazardous waste pollution prevention.

29. Some would argue that the staff reductions under the bill in the waste management program could significantly affect the program's ability to administer recycling provisions. Others would argue that DNR has not provided adequate documentation that it is utilizing currently authorized recycling funded staff for recycling activities. A possible alternative to the bill's deletion of 7.0 positions in the waste management program would be to delete 3.6 positions for which the LAB found no documentation of recycling-related work hours. Under this alternative, the waste management program would retain 8.4 of 12.0 currently authorized positions instead of 5.0 under the bill.

30. In the Administration and Technology Division, the bill would delete \$87,300 and 1.0 position annually from the recycling fund related to accounting, audit of recycling grants, purchasing and other financial management recycling-related responsibilities (0.5 auditor and 0.5 accountant). Under the bill, no staff funded from the recycling fund would be provided to perform these functions. The Division would retain funding of \$117,800 annually for departmental rent and facilities costs and \$24,800 annually for operations in DNR service centers and administrative

facilities throughout the state, including utilities, janitorial services, building and ground maintenance, telephone costs and other operations costs. Under the bill, the Administration and Technology Division would have to reallocate funding from non-recycling funding sources to pay for recycling-related accounting, purchasing and audit functions.

31. The bill would maintain the requirement that DNR annually audit at least 5% of the recipients of municipal and county recycling grants. The LAB program evaluation found that DNR has not met the statutory audit requirement, and had audited a high of 1.6% of responsible unit grants for 1996. The LAB evaluation found that DNR disallowed almost \$1.5 million in claimed costs from 1995 to 1999, leading to a decrease in \$114,000 in grants to audited responsible units, or 1.6% of grants to those responsible units. DNR staff indicated that the agency does not have sufficient recycling-funded audit staff to complete the required number of audits, and the 0.5 auditor position is also responsible for audits of the waste reduction and recycling demonstration grant program. The LAB evaluation recommended that DNR apply the 0.5 auditor position entirely to audits of municipal recycling grants. In the DNR response to the LAB evaluation, the Department indicated that the current 0.5 auditor staff allocation is insufficient to audit at least 5% of grant recipients annually, and that DNR would continue to conduct audits using risk assessment and statistical sampling practices, which has been used to audit \$6.6 million (4.9%) of \$135.6 million of grant funds between 1995 and 1999.

32. The DNR response to the LAB evaluation indicated that the Department would request that the Legislature delete the 5% audit requirement because it is not necessary to maintain the recycling program's financial integrity. If the audit position is deleted under the bill, the Committee could consider deleting the audit requirement as well. However, as noted in the LAB evaluation, auditing of municipal and county recycling grants is important to ensure all reported costs were actually incurred and to ensure that communities do not include some of their solid waste disposal costs with grant-eligible recycling costs. Another alternative would be to retain the audit requirement but require DNR to audit grants equaling 5% of total grant funds rather than to audit 5% of grants.

33. In the cooperative environmental assistance program in the Customer Assistance and External Relations (CAER) Division, the bill would delete \$96,600 and 1.0 position annually from the recycling fund related to business sector assistance. Business sector specialists help businesses obtain information, approvals and technical assistance from the Department. The bill would fund eight business sector specialists from other funding sources. This would be no change from the current number of authorized business sector specialists because the bill moves a position from the air management program funded from air emissions fees to the cooperative environmental assistance program to provide three of eight business sector specialists funded from air emissions fees.

34. DNR staff indicate that business sector specialists have a primary goal of facilitating effective working relationships between businesses and DNR. They help business and industry comply with environmental regulations or to go beyond compliance by using recycling and waste reduction practices. DNR indicates that under the bill, the Department would shift some business

sector assistance from recycling and waste reduction to an air emissions focus.

35. In the communication and education program in the CAER Division, the bill would delete \$190,100 and 1.0 position annually to delete the use of the recycling fund for recycling informational and education functions. The \$190,100 in deleted funds also includes \$50,000 in limited-term employee salaries and \$60,300 for supplies for staff and distribution of publications and educational materials.

36. DNR staff indicate that under the bill, the Department would discontinue activities such as developing and distributing waste reduction and recycling publications, providing outreach to youth and students, preparing new releases, preparing and distributing materials to inform audiences of changes in recycling law and rules, providing outreach to businesses, promoting grant programs, researching and reporting on the progress of the recycling program and maintaining a recycling markets directory.

37. The bill maintains the current requirement that DNR collect, prepare and disseminate information and conduct educational and training programs designed to assist in the implementation of recycling programs and that are targeted to a statewide audience. It could be argued that if no recycling fund monies are appropriated for information and educational activities related to recycling, the statutory requirement that DNR perform such activities should be eliminated.

38. In the community financial assistance program in the CAER Division, the bill would delete \$77,000 and 1.0 position annually for administration of the municipal and county recycling grant program, waste reduction and recycling demonstration grant program and the proposed regional recycling grant program. Under the bill, \$77,100 with 1.0 position would remain to administer the three grant programs.

39. The Bureau of Community Financial Assistance indicates that it would not be able to administer the local recycling grant program and demonstration grant program with the 1.0 position that would remain under the bill for these activities. The Bureau indicates that currently, the two authorized positions spend approximately 1.75 FTE on the municipal and county recycling grant program and the remaining 0.25 FTE on the waste reduction and recycling demonstration grant program. The Bureau indicates that the 1.0 remaining position would not have time to develop and implement the proposed regional recycling grant program. The Bureau suggests that under the bill, it could provide one grant cycle during the biennium instead of two annual grant cycles under the municipal and county recycling grant program, could not administer the waste reduction and recycling demonstration grant program and could not develop the new regional recycling grant program created under the bill.

40. In 1997-99, DNR administered the municipal and county recycling grant program and the waste reduction and recycling demonstration grant program with a total of approximately 6.0 to 6.5 full-time equivalent staff effort, including 3.5 SEG recycling fund positions and six limited-term employees. In 1999 Act 9, this was reduced to 2.0 positions and no limited-term

employees. Restoring the position and funding deleted under the bill could be considered. Alternatively, some have suggested changing the grant formula to a more simplified formula to reduce the need for administrative staff. However, DNR staff believe that if the grant formula would be modified to a per capita method, capped at net eligible costs, as suggested by some, it would result in only a slight reduction in staff time to administer the grant programs.

41. The bill would maintain base funding of \$111,700 and 1.0 position annually for recycling enforcement that is provided by allocating a portion of the time of environmental wardens throughout the state.

C. DNR Regional Recycling Grant Program

42. The bill would provide \$2,000,000 SEG annually beginning in 2002-03 from the recycling fund for a new regional recycling grant program. DNR would provide grants to groups of local governments, on a competitive basis, to assist the groups to establish regional recycling programs. The program would include the following requirements: (a) DNR would be required to select grant recipients based on the potential for reducing the costs of operating local recycling programs; (b) the grant amount could not exceed twice the amount contributed by the grant recipient, meaning that for every \$2 grant, the recipient would be required to contribute at least \$1; (c) no group of local governments could receive more than one grant under the program; (d) a grant could be used for (1) planning, (2) acquiring a regional recycling processing facility and equipment for such a facility, and (3) developing a regional collection system; (e) DNR would be required to promulgate administrative rules for administration of the grant program; and (f) DNR would be authorized to promulgate administrative rules, without the finding of an emergency, for administration of the program.

43. DOA indicates that the new regional grant program is intended to help the state shift the focus of recycling from funding to cost reduction and program efficiency and encourage cooperation between local governments. DOA further indicates that multijurisdictional efforts should significantly reduce recycling program costs and the reliance of local governments on state assistance. Finally, DOA indicates that if regional recycling efforts pay off, the administration may consider recommending phasing out of the current municipal and county recycling grant program and having only the regional recycling grant program.

44. While DOA anticipates that the regional recycling grant program could someday replace the existing municipal and county recycling grant program, the bill would provide that no group of local governments could receive more than one grant under the program. Therefore, it appears that the proposed grant program is intended to assist in the startup of regional recycling efforts rather than to fund ongoing operational costs of local recycling programs.

45. Examples of potential applicants for the regional grant program would be two or more towns that want to develop a plan for a shared collection system for recyclables or a group of municipalities or counties that want to purchase or construct a recyclable materials recovery facility.

DNR would have to promulgate rules to define a regional recycling program.

46. The Kettl Commission, LAB evaluation of state recycling programs and others advocate providing incentives for local governments to join together to provide services and collect, process and market recyclable materials. Advocates of regional approaches to recycling suggest that it may be more cost-effective for the affected communities and for the state if the state would provide financial assistance to less than the current 1,000 responsible units.

47. Local governments and waste haulers have varying opinions about the advantages and disadvantages of consolidating the provision of recycling services. When the recycling law was created, local control and decision-making was an important part of the structure of local recycling programs. While some would argue that consolidation would reduce local and state recycling program costs, others would argue that consolidation would diminish local control over recycling program administration and services.

48. It could be argued that a new recycling grant program should not be created in a biennium when state financial assistance to be provided through the municipal and county recycling grant program may decline by 44% during the biennium. Under this argument, the proposed program could be deleted and the \$2,000,000 in 2002-03 could be transferred to the municipal and county recycling grant program.

49. Alternatively, it could be argued that the proposed regional recycling grant program would provide the state and local governments an opportunity to explore ways of consolidating the provision of local recycling services. The program could be reviewed during 2003-05 biennial budget deliberations.

D. DNR Waste Reduction and Recycling Demonstration Grants

50. DNR administers the waste reduction and recycling demonstration grant program to provide cost-share grants to municipalities, public entities, businesses and nonprofit organizations for projects that implement innovative waste reduction and recycling activities. The bill continues base funding of \$500,000 SEG for the demonstration grant program. A grant may not exceed 50% of the projects actual 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 that cumulatively totals more than \$250,000. The program has focused funding efforts in recent years on increasing recycling of construction and demolition debris, expanding recycling of special wastes, establishing local partnerships and developing and implementing community-wide waste reduction programs. In 1999 Act 9, DNR was also directed to provide grants to the Wheelchair Recycling Project, a private non-profit organization, totaling \$175,000 in 1999-00 and \$150,000 in 2000-01 for refurbishing used wheelchairs and other mobility devices and returning them to use by persons who otherwise would not have access to needed or appropriate equipment. No ongoing grants are provided for the Wheelchair Recycling Project.

51. Some argue that the demonstration grant program should continue because it has

provided a useful tool for identifying innovative technology, encouraging waste reduction efforts and providing initial funding for projects that have later borrowed funds from the Recycling Market Development Board for larger projects. Under this perspective, the program should continue to encourage the development of markets for recyclable materials.

52. Others believe that markets have matured to the point where the state should no longer be involved in, or as involved as in the past, in seeking projects to be funded through a demonstration grant program. Further, DNR argues it would have insufficient staff resources under the bill to administer the program. If state funding of recycling activities is going to be reduced, grants under the demonstration grant program could also be reduced or eliminated.

53. The demonstration grant program will have an unencumbered carry-forward balance of approximately \$200,000 to \$400,000 at the end of 2000-01. This balance will be available for grants in the 2001-03 biennium. If the appropriation is reduced, for example by \$250,000 or half of the current \$500,000 base funding, the program would still have \$700,000 to \$900,000 for grants in the 2001-03 biennium.

E. Recycling Market Development Board

54. The bill provides the Recycling Market Development Board within the Department of Commerce with continued base funding of \$130,100 SEG from the recycling fund with 2.0 positions and \$2,300,000 PR annually from loan repayments for financial assistance. Commerce is authorized to spend all monies received from loan repayments.

55. In 1999 Act 9, the RMDB was restructured to operate directly within the Department of Commerce, reducing its quasi-independent status. Act 9 also eliminated use of the recycling fund for financial assistance. The RMDB administers several recycling market development programs, primarily loans to encourage the use of materials recovered from solid waste as a raw material in production, loans to encourage businesses to research and develop innovative ways to utilize recovered materials, and recycling early planning grants to small businesses and entrepreneurs to evaluate the feasibility of a proposed business start up or expansion.

56. The RMDB will award \$433,000 in grants required by 1999 Act 9 and approximately \$1.4 million in other financial assistance (mostly loans) during the 1999-01 biennium. The Act 9 awards include: (a) \$50,000 annual grant on an ongoing basis to WasteCap Wisconsin Inc., a private, nonprofit organization that provides waste reduction and recycling assistance through business-to-business peer exchange; (b) an annual contract on an ongoing basis to the statewide materials exchange program that received funding from the RMDB in the 1997-99 biennium (the statutes do not specify the grant amount but Commerce provided \$100,000 in each of 1999-00 and 2000-01 to the Business Materials Exchange of Wisconsin); and (c) a one-time \$133,000 grant in the 1999-01 biennium to the West Central Wisconsin Biosolids Facility Commission for a feasibility study related to sludge-based products and biosolid materials.

57. The RMDB has stated, that in light of the fact that the financial assistance

appropriation is entirely dependent on loan repayments, it is not inclined to provide grants other than small recycling early planning grants. The bill retains the current requirement that the RMDB continue to provide grants of \$50,000 annually to WasteCap Wisconsin, Inc. and an annual grant to the Business Materials Exchange of Wisconsin. The bill could be amended to delete these statutory designations in order to maximize the use of available loan repayments for future loans. However, some would argue that the statutory designations should continue in order to provide state support to these organizations.

58. Commerce will have approximately \$3.6 million to \$4.0 million in loan repayments available during the 2001-03 biennium (including approximately \$2.4 million to \$2.8 million of loan repayments received before July 1, 2001 and approximately \$1.2 million that will be received during the 2001-03 biennium). Additional loans will generate additional loan repayments. The financial assistance appropriation could be reestimated from \$2,300,000 to \$2,000,000 PR annually to reflect anticipated revenues.

59. While the RMDB is authorized two positions, one position has been vacant for almost a year. It could be argued that one position is sufficient to administer the \$1.8 million of financial assistance that was provided in 1999-01 and the anticipated level of perhaps \$2.0 million annually during 2001-03. The bill could be amended to delete the vacant position and \$64,300 SEG annually from the recycling fund. It should be noted that while the bill retains two positions for administration of approximately \$2.0 million in RMDB financial assistance activities annually, the bill decreases DNR staff for grant administration from two to one to administer current recycling grant programs and develop a new regional recycling grant program.

60. Over the past ten years, recycling market development programs have been changed several times in an attempt to focus state funds on activities that would increase the markets for recycled materials. However, global conditions have impacted markets for recycled materials in ways that state financial assistance has not been able to counteract.

F. Department of Corrections

61. The Department of Corrections administers a computer recycling program under which inmates at the Taycheedah Correctional Institution (TCI), the Racine Youthful Offender Correctional Facility (RYOCF) and the Jackson Correctional Institution (JCI) dismantle and salvage donated computers. The goals of the program are to: (a) reduce the amount of information technology equipment deposited in landfills; and (b) provide personal computers for educational and training purposes to state agencies and non-profit organizations at a low cost. As of May, 2001, 43 male inmates at RYOCF and 15 male inmates at JCI dismantled donated computers, while 11 female offenders at TCI were employed testing, cleaning and assembling computers for sale.

62. In 1997 Act 237, the Department of Corrections was provided a one-time \$409,800 grant in 1998-99 from the DNR waste reduction and recycling grant program from the recycling fund with 4.0 PR one-year project positions for the computer recycling program. In 1999 Act 9,

funding of \$500,000 SEG in 1999-00 and 2000-01 was provided for the program as a direct appropriation from the recycling fund, rather than a grant, and 4.0 SEG two-year project positions were created (2.0 at RYOCF and 2.0 at TCI). Total program expenditures in 1999-00 were \$374,800 SEG. As of May 1, 2001, the program has expended and encumbered \$452,100 SEG.

63. According to Corrections, during 1999-00, 54,000 pieces of computer equipment were donated to the project and 800 complete computer units (computer processing unit, monitor, keyboard and mouse) were reconstructed for sale. The sale of computers generated approximately \$14,700 in 1999-00. In addition, Corrections collected \$18,700 for the disposal of computer monitors and \$12,100 from the sale of scrap computer materials.

64. The bill provides \$145,800 SEG in 2001-02 and \$145,600 SEG in 2002-03 for 4.0 SEG positions annually for continuation of the computer recycling program. Under the bill, funding and position authority associated with 4.0, two-year project positions provided in the 1999-01 biennial budget for computer recycling are removed as noncontinuing elements under standard budget adjustments. The bill restores the 4.0 positions as permanent, rather than project. Adjusted base funding for the computer recycling program is \$511,600 SEG. Under the bill, total funding for the program (including standard budget adjustments and rent cost increases) would be \$386,300 SEG in 2001-02 and \$387,200 SEG in 2002-03 with 4.0 SEG positions annually.

65. Based on data from Corrections, as of May, 2001, the program has generated \$73,600 in revenue in 2000-01, with expenditures and encumbrances of \$37,100 to partially offset overhead costs associated with the project. The project does not generate sufficient revenues to pay the costs of the project.

66. Corrections indicates that the computer recycling program provides "a meaningful education and work activity for inmates. It has diverted tons of used computer equipment from Wisconsin landfills. It has properly disposed of hazardous wastes from monitors that otherwise would have ended up in Wisconsin landfills. In addition, the program provides a useful service to state agencies and others by disposing of outdated computer equipment." The Department further states that: "The remanufactured equipment is sold at a nominal cost to non-profit agencies for educational uses. The agencies receiving the remanufactured computers tend to be in financial situations that would not allow them to purchase new or used equipment from the private sector. Many of the remanufactured units have been placed in daycare centers, schools and with disabled individuals. A new initiative will provide computers to some W-2 participants."

67. In its 2001-03 budget request to the Governor, the Department requested that the program be funded using GPR (\$383,500 GPR in 2001-02 and \$384,400 GPR in 2002-03 and 4.0 GPR positions annually). While SB 55 provides approximately the same total funding amount requested by Corrections (minor adjustments were made in calculating salaries), the Governor continued to fund the program using SEG revenues from the recycling fund. Some would argue, however, that the state should not use recycling fund monies to recycle computers formerly used by state agencies and to provide employment skills for inmates. Under this argument, the state could either eliminate recycling fund support for the program or use general purpose revenues for these

activities (\$386,300 GPR in 2001-02 and \$387,200 GPR in 2002-03 and 4.0 GPR positions annually).

68. In addition to the increased funding and position authority recommended by the Governor, under the bill Corrections has resources of \$240,500 SEG in 2001-02 and \$241,600 SEG in 2002-03 for computer recycling. These costs are related to base-level supplies and services and permanent property costs, and standard budget adjustments and rent costs in the Department. If the provisions of SB 55 are not adopted and additional GPR is not provided, these resources should also be deleted. In addition, the SEG appropriation in Corrections related to computer recycling could be repealed.

G. University of Wisconsin System

69. The bill would delete \$204,900 SEG annually and 0.5 SEG position from the recycling fund to the UW System for solid waste experiment centers and grants made by the Solid Waste Research Council. Of this amount, \$36,300 supports the cost of a 0.5 program manager position associated with the University's two solid waste experiment centers which were established in 1989 to develop, demonstrate, promote and assess the costs and environmental effects of alternatives to solid waste disposal. The remaining funds are used for grants for research relating to: (a) alternatives to solid waste disposal, including the reuse and recycling of materials, composting, source separation and the disposal of household hazardous waste; and (b) development of products made from recycled materials and markets for those products. Grant recipients are recommended by the Solid Waste Research Council, which was created in 1989 Act 31 to advise the UW System regarding the awarding of the grant funds. For 2000-01, 16 recipients were awarded a total of \$168,400.

70. One could argue that, since neither the solid waste experiment centers nor the research projects are related exclusively to recycling issues, they should not be supported from the recycling fund. However, current law requires the Board of Regents to conduct research into alternatives to solid waste disposal and the safe disposal of solid waste that cannot be composted or recycled. The Board is also required to appoint a Solid Waste Research Council to advise the Board on the awarding of the research funds. While these activities were funded with GPR monies prior to 1997-98, a provision in 1997 Act 27 converted the funding from GPR to the segregated recycling fund.

71. The administration submitted a budget errata report that indicated the intent to eliminate these statutory requirements along with the associated funding. If the Committee approves the Governor's recommendation to delete use of the recycling fund for these activities, it could choose to also eliminate these statutory requirements. It could also delete the statutory requirements that: (a) the Council on Recycling, an advisory group attached to DNR that promotes and advises on the implementation of state programs related to solid waste reduction, recovery and recycling, advise the University of Wisconsin concerning research related to solid waste reduction, recovery and recycling; and (b) the DNR coordinate research and technical assistance programs

with related activities of the University of Wisconsin System.

72. Alternatively, the Committee could choose to retain the current statutory requirements and the Board of Regents would need to reallocate base funding to carry out these responsibilities.

H. University of Wisconsin - Extension

73. The bill would delete \$336,900 SEG and 4.0 SEG positions annually from the recycling fund for the UW-Extension Solid and Hazardous Waste Education Center (SHWEC). The Center, with branches at UW-Madison, UW-Stevens Point, UW-Green Bay and UW-Milwaukee, was created in 1989.

74. Positions within UW-Extension are authorized to provide statewide information on hazardous pollution prevention and to provide educational and technical assistance related to recycling and recycling market development. The Center also provides information on waste reduction; produces written materials, educational teleconference network programs, satellite conferences and video productions; and offers technical assistance to local governments and businesses on recycling, hazardous waste management, pollution prevention, source reduction and other cost effective waste reduction programs. Workshops offered through the recycling program at SHWEC have included information on community recycling programs, composting, materials recovery facilities, community and industrial waste reduction and sector specific programs.

75. SHWEC, as a non-regulatory agency, provides this on-site technical assistance free of charge to communities and small businesses that wish to improve resource conservation and regulatory compliance. Although the SHWEC staff do not work in a regulatory capacity, they are familiar with state and federal laws and regulations, and are consulted as experts in the field. The technical expertise provided by SHWEC staff eliminates the need for private consultants, whose services are often difficult to secure due to their small numbers, and who most small businesses may be reluctant to hire, due to their prohibitive cost. Additionally, according to SHWEC staff, many small businesses that contact SHWEC would be reluctant to contact DNR with similar questions regarding compliance, because the businesses are wary of being found to be in violation of laws and regulations. Small business owners are more forthcoming with their questions when dealing with SHWEC than they might be when contacting DNR. SHWEC staff assert that the relationships they have built with businesses and local governments lead to improved understanding and greater compliance overall with a complex set of laws and regulations.

76. To carry out its programs, SHWEC receives funding from various sources. The four recycling fund staff include a recycling market specialist at UW-Green Bay, a commercial/industrial recycling waste reduction specialist at UW-Stevens Point, a recycling markets and source reduction specialist at UW-Madison and a program assistant. The UW-Extension provided SHWEC with approximately \$58,500 GPR and \$15,900 PR in 2000-01 which funds 1.0 position for a waste reduction and management specialist at UW-Milwaukee. SHWEC was provided \$324,100 from the

segregated recycling fund in 2000-01, as well as \$325,000 from various grants, contracts and other revenue sources. UW staff indicate that it is possible that some federal funding that requires state matching funds would also be reduced if the recycling fund monies were eliminated. The University would attempt to continue operating the Centers even without funding from the recycling fund, but staff indicate that the loss of this funding would result in reduced staff and services.

77. It could be argued that, given the limited amount of state funds that are available for the recycling activities, financial assistance to local governments should be a priority. On the other hand, the educational and technical assistance provided by SHWEC can be viewed as an important component of a statewide recycling program.

78. The Board of Regents is statutorily required to establish in the UW-Extension a program of education and technical assistance related to recycling market development. The administration submitted a budget errata report that indicated the intent to eliminate this statutory requirement along with the associated funding. If the Committee approves the Governor's recommendation to delete use of the recycling fund for these activities, it could eliminate this statutory requirement. Further, the current statutory requirements could be deleted that require: (a) the Council on Recycling to advise the University of Wisconsin concerning educational efforts related to solid waste reduction, recovery and recycling; and (b) the DNR to coordinate education programs with related activities of the University of Wisconsin System.

I. Department of Revenue

79. The Department of Revenue administers the surcharge under provisions governing administration of the individual and corporate income and franchise taxes, including provisions relating to audits and assessments, claims for refund, statutes of limitations, IRS adjustments, confidentiality, appeals, collections and setoffs.

80. SB 55 would continue to provide base funding for 1.5 SEG positions annually to administer the recycling surcharge. If the surcharge is continued, the Department of Revenue would continue to need the positions. If the recycling surcharge is eliminated, the positions would no longer be needed.

ALTERNATIVES

Approval of any alternative or combination of alternatives that results in a net expenditure of more than \$1,400,000 in excess of the expenditure levels provided in SB 55 would require provision of additional revenue.

A. DNR Municipal and County Recycling Grants (Change to Base)

1. Approve one of the following funding levels for municipal and county recycling grants during 2001-03:

a. Approve the Governor’s request to provide \$14,000,000 SEG in 2001-02 (calendar year 2002) and \$13,500,000 SEG in 2002-03 (calendar year 2003). This would reduce base funding from \$24,500,000 in 2000-01 by \$10,500,000 SEG in 2001-02 and by \$11,000,000 SEG in 2002-03.

Alternative A1a	SEG
2001-03 FUNDING (Change to Base)	- \$21,500,000
<i>[Change to Bill]</i>	<i>[\$0]</i>

b. Provide \$20,000,000 SEG annually. This would be a decrease of \$4,500,000 annually from base funding. It would be an increase to the bill of \$6,000,000 in 2001-02 and by \$6,500,000 in 2002-03.

Alternative A1b	SEG
2001-03 FUNDING (Change to Base)	- \$9,000,000
<i>[Change to Bill]</i>	<i>[\$12,500,000]</i>

c. Maintain current law grant levels of \$24,500,000 annually. (No action necessary.)

Alternative A1c	SEG
2001-03 FUNDING (Change to Base)	\$0
<i>[Change to Bill]</i>	<i>[\$21,500,000]</i>

2. Approve one of the following regarding information to be submitted to DNR by local governments seeking financial assistance under the municipal and county recycling grant program:

a. Approve the Governor’s recommendation to require that responsible units of local government submit an application on forms provided by DNR and delete the requirement that an application provide the following information: (1) documentation that the financial assistance will result in the responsible unit maintaining an effective recycling program that meets statutory criteria (the bill would maintain the requirement that the responsible unit operate an effective recycling program); (2) a financial report on the activities that have been or are likely to be funded by the grant in the preceding grant period, including a statement of whether any portion of that preceding grant was or is likely to be spent on activities not related to the requirements of the municipal and county recycling grant program; (3) information on financial incentives that

the responsible unit is using or plans to use to encourage reduction of the amount of solid waste generated or disposed of in the region; and (4) information concerning user fees used or proposed to be used to finance costs of the recycling program and, if no user fees are used, an explanation of why they are not used.

b. Maintain current law. (No action necessary.)

3. Approve one or more of the following changes related to the grant formula and distribution of municipal and local recycling grants:

a. Change the formula for distribution of municipal and local grants so that the appropriation is awarded to responsible units of local government with effective recycling programs on a per capita basis. Specify that a responsible unit may not receive a grant of more than its net eligible recycling costs. Retain the current law late application penalty provisions. (The responsible unit receives 95% of the grant amount if it submits its grant application after the October 1 deadline and no later than October 10, 90% of the grant amount if it submits its application after October 10, but no later than October 20, 75% of the grant amount if it submits its grant application after October 20, but no later than October 30, and no grant if it submits its application after October 30.)

b. Change the formula for distribution of municipal and local grants so that the appropriation is awarded to responsible units of local government with effective recycling programs on a per capita basis. Direct DNR to promulgate administrative rules that provide an adjusted per capita grant to responsible units that are required to have curbside collection of recyclable materials. Specify that a responsible unit may not receive a grant of more than its net eligible recycling costs. Retain the current law late application penalty provisions.

c. Direct DNR to reduce the grant amount of a responsible unit that is determined to be noncompliant with effective program criteria by at least 10% in the following grant year. Direct DNR to promulgate administrative rules to implement penalty provisions.

d. Maintain current law. (No action necessary. Responsible units of local government would continue to receive the same percentage of the grant appropriation as the responsible unit received or would have received of the 1999 appropriation, as capped by the projected net eligible recycling costs for each responsible unit, and reduced by any late application penalty.)

B. DNR Administration (Change to Base)

1. Approve one of the following related to recycling staff in the DNR Air and Waste Division waste management program:

a. Approve the Governor’s recommendation to delete \$480,300 SEG in 2001-02 and \$476,400 SEG in 2002-03 and 7.0 SEG positions annually. (The waste management program would retain \$414,500 SEG in 2001-02 and \$400,900 SEG in 2002-03 with 5.0 SEG positions.)

Alternative B1a	SEG
2001-03 FUNDING (Change to Base)	- \$956,700
<i>[Change to Bill]</i>	<i>\$0</i>
2002-03 POSITIONS (Change to Base)	- 7.00
<i>[Change to Bill]</i>	<i>0.00</i>

b. Instead of approving the Governor’s recommendation, delete \$247,000 SEG in 2001-02 and \$245,000 SEG and 3.6 SEG positions. (The waste management program would retain \$647,800 SEG in 2001-02 and \$632,300 SEG in 2002-03 with 8.4 SEG positions.)

Alternative B1b	SEG
2001-03 FUNDING (Change to Base)	- \$492,000
<i>[Change to Bill]</i>	<i>\$464,700</i>
2002-03 POSITIONS (Change to Base)	- 3.60
<i>[Change to Bill]</i>	<i>3.40</i>

c. Maintain current law. (No action necessary. The waste management program would maintain \$894,800 SEG in 2001-02 and \$877,300 SEG in 2002-03 with 12.0 SEG positions.)

Alternative B1c	SEG
2001-03 FUNDING (Change to Base)	\$0
<i>[Change to Bill]</i>	<i>\$956,700</i>
2002-03 POSITIONS (Change to Base)	0.00
<i>[Change to Bill]</i>	<i>7.00</i>

2. Approve one of the following related to recycling staff in the DNR Administration and Technology Division program:

a. Approve the Governor’s recommendation to delete \$87,300 SEG annually and 1.0 SEG position annually. (The Administration and Technology Division would retain \$117,800 SEG annually for departmental rent and facilities costs and \$24,800 annually for operations in DNR service centers and administrative facilities throughout the state.)

Alternative B2a	SEG
2001-03 FUNDING (Change to Base)	- \$174,600
<i>[Change to Bill]</i>	<i>\$0</i>
2002-03 POSITIONS (Change to Base)	- 1.00
<i>[Change to Bill]</i>	<i>0.00</i>

b. Approve Alternative B.2.a. and in addition, delete the requirement that DNR annually audit at least 5% of the recipients of municipal and county recycling grants.

Alternative B2b	SEG
2001-03 FUNDING (Change to Base) <i>[Change to Bill]</i>	- \$174,600 \$0]
2002-03 POSITIONS (Change to Base) <i>[Change to Bill]</i>	- 1.00 0.00]

c. Maintain current law and in addition, modify the audit requirement to require that DNR annually audit grants totaling at least 5% of the total municipal and county recycling grant awards.

Alternative B2c	SEG
2001-03 FUNDING (Change to Base) <i>[Change to Bill]</i>	\$0 \$174,600]
2002-03 POSITIONS (Change to Base) <i>[Change to Bill]</i>	0.00 1.00]

d. Maintain current law. (No action necessary.)

Alternative B2d	SEG
2001-03 FUNDING (Change to Base) <i>[Change to Bill]</i>	\$0 \$174,600]
2002-03 POSITIONS (Change to Base) <i>[Change to Bill]</i>	0.00 1.00]

3. Approve one of the following related to recycling staff in the DNR cooperative environmental assistance program in the Customer Assistance and External Relations Division:

a. Approve the Governor’s recommendation to delete \$96,600 SEG annually and 1.0 SEG position to eliminate use of the recycling fund for business sector assistance. (Under the bill, funding for this position is shifted to air emissions fees.)

Alternative B3a	SEG
2001-03 FUNDING (Change to Base) <i>[Change to Bill]</i>	- \$193,200 \$0]
2002-03 POSITIONS (Change to Base) <i>[Change to Bill]</i>	- 1.00 0.00]

b. Maintain current law. (No action necessary.)

Alternative B3b	SEG
2001-03 FUNDING (Change to Base)	\$0
<i>[Change to Bill]</i>	<i>\$193,200</i>
2002-03 POSITIONS (Change to Base)	0.00
<i>[Change to Bill]</i>	<i>1.00</i>

4. Approve one of the following related to recycling staff in the DNR communication and education program in the Customer Assistance and External Relations Division:

a. Approve the Governor's recommendation to delete \$190,100 SEG annually and 1.0 SEG position to eliminate use of the recycling fund for recycling informational and education functions.

Alternative B4a	SEG
2001-03 FUNDING (Change to Base)	- \$380,200
<i>[Change to Bill]</i>	<i>\$0</i>
2002-03 POSITIONS (Change to Base)	- 1.00
<i>[Change to Bill]</i>	<i>0.00</i>

b. Approve Alternative B.4.a. and in addition, delete the statutory requirements that DNR collect, prepare and disseminate information and conduct educational and training programs designed to assist in the implementation of recycling programs and that are targeted to a statewide audience.

Alternative B4b	SEG
2001-03 FUNDING (Change to Base)	- \$380,200
<i>[Change to Bill]</i>	<i>\$0</i>
2002-03 POSITIONS (Change to Base)	- 1.00
<i>[Change to Bill]</i>	<i>0.00</i>

c. Maintain current law. (No action necessary.)

Alternative B4c	SEG
2001-03 FUNDING (Change to Base)	\$0
<i>[Change to Bill]</i>	<i>\$380,200</i>
2002-03 POSITIONS (Change to Base)	0.00
<i>[Change to Bill]</i>	<i>1.00</i>

5. Approve one of the following related to recycling staff in the DNR community financial assistance program in the Customer Assistance and External Relations Division:

a. Approve the Governor's recommendation to delete \$77,000 SEG annually and 1.0 SEG position for administration of recycling grant programs. (This would retain \$77,100 SEG annually with 1.0 SEG position to administer recycling grant programs.)

Alternative B5a	SEG
2001-03 FUNDING (Change to Base) <i>[Change to Bill]</i>	- \$154,000 \$0]
2002-03 POSITIONS (Change to Base) <i>[Change to Bill]</i>	- 1.00 0.00]

b. Maintain current law. (No action necessary.)

Alternative B5b	SEG
2001-03 FUNDING (Change to Base) <i>[Change to Bill]</i>	\$0 \$154,000]
2002-03 POSITIONS (Change to Base) <i>[Change to Bill]</i>	0.00 1.00]

C. DNR Regional Recycling Grants (Change to Base)

1. Approve the Governor's recommendation to provide \$2,000,000 beginning in 2002-03 from the recycling fund for a new regional recycling grant program that includes the following requirements: (a) DNR would be required to provide grants to groups of local governments, on a competitive basis, to assist the groups to establish regional recycling programs; (b) DNR would be required to select grant recipients based on the potential for reducing the costs of operating local recycling programs; (c) the grant amount could not exceed twice the amount contributed by the grant recipient, meaning that for every \$2 grant, the recipient would be required to contribute at least \$1; (d) no group of local governments could receive more than one grant under the program; (e) a grant could be used for (1) planning, (2) acquiring a regional recycling processing facility and equipment for such a facility, and (3) developing a regional collection system; (f) DNR would be required to promulgate administrative rules for administration of the grant program; and (g) DNR would be authorized to promulgate administrative rules, without the finding of an emergency, for administration of the program.

Alternative C1	SEG
2001-03 FUNDING (Change to Base) <i>[Change to Bill]</i>	\$2,000,000 \$0]

2. Delete the Governor's recommendation to create a regional recycling grant program and instead add the \$2,000,000 in 2002-03 provided in the bill for the program to the existing municipal and county recycling grant program.

<u>Alternative C2</u>	<u>SEG</u>
2001-03 FUNDING (Change to Base)	\$2,000,000
<i>[Change to Bill]</i>	<i>[\$0]</i>

- Maintain current law. (No action necessary.)

<u>Alternative C3</u>	<u>SEG</u>
2001-03 FUNDING (Change to Base)	\$0
<i>[Change to Bill]</i>	<i>-\$2,000,000]</i>

D. DNR Waste Reduction and Recycling Demonstration Grants (Change to Base)

- Approve the Governor's recommendation to maintain base funding of \$500,000 annually for the waste reduction and recycling demonstration grant program. (No action necessary.)
- Decrease funding for the waste reduction and recycling demonstration grant program from \$500,000 to \$250,000 annually.

<u>Alternative D2</u>	<u>SEG</u>
2001-03 FUNDING (Change to Base)	-\$500,000
<i>[Change to Bill]</i>	<i>-\$500,000]</i>

- Eliminate the waste reduction and recycling demonstration grant program.

<u>Alternative D3</u>	<u>SEG</u>
2001-03 FUNDING (Change to Base)	-\$1,000,000
<i>[Change to Bill]</i>	<i>-\$1,000,000]</i>

E. Recycling Market Development Board (Change to Base)

- Approve the Governor's recommendation to maintain base funding for the RMDB of \$130,100 SEG and 2.0 SEG positions annually. (No action necessary.)
- Delete \$64,300 SEG annually and 1.0 SEG position from the recycling fund to reduce RMDB staff from two to one.

<u>Alternative E2</u>	<u>SEG</u>
2001-03 FUNDING (Change to Base)	- \$128,600
<i>[Change to Bill]</i>	<i>- \$128,600]</i>
2002-03 POSITIONS (Change to Base)	- 1.00
<i>[Change to Bill]</i>	<i>- 1.00]</i>

3. Approve Alternative E1 or E2 and in addition, delete \$300,000 PR annually to reestimate the financial assistance PR appropriation to reflect anticipated loan repayment revenues.

<u>Alternative E3</u>	<u>PR</u>
2001-03 FUNDING (Change to Base)	- \$600,000
<i>[Change to Bill]</i>	<i>- \$600,000]</i>

4. Approve Alternative E1, E2 or E3 and in addition, delete the statutory requirements that the RMDB provide: (a) \$50,000 grant annually to a private, nonprofit organization that provides waste reduction and recycling assistance through business-to-business peer exchange; and (b) an annual contract to the statewide materials exchange program that received funding from the RMDB in the 1997-99 biennium.

F. Department of Corrections (Change to Bill)

1. Approve the Governor’s recommendation to provide \$145,800 SEG in 2001-02 and \$145,600 SEG in 2002-03 and 4.0 SEG positions annually for the computer recycling program in the Department of Corrections. (No action necessary.)

2. Delete the Governor’s recommendation. Instead, provide \$386,300 GPR in 2001-02 and \$387,200 GPR in 2002-03 and 4.0 GPR positions annually and delete \$240,500 SEG in 2001-02 and \$241,600 SEG in 2002-03 for the computer recycling program.

<u>Alternative F2</u>	<u>GPR</u>	<u>SEG</u>	<u>TOTAL</u>
2001-03 FUNDING (Change to Bill)	\$773,500	- \$773,500	\$0
2002-03 POSITIONS (Change to Bill)	4.00	- 4.00	0.00

3. Delete the Governor’s recommendation and, in addition, remove \$240,500 SEG in 2001-02 and \$241,600 SEG in 2002-03 associated with base-level supplies, permanent property and rent costs in the Department. Repeal the SEG appropriation in Corrections related to computer recycling.

Alternative F3	SEG
2001-03 FUNDING (Change to Bill)	- \$773,500
2002-03 POSITIONS (Change to Bill)	- 4.00

G. University of Wisconsin System (Change To Bill)

1. Approve the Governor’s recommendation to delete \$204,900 SEG annually and 0.5 positions, funded by the recycling fund, for the UW System solid waste experiment centers and grants made by the Solid Waste Research Council. (No action necessary.)

2. Approve the Governor’s recommendation as modified by the administration to delete statutory requirements that the UW Board of Regents conduct research into alternatives to solid waste disposal and the safe disposal of solid waste that cannot be composted or recycled, and that the Board appoint a Solid Waste Research Council to advise the Board on the awarding of the research funds. In addition: (a) delete the requirement that the Council on Recycling advise the University of Wisconsin concerning research related to solid waste reduction, recovery and recycling; and (b) delete the requirement that the DNR coordinate research and technical assistance programs with related activities of the University of Wisconsin System.

3. Maintain current law.

Alternative G3	SEG
2001-03 FUNDING (Change to Bill)	\$409,800
2002-03 POSITIONS (Change to Bill)	0.50

H. University of Wisconsin - Extension (Change to Bill)

1. Approve the Governor’s recommendation to delete \$336,900 and 4.0 positions annually from the recycling fund for the UW-Extension SHWEC. (No action necessary.)

2. Approve the Governor’s recommendation as modified by the administration to delete statutory requirement that the Board of Regents establish in the UW-Extension a program of education and technical assistance related to recycling market development. In addition: (a) delete the requirement that the Council on Recycling advise the University of Wisconsin concerning educational efforts related to solid waste reduction, recovery and recycling; and (b) delete the requirement that the DNR coordinate education programs with related activities of the University of Wisconsin System.

3. Maintain current law.

Alternative H3	SEG
2001-03 FUNDING (Change to Bill)	\$673,800
2002-03 POSITIONS (Change to Bill)	4.00

I. Department of Revenue (Change to Bill)

1. Approve the Governor’s recommendation to maintain adjusted base funding of \$258,800 SEG and 1.5 SEG positions annually from the recycling fund to administer the recycling surcharge. (No action necessary.)

2. If the recycling surcharge is deleted, delete \$258,800 SEG and 1.5 SEG positions annually from the recycling fund to reflect deletion of administration of a recycling surcharge.

Alternative I2	SEG
1999-01 FUNDING (Change to Bill)	- \$517,600
2000-01 POSITIONS (Change to Bill)	- 1.50

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