



## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #142

### **Buy Local, Buy Wisconsin (Agriculture, Trade and Consumer Protection)**

[LFB 2013-15 Budget Summary: Page 58, #2 (part)]

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#### **CURRENT LAW**

The Department of Agriculture, Trade and Consumer Protection (DATCP) administers the Buy Local, Buy Wisconsin program to increase the consumption of foods in proximity to where the food is produced. The Department currently allocates 0.5 full-time equivalent (FTE) position to program administration, with total program administrative funding of approximately \$144,200. Program activities currently include: (a) production of a local foods marketing guide; (b) workshops for such topics as food safety assistance for producers; (c) facilitating relationships between food producers and nearby consumers, including DATCP activities related to farm-to-school programs around the state; and (d) administering grants, including Buy Local, Buy Wisconsin grants and the Producers First program, discussed later in greater detail.

DATCP is appropriated \$200,000 GPR each year under current law for Buy Local, Buy Wisconsin grants. Grants are to support: (a) the creation, promotion and support of regional food systems and agricultural tourism trails; or (b) the development of regional food systems, including creating or expanding facilities for production, processing and transport of locally produced food, or strengthening networks of producers and consumers of locally produced food. Grants were last awarded in 2010; amounts appropriated for 2011-13 were lapsed to the general fund in both 2011-12 and 2012-13. DATCP administrative rules require a recipient match of at least 33% of the grant total, which is equal to at least 25% of total project costs. Grants also may not exceed \$50,000 per recipient in a fiscal biennium. Contracts awarding grants generally are limited to two years, with possible extension to a third. Program administrative rules specify the following eligible costs: (a) operating expenses, including salaries and wages, contracts, travel, supplies and publicity; (b) real estate or equipment rental within the term of the grant contract; (c) non-durable equipment; and (d) reasonable depreciation expenses for capital equipment.

## **GOVERNOR**

Delete funding of \$200,000 GPR each year for Buy Local, Buy Wisconsin grants. (Statutory authority for the program, including a biennial appropriation for grants, would remain.)

## **DISCUSSION POINTS**

1. DATCP contends the funding reductions in 2011-13 allowed the Department to meet lapse requirements under 2011 Act 32, but also preserve funding to higher-priority agency programs and avoid staff layoffs, which was a directive of the administration for agency lapse plans. Similarly, the reductions in AB 40 for Buy Local, Buy Wisconsin and other grants, which were recommended by both DATCP and the Governor, are intended to meet the administration's GPR base reduction targets for 2013-15 but continue funding and staffing for other programs DATCP would contend are more essential.

2. The Buy Local, Buy Wisconsin program was created under 2007 Act 20 with: (a) \$225,000 GPR biennially for grants in 2007-08; and (b) \$42,700 GPR in 2007-08 and \$64,100 GPR in 2008-09 with 1.0 position for administration and marketing of the program. The act also provided DATCP with \$110,000 GPR in 2007-08 and \$165,000 GPR beginning in 2008-09 for marketing, training and other administrative duties related to Buy Local, Buy Wisconsin promotion and development. Grant appropriations were later reduced by subsequent budget acts to \$222,700 GPR each year in the 2009-11 biennium, and to \$200,000 GPR each year in the 2011-13 biennium.

3. DATCP has argued the Buy Local, Buy Wisconsin administrative funding that would remain, and a number of related programs, would continue to accomplish many of the statutory goals of the Buy Local, Buy Wisconsin grants, were grant funding eliminated. These programs and include, among other initiatives: (a) the Producers First program; (b) the DATCP and AmeriCorps farm-to-school programs; and (c) Something Special from Wisconsin.

4. The Producers First program provides funding to producers to receive individual technical assistance from professional consultants in areas of business planning, food safety, marketing, packaging and other aspects of developing locally produced foods. Grants are a maximum of \$3,000, with a minimum producer match of 10% of the grant amount, or \$300 on a maximum grant. DATCP has supported the grants with GPR from its agricultural development general operations appropriation, as well as federal revenues when available. Federal funds have been primarily from U.S. Department of Agriculture grants under the Federal and State Market Improvement program. DATCP does not anticipate any federal funding being available for Producers First grants in the 2013-15 biennium, but the Department expects to budget \$48,000 GPR annually in 2013-15 for grants. Total Producers First grants from 2009, when the program began, through April 1, 2013, have included: (a) \$93,300 GPR to 34 recipients; and (b) \$37,300 FED to 14 recipients.

5. DATCP currently participates in two farm-to-school programs that have complementary aims to Buy Local, Buy Wisconsin. 2009 Act 293 required DATCP to facilitate the development of farm-to-school programs, in which Wisconsin schools would increase direct purchases of foods grown or processed in proximity to the school. Such programs are intended to increase the direct marketing ability of farmers and processors, as well as increase food service options for Wisconsin schools and pupils. Act 293 created in DATCP a Farm-to-School Council, which is to include appointees of DATCP and the Department of Health Services, as well as of the Superintendent of Public Instruction. The act also provided: (a) 1.0 GPR position in DATCP for administration of farm-to-school activities, funded at \$66,600 under the bill, but that has not been filled to date; and (b) a GPR grant appropriation, which has not been funded to date and would not receive funding under the bill.

6. DATCP also has participated in the AmeriCorps Farm-to-School program since September, 2008. The program is funded federally through the Corporation for National and Community Service, which in turn provides funding to Serve Wisconsin, a 22-member board appointed by the Governor, to fund AmeriCorps programs in the state. Under the AmeriCorps Farm-to-School program, DATCP has partnered with seven to 10 sites or school districts per year, with two half-time AmeriCorps employees working with each site on: (a) establishing food procurement practices that will allow the site to purchase more foods locally; and (b) educating students at the site about nutrition through curriculum and wellness plans. For 2012-13, the AmeriCorps program involves seven sites.

7. Something Special from Wisconsin licenses organizations that grow or process food in Wisconsin to use the program's trademark, which provide these companies a means of identifying at retail those products that are substantially produced in the state. DATCP reports Something Special from Wisconsin currently has about 440 participants. Participants pay annual fees for use of the Something Special from Wisconsin trademark, and program expenses from these fees would be budgeted at \$60,100 in 2013-14 and \$60,400 in 2014-15.

8. DATCP also has conducted various other agricultural marketing activities in recent years, including: (a) Savor Wisconsin, a partnership with the University of Wisconsin–Extension and the Wisconsin Apple Growers Association, and which is intended to allow state producers to market to in-state and national or international customers, including through a Web site; and (b) the Alice in Dairyland program, under which a special liaison is selected in an annual statewide competition to promote Wisconsin agriculture for a one-year term.

9. DATCP also may be able to utilize federal funds for activities that may be similar in purpose to Buy Local, Buy Wisconsin. For example, DATCP has received funds under the Specialty Crop Block Grant (SCBG), which DATCP has used in support of local foods initiatives, including SavorWisconsin.com, and other grants to Wisconsin producer industry trade groups, such as those for ginseng, cranberries, apples, potatoes and other vegetables. SCBG funds also have supported formation of local foods networks in the state and informational resources for producers, processors and prospective consumers of locally produced foods.

10. It could be argued that eliminating Buy Local, Buy Wisconsin grant funding in the 2013-15 biennium would not be significantly detrimental to Wisconsin's agricultural marketing

efforts, given the continuation of other programs described above. Further, although the Buy Local, Buy Wisconsin grants would not have base funding for 2015-17 under the bill, the Buy Local, Buy Wisconsin statutory authorization and appropriation would be retained. The Committee could consider adopting the Governor's recommendation [Alternative 1].

11. However, one also could argue funding for Buy Local, Buy Wisconsin grants should be preserved at some level in the 2013-15 biennium. Proponents of Buy Local, Buy Wisconsin have argued grants are a significant component of efforts to develop local and regional food systems, which proponents further argue: (a) allow consumers access to fresher and more nutritious foods direct from producers; and (b) allow farmers and processors to capture greater value from products. Proponents also have argued the popularity of Buy Local, Buy Wisconsin grants suggests the grant is valuable to retain. As shown in the table below, three grant cycles completed for the program in 2008, 2009 and 2010 were able to meet 8.4% of total requests.

### **Buy Local, Buy Wisconsin Grant History**

<u>Grant Year</u>	<u>Applications</u>	<u>Fund Requests</u>	<u>Projects Funded</u>	<u>Funds Awarded</u>	<u>Projects Not Funded</u>	<u>Requests Minus Awards</u>
2008	95	\$3,216,800	7	\$225,000	88	\$2,991,800
2009	75	2,703,200	9	222,700	66	2,480,500
2010	<u>37</u>	<u>1,533,500</u>	<u>5</u>	<u>177,700</u>	<u>32</u>	<u>1,355,800</u>
Totals	207	\$7,453,500	21	\$625,400	186	\$6,828,100

12. The Buy Local, Buy Wisconsin grant is funded under a biennial appropriation, meaning total funding budgeted in both years would be available for DATCP to expend at any point in the biennium, including transferring expenditure authority from 2014-15 to 2013-14. Only funding appropriated in 2014-15 would be in the base for the 2015-17 budget bill, however. Therefore, an option for providing funding in 2013-15, but limiting base funding for future biennia, would be to provide funding only in 2013-14. The Committee also could consider providing funding in 2014-15, which would establish base funding for 2015-17, or providing funding in each year of the biennium.

13. The Committee could consider providing a level of funding lower than the \$200,000 appropriated each year under current law, and consider adjusting funding to preserve or eliminate base funding for 2015-17. One of the following options could be considered: (a) \$200,000 GPR each year, which would delete the Governor's recommendation [Alternative 2a]; (b) \$100,000 GPR each year, or half the current appropriation over the biennium, which would establish base funding for 2015-17 [Alternative 2b]; (c) \$200,000 GPR in 2013-14, which also would be half of the total biennial appropriation under current law, and which would allow for grant funding during the biennium but eliminate base funding for 2015-17 [Alternative 2c]; or (d) \$200,000 in 2014-15, which also would halve total grant appropriations over the biennium, and which would establish a base for 2015-17 equal to the current appropriation [Alternative 2d].

14. If the Committee were to restore grant funding, it could consider increasing the

required participant match on state funding. Currently, administrative rule ATCP 161 requires Buy Local, Buy Wisconsin grant recipients to provide at least 33% of the grant award, or the equivalent of 25% of total eligible project costs. This would be approximately \$16,500 for a maximum \$50,000 grant. Although grant programs vary in their requirements, some may require a dollar-for-dollar, or 50%, recipient match, or a 33% match, equal to one-third of project costs. Match requirements ensure participants have a substantial financial stake in a project, which helps contain costs, and higher match requirements also allow for greater distribution of state funds. It could be argued, however, that increased match requirements may dissuade some persons from applying for grants who otherwise would have been interested, or may place undue burdens on some projects. However, grant demand historically has far exceeded available state funds. The Committee could consider specifying a Buy Local, Buy Wisconsin match requirement of 33% of project costs [Alternative 3a] or 50% of project costs [Alternative 3b].

15. If the Committee were to restore grant funding, it also could consider specifying a maximum grant lower than the current \$50,000 level. The Committee could consider a maximum grant of \$15,000 [Alternative 4a], \$25,000 [Alternative 4b], or \$35,000 [Alternative 4c]. Taking no action would retain the current \$50,000 in administrative rules. Similar to adjusting match requirements, adjusting maximum grant levels may help to ensure greater distribution of funds if overall program funding were reduced relative to the current base. However, one could argue a lower maximum grant may reduce the Department's capacity to fund projects that may have unique potential for economic development.

16. If the Governor's recommendation were adopted with regard to Buy Local, Buy Wisconsin grant funding, a repeal of the program from the statutes could be considered. One could argue this would be appropriate, as: (a) base funding for future biennia would be eliminated; and (b) other related programs could serve as substitutes for the Buy Local, Buy Wisconsin's program aims, which, coupled with consumer demand, may themselves continue to foster the development of local food systems. The Committee could consider repealing the Buy Local, Buy Wisconsin grant program [Alternative 5a] and the statutory directive (s. 93.45 of the statutes) that DATCP conduct a program to increase the awareness and the production of local foods [Alternative 5b].

17. Further, the Committee could consider eliminating \$66,600 GPR annually with 1.0 position for Buy Local, Buy Wisconsin administration, as authorized initially by 2007 Act 20 [Alternative 6a]. The Committee could also consider deleting funding of \$109,500 GPR annually, associated with Buy Local marketing and promotional funding [Alternative 6b]. Eliminating one or both could be viewed as appropriate, were the statutory authorities for the program to be eliminated. However, it also could be argued the position could be retained to assist with DATCP's other continuing agricultural marketing programs.

## **ALTERNATIVES**

1. Adopt the Governor's recommendation to delete \$200,000 GPR annually for Buy Local, Buy Wisconsin grants.

2. Provide one of the following amounts in 2013-15 for Buy Local, Buy Wisconsin

grants:

- a. \$200,000 GPR each year (delete the Governor's recommendation);

<b>ALT 2a</b>	<b>Change to Bill Funding</b>
GPR	\$400,000

- b. \$100,000 GPR each year;

<b>ALT 2b</b>	<b>Change to Bill Funding</b>
GPR	\$200,000

- c. \$200,000 GPR in 2013-14; or

<b>ALT 2c</b>	<b>Change to Bill Funding</b>
GPR	\$200,000

- d. \$200,000 GPR in 2014-15.

<b>ALT 2d</b>	<b>Change to Bill Funding</b>
GPR	\$200,000

3. Specify one of the following match requirements for the Buy Local, Buy Wisconsin grant program:

- a. 33% of eligible project costs; or
- b. 50% of project costs (a dollar-for-dollar match).

4. Specify one of the following maximum grant amounts for the Buy Local, Buy Wisconsin grant program:

- a. \$15,000;
- b. \$25,000; or
- c. \$35,000.

5. Repeal one or both of the following:

- a. The statutory authorization for Buy Local, Buy Wisconsin grants;
- b. The statutory requirement (s. 93.45) that DATCP administer a program to encourage awareness and consumption of local foods.

6. Delete one or both of the following:

a. \$66,600 GPR annually with 1.0 position from the DATCP agricultural development general operations appropriation; or

<b>ALT 6a</b>	<b>Change to Bill</b>	
	<b>Funding</b>	<b>Positions</b>
GPR	- \$133,200	- 1.00

b. \$109,500 GPR annually for marketing and promotion under DATCP agricultural development general operations.

<b>ALT 6b</b>	<b>Change to Bill</b>	
	<b>Funding</b>	
GPR	- \$219,000	

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