

Project Title	Agency Priority	Strategic Score	Funding Source	Agency Request			Governor's Rec	Governor's Planning Estimates	
				2004	2006	2008	2004	2006	2008
Capital Assistance Program	1	446	GO	\$22,466	\$12,000	\$12,250	\$4,000	\$4,000	\$4,000
Project Total				\$22,466	\$12,000	\$12,250	\$4,000	\$4,000	\$4,000
General Obligation Bonding (GO)				\$22,466	\$12,000	\$12,250	\$4,000	\$4,000	\$4,000

<b>Funding Sources:</b>	GF = General Fund	THF = Trunk Highway Fund	OTH = Other Funding Sources
	GO = General Obligation Bonds	THB = Trunk Highway Fund Bonding	UF = User Financed Bonding

### Agency Profile At A Glance

- ◆ Minnesota's recycling programs save 22 million BTUs, enough energy to power nearly all the homes in Ramsey County for one year.
- ◆ Our recycling industry created over 8,700 jobs, provided nearly \$93 million in tax revenues, and added \$1.6 billion to the state's economy.
- ◆ Over five years, the Office of Environmental Assistance's (OEA's) Minnesota Technical Assistance Program (MnTAP) has helped businesses reduce toxic waste by over 11 million pounds, reduce water use by over 161 million gallons and save over \$10 million by adopting pollution prevention and conservation practices.
- ◆ OEA reaches thousands of Minnesotans with education and waste reduction campaigns.
- ◆ OEA leads multi-state efforts to create national recycling/reuse programs for used carpet and used electronics.
- ◆ Awarded over \$10 million in grants for innovative environmental projects.
- ◆ Awarded \$12.5 million annually in grants to counties to support local recycling programs.
- ◆ Awarded \$4 million in solid waste processing credits.
- ◆ OEA environmental education web site accessed daily by over 2,000 people.

### Agency Purpose

The Minnesota Office of Environmental Assistance (OEA) is a state agency that works in partnership with businesses, local governments, schools, community groups, and individual citizens to apply innovative approaches to Minnesota's environmental issues. The OEA works with its partners to solve environmental problems and to further the state's economic and social priorities in an environmentally sound manner.

Our mission is to help Minnesotans make informed decisions and take actions that conserve resources and prevent pollution and waste to benefit the environment, economy and society.

The Office of Environmental Assistance is an organization that:

- ◆ works together with Minnesotans to address significant issues affecting human health and the environment;
- ◆ is a leader in developing innovative solutions to environmental challenges;
- ◆ incorporates environmental, economic, and social values into our approach to environmental issues;
- ◆ delivers services to Minnesotans in partnership with local, state and federal government; businesses; communities; schools; nongovernmental organizations and citizens;
- ◆ evaluates and measures the results of our work; and
- ◆ is a flexible, learning organization focused on positive environmental outcomes.

### Core Functions

OEA's core functions support our mission to assure that human activities do not harm the environment, that resources are used with maximum efficiency and are replenished, and that environmental values are integrated into our economic and social systems. OEA's strategic goals are:

- ⇒ Minnesotans reduce and prevent pollution and toxicity.
- ⇒ Minnesotans use materials, products, and services in a manner that conserves resources and minimizes waste generation.
- ⇒ Our society recognizes and strengthens the interconnections between the environment, the economy and social structures.
- ⇒ Minnesotans understand and minimize the adverse environmental impacts of their actions.

To achieve these goals, the OEA:

- ◆ works with partners to develop consensus approaches to achieving our environmental goals and objectives;
- ◆ provides financial incentives with grants and loans;
- ◆ provides technical assistance to advance implementation of environmentally beneficial processes and prototypes; and
- ◆ provides environmental education and information to help Minnesotans make their own best decisions when interacting with the environment.

## Operations

The OEA works with businesses, local governments, schools, community groups, and individual citizens to improve the quality of our natural environment:

- ⇒ **OEA's Policy and Evaluation Unit** identifies emerging environmental issues and develops innovative policies and programs to address those issues. These programs, which benefit all Minnesotans, include product stewardship, green buildings, sustainable and eco-industrial communities, and recycling market development.
- ⇒ **OEA's Business Assistance Unit** focusing on waste prevention and toxicity reduction, offers technical and financial assistance to businesses to help them prevent pollution by implementing innovative technology and manufacturing processes; and encourages consumers to purchase non-hazardous and non-toxic products.
- ⇒ **OEA's Project Assistance Unit** offers financial and technical assistance to businesses and local governments to implement programs and policies designed to conserve and recover resources and energy. Assistance is provided by helping to finance and develop solid waste processing facilities and giving solid waste technical assistance. In addition, the Household Hazardous Waste Program helps citizens safely manage household hazardous waste.
- ⇒ **OEA's Local Government Assistance Unit** works with Minnesota counties and cities to plan and develop waste management systems that maximize the reduction, recycling, reuse and recovery of waste, advises the state legislature on waste management policy; and provides information and assistance to state and local governments with environmentally responsible, purchasing of supplies, materials and equipment.
- ⇒ **OEA's Environmental Education Unit** works with educators, local government officials, and citizens to develop environmental education programs and provide information on making good choices for the environment. It operates web sites and the Education Clearinghouse, and holds education events and workshops.

## Budget

The OEA's 2004 base budget is \$30.6 million. There are 62 full-time equivalent positions.

The general fund makes up approximately 60% of the OEA's total budget. The Environmental Fund makes up the majority of the rest with funding from the federal government and other sources making up less than 1%.

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The OEA's home web site (<http://www.moea.state.mn.us/>) offers visitors resources for learning more about pollution prevention, reuse, recycling, responsible waste management, and sustainable practices. Other OEA web sites: waste reduction campaign (<http://www.reduce.org/>): an online source for Minnesotans who want to know more about preventing garbage and reducing what they throw away.

NextStep (<http://www.nextstep.state.mn.us/>): resources for finding and sharing information on sustainability. SEEK (<http://www.seek.state.mn.us/>): Minnesota's interactive directory of EE resources for educators. MnTAP (<http://www.mntap.umn.edu/>): resources for technical assistance to businesses, including information about its intern programs, a materials exchange program, etc.

**At A Glance: Agency Long-Range Strategic Goals**

The mission of the Office of Environmental Assistance (OEA) is to protect Minnesota's environment and assure a sustainable economy through waste prevention and resource conservation.

The Minnesota Waste Management Act (M.S. 115A) directs the OEA to provide technical and financial assistance to local governments, businesses, non-profit organizations, and citizens to assist them in preventing pollution and in recovering resources from waste. Helping Minnesota implement an integrated solid waste management system is an important function of the OEA. The OEA's partnerships with local units of government, businesses, and the waste industry are vital to the OEA's mission.

Building new public attitudes, cost-effective systems and facilities have resulted in converting 61% of Minnesota's waste into resources, energy, and new products. The Solid Waste Processing Facilities Capital Assistance Program (CAP) is a key component in building the integrated solid waste management system serving Minnesota.

**Trends, Policies and Other Issues Affecting the Demand for Services, Facilities, or Capital Programs**

Minnesota's Waste Management Act guides the OEA and local units of government in solid waste management. The purpose of the Waste Management Act is to protect the state's land, air, water, and other natural resources and the public health by fostering an integrated waste management system that will manage solid waste in a manner appropriate to the characteristics of the waste stream. M.S. 115A.02 (b) lists the state's preferred waste management methods:

- ◆ waste reduction and reuse;
- ◆ waste recycling;
- ◆ composting of yard waste and food waste;
- ◆ resource recovery through mixed municipal solid waste (MSW) composting or incineration;

- ◆ land disposal which produces no measurable methane gas or which involves the retrieval of methane gas as a fuel for the production of energy to be used on-site or for sale; and
- ◆ land disposal which produces measurable methane and which does not involve the retrieval of methane gas as a fuel for the production of energy to be used on-site or for sale.

The Waste Management Act outlines various programs and policies to move Minnesota away from a land disposal based solid waste system. Integrated solid waste management systems are preferred because they conserve resources and energy and minimize long-term environmental risks.

CAP provides financial assistance for local governments developing various types of recovery facilities that help to establish an integrated waste management system. CAP is a competitive, two-stage grant application process that allows the OEA to identify and assist projects that will be most beneficial in meeting Minnesota's solid waste management goals. CAP (M.S. 115A.9 – 115A.541) is the OEA's main program to assist local governments in financing the infrastructure necessary for an integrated solid waste system.

The three major trends and policies affecting the need for additional investment in integrated solid waste management systems are waste growth, waste flow control, and landfills.

⇒ Waste Growth: The 1990s were a time of rapid growth in waste generation in Minnesota. The municipal solid waste stream alone grew from 3.8 million tons per year in 1992 to 5.75 million tons per year in 2001, a change of 51%. If waste generation continues to grow at the rates observed during the 1990s, it will overwhelm our existing waste management infrastructure. Waste volumes have grown so fast that some resource recovery plants must by-pass large volumes of waste.

The OEA is charged with coordinating MSW planning efforts throughout Minnesota, and therefore, seeks to understand how this growth may affect our future solid waste management systems and to identify what can be done to limit future MSW growth and to develop an appropriate waste management system. The 2003 Solid Waste Policy Report is

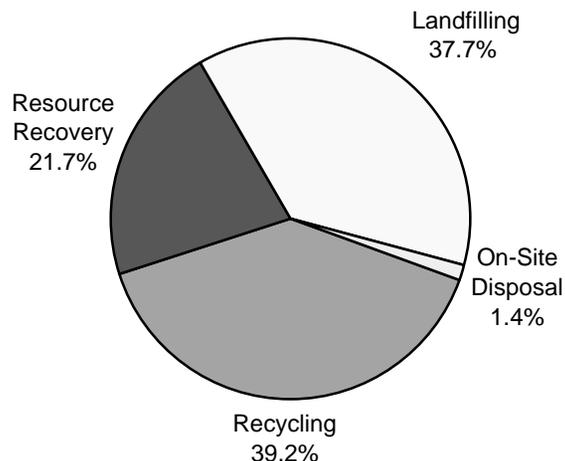
being prepared by the OEA to outline Minnesota’s future challenges in managing waste.

⇒ Waste Flow Control: Resource recovery projects, funded by CAP, have been subject to substantial legal and financial pressures due to waste flow control issues. Prior to 1994, local governments could direct waste flow through local ordinances. These flow control/designation ordinances were a key component of the environmental, financial, and technical foundation of resource recovery projects.

In 1994, the U.S. Supreme Court found some flow control/designation ordinances to be unconstitutional. This decision has led to numerous lawsuits and the closure of several resource recovery facilities. Alternatives to flow control ordinances have been developed, but the perception of risk (legal and financial) remains high among local governments and firms that own and operate resource recovery systems.

⇒ Landfills: Of the 136 MSW landfills permitted in Minnesota since 1969, 24 continue to accept MSW. CAP has played a key role in Minnesota’s initial shift from total reliance on landfills to resource recovery and processing.

**Minnesota Solid Waste Management 2002**  
**MN Solid Waste Generated: 5.9 million tons**



Since 1997, recycling has fallen from 41% of the total MSW waste stream down to 39% in 2002; resource recovery has fallen from 30% down to 22%; landfilling of unprocessed waste has increased from 29% to 38%. Overall, recycling and resource recovery have fallen from 71% down to 61% while landfilling/unprocessed waste is on the rise. Insufficient processing capacity is a factor. Minnesota is losing ground on developing a statewide-integrated solid waste management system.

Minnesota counties have significant responsibility for waste management programs within their boundaries. Counties must ensure the development of waste management systems that are consistent with state policies. The counties can, and some do as a matter of preference or economics, choose to continue to landfill the waste that is not recycled.

To date, more than half of the OEA’s CAP funding has gone to “primary” processing facilities such as MSW composting and waste-to-energy facilities. These facilities typically serve a larger population and handle a larger percentage of the waste system. Because primary processing facilities have a higher initial capital cost, the OEA expects that the total capital outlay for these systems will continue to represent the largest component of the OEA’s bonding needs.

**Provide a Self-Assessment of the Condition, Suitability, and Functionality of Present Facilities, Capital Projects, or Assets**

The state has provided approximately \$49 million for 90 projects to help finance the construction and expansion of 66 facilities throughout Minnesota: 25 recycling facilities, nine transfer stations, nine waste-to-energy facilities, 12 compost facilities, and 11 special waste stream facilities. A full listing of all grant recipients is available on request.

Minnesota has been a leader in recovering resources from solid waste. Thirty Nine percent of Minnesota’s waste stream is recycled. Another 22% is maximized by the recovery of resources and energy at primary processing facilities (MSW/Organic composting and waste-to-energy). Public willingness, local government commitment, and CAP funding have all contributed to a successful partnership involving the state in protecting the environment and public health and in recovering resources and energy.

However, 39% of Minnesota's solid waste is neither recovered nor processed. It continues to go to landfills. New facilities and expansion of existing facilities are necessary to ensure the capacity to process the remaining waste and future increases in waste generation. This request will expand Minnesota's capacity to recover resources and energy. Minnesota counties need legislative support and financial assistance to maintain and to continue the development of an integrated solid waste management system where all of Minnesota has access to, and uses, a primary solid waste processing facility.

#### **Agency Process Used to Arrive at These Capital Requests**

In preparing this request of \$22.5 million, the OEA relied on actual preliminary grant requests received from eligible applicants as of September 12, 2003. The OEA is basing its extended projection of need on the solid waste management plans developed by the counties, OEA's Preliminary Assessment of Regional Waste Management Capacity Report, the OEA's 2003 Solid Waste Policy Report, and the Metro Policy Plan.

The Project Narrative shows a draft listing of interested applicants. This list is only the basis for the OEA's projection of funding needs for FY 2004; it does not represent actual projects to be funded.

For FY 2006 and FY 2008, the OEA projected the minimum need for new MSW processing capacity. Several new projects are needed to serve large areas of greater Minnesota and the metro area. Existing private facilities may expand as well to meet a portion of the metro area needs.

#### **Major Capital Projects Authorized in 2002 and 2003**

During the 2002 session, the OEA was appropriated \$1.15 million for the CAP program which was awarded to the city of Fergus Falls for the design, construction and equipping of its existing waste-to-energy combustor with new air pollution control equipment to meet federal and state environmental guidelines.

## Capital Assistance Program

**2004 STATE APPROPRIATION REQUEST:** \$22,466,000

**AGENCY PROJECT PRIORITY:** 1 of 1

**PROJECT LOCATION:** Brooklyn Park, Lamberton, Red Wing, Rochester

#### Project At A Glance

The Solid Waste Processing Facilities Capital Assistance Program (CAP) assists and provides financial incentives to local units of government (LGU's) implementing integrated solid waste management systems. Integrated solid waste management systems require new infrastructure that are basic public assets to Minnesota.

#### Project Description

The purpose of this program is to provide \$22,466,200 in capital grants to local governments for the construction of solid waste resource recovery facilities. These facilities will preserve land, recover valuable resources and energy, and create jobs. These facilities will also reduce the environmental risks and potential liabilities related to managing waste.

A goal of the Minnesota's Waste Management Act and the Minnesota Office of Environmental Assistance (OEA) is to have an integrated system serving all of Minnesota. Since 1985, CAP grants have funded only a small portion of the total solid waste project costs. The local governments have financed the balance of the total development, construction, and operating costs. In addition to CAP financial assistance, the OEA provides technical assistance to LGU's to address the development, institutional and operational challenges associated with implementing an integrated solid waste management system.

Eligible recipients under the CAP grant program are limited to Minnesota cities, counties, solid waste management districts, and sanitary districts. Eligible projects are solid waste processing facilities that include resource recovery.

Examples of eligible projects are:

- ◆ waste-to-energy facilities;
- ◆ recycling facilities;
- ◆ composting facilities;
- ◆ transfer stations that will serve waste processing facilities;
- ◆ projects to increase recovery of materials or energy, substantially reduce the amount or toxicity of waste processing residuals, or expand the capacity of an existing resource recovery facility in order to meet the needs of expanded regions; and
- ◆ special waste streams (i.e., household hazardous waste).

Depending on the project type, a single-county project may receive funding of 25% or 50% of eligible capital cost, up to a maximum of \$2 million. Multi-county cooperative projects can receive 25% or 50% of the eligible capital costs, or up to \$2 million, times the number of participating counties, whichever is less. A new transfer station to serve an existing processing facility may be eligible for up to 75% funding of eligible capital costs.

Examples of eligible costs are:

- ◆ final design, engineering, and architectural plans;
- ◆ land;
- ◆ structures;
- ◆ waste processing equipment; and
- ◆ on-site roads, parking, and landscaping.

## Capital Assistance Program

The following list identifies potential project development and construction over the next six years.

<u>2004-05</u>	<u>Project Type</u>	<u>Total Capital Costs</u>	<u>Applicant's Capital Cost</u>	<u>CAP Grant</u>
Lamberton	W-to-E/MRF	\$37,000,000	\$22,000,000	\$15,000,000
Olmsted	Waste-to-Energy	33,000,000	29,000,000	4,000,000
Red Wing	Upfront MRF	4,120,000	2,110,000	2,010,000
Hennepin	TS/MRF/HHW Exp	<u>2,935,000</u>	<u>1,478,800</u>	<u>1,456,200</u>
	Subtotal	\$77,055,000	\$54,588,800	\$22,466,200
<u>2006-07</u>				
Fergus Falls	Upfront MRF	\$ 6,000,000	\$ 3,000,000	\$ 3,000,000
Perham	Upfront MRF	6,000,000	3,000,000	3,000,000
Tri-Cnty (BSS)	Wste-to-Engy	<u>87,500,000</u>	<u>81,500,000</u>	<u>6,000,000</u>
	Subtotal	\$99,500,000	\$87,500,000	\$12,000,000
<u>2008-09</u>				
Olmsted	Upfront MRF	\$ 6,500,000	\$ 3,250,000	\$3,250,000
North West MN	Processing	10,000,000	7,000,000	3,000,000
No. Central MN	Processing	10,000,000	7,000,000	3,000,000
West Central	Processing	<u>10,000,000</u>	<u>7,000,000</u>	<u>3,000,000</u>
	Subtotal	\$36,500,000	\$24,250,000	\$12,250,000

Note: The OEA FY 2004-05 CAP funding round closed 9-12-03. The OEA received preliminary applications for CAP funding from Olmsted County, Redwood County (Lamberton), the city of Red Wing, and Hennepin County, requesting CAP funding in the amount of \$22,466,200.

#### Impact on Agency Operating Budgets (Facilities Notes)

The continued funding of the CAP grant program will have no impact on the OEA's operating costs.

#### Previous Appropriations for this Project

2002	\$ 1.15 million
2000	2.20 million
1999	3.00 million
1998	3.50 million
1996	3.00 million
1994	3.00 million
1992	2.00 million
1990	7.00 million
1987	4.00 million
1985	11.40 million
1980	<u>\$ 8.80 million</u>
Total	\$49.05 million

#### Other Considerations

Without the CAP program's technical and financial assistance, many local governments will not move forward in developing some solid waste management infrastructure. For many local governments, developing an integrated solid waste management system is a complex, controversial, and expensive endeavor.

The CAP program serves as an incentive to move infrastructure development forward and cultivates a partnership between the state of Minnesota and local governments to develop integrated solid waste management systems. Due to CAP's funding formula, a significant incentive is created to motivate LGU's to work together on regional projects. The OEA's administration and oversight of the CAP grants help to develop projects that are technically, institutionally, and financially sound.

#### Glossary:

LGU's: Local Units of Government

MSW: mixed solid waste.

Processing: MSW recovery through W-to-E, composting, etc.

Transfer Station: intermediate waste transfer facilities that accept waste and transfer it to resource recovery projects.

Upfront MRF: recycling/fuel cleaning at a W-to-E facility prior to processing.

W-to-E: waste-to-energy facility.

## Capital Assistance Program

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**Governor's Recommendations**

The Governor recommends general obligation bonding of \$4 million for this project. Also included are budget planning estimates of \$4 million in 2006 and \$4 million in 2008.

TOTAL PROJECT COSTS All Years and Funding Sources	Prior Years	FY 2004-05	FY 2006-07	FY 2008-09	TOTAL
1. Property Acquisition	0	0	0	0	0
2. Predesign Fees	0	0	0	0	0
3. Design Fees	0	0	0	0	0
4. Project Management	0	0	0	0	0
5. Construction Costs	156,784	77,055	99,500	36,500	369,839
6. One Percent for Art	0	0	0	0	0
7. Relocation Expenses	0	0	0	0	0
8. Occupancy	0	0	0	0	0
9. Inflation	0	0	0	0	0
<b>TOTAL</b>	<b>156,784</b>	<b>77,055</b>	<b>99,500</b>	<b>36,500</b>	<b>369,839</b>

CAPITAL FUNDING SOURCES	Prior Years	FY 2004-05	FY 2006-07	FY 2008-09	TOTAL
State Funds :					
G.O Bonds/State Bldgs	49,050	22,466	12,000	12,250	95,766
<b>State Funds Subtotal</b>	<b>49,050</b>	<b>22,466</b>	<b>12,000</b>	<b>12,250</b>	<b>95,766</b>
Agency Operating Budget Funds	0	0	0	0	0
Federal Funds	0	0	0	0	0
Local Government Funds	107,734	54,589	87,500	24,250	274,073
Private Funds	0	0	0	0	0
Other	0	0	0	0	0
<b>TOTAL</b>	<b>156,784</b>	<b>77,055</b>	<b>99,500</b>	<b>36,500</b>	<b>369,839</b>

CHANGES IN STATE OPERATING COSTS	Changes in State Operating Costs (Without Inflation)			
	FY 2004-05	FY 2006-07	FY 2008-09	TOTAL
Compensation -- Program and Building Operation	0	0	0	0
Other Program Related Expenses	0	0	0	0
Building Operating Expenses	0	0	0	0
Building Repair and Replacement Expenses	0	0	0	0
State-Owned Lease Expenses	0	0	0	0
Nonstate-Owned Lease Expenses	0	0	0	0
Expenditure Subtotal	0	0	0	0
Revenue Offsets	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Change in F.T.E. Personnel	0.0	0.0	0.0	0.0

SOURCE OF FUNDS FOR DEBT SERVICE PAYMENTS (for bond-financed projects)	Amount	Percent of Total
General Fund	22,466	100.0%
User Financing	0	0.0%

STATUTORY AND OTHER REQUIREMENTS	
Project applicants should be aware that the following requirements will apply to their projects after adoption of the bonding bill.	
No	MS 16B.335 (1a): Construction/Major Remodeling Review (by Legislature)
No	MS 16B.335 (3): Predesign Review Required (by Administration Dept)
Yes	MS 16B.335 and MS 16B.325 (4): Energy Conservation Requirements
No	MS 16B.335 (5): Information Technology Review (by Office of Technology)
Yes	MS 16A.695: Public Ownership Required
No	MS 16A.695 (2): Use Agreement Required
Yes	MS 16A.695 (4): Program Funding Review Required (by granting agency)
Yes	Matching Funds Required (as per agency request)
Yes	MS 16A.642: Project Cancellation in 2009

## Capital Assistance Program

STATEWIDE STRATEGIC SCORE		
Criteria	Values	Points
Critical Life Safety Emergency - Existing Hazards	0/700	0
Critical Legal Liability - Existing Liability	0/700	0
Prior Binding Commitment	0/700	0
Strategic Linkage - Agency Six Year Plan	0/40/80/120	120
Safety/Code Concerns	0/35/70/105	35
Customer Service/Statewide Significance	0/35/70/105	70
Agency Priority	0/25/50/75/100	100
User and Non-State Financing	0-100	71
State Asset Management	0/20/40/60	0
State Operating Savings or Operating Efficiencies	0/20/40/60	0
Contained in State Six-Year Planning Estimates	0/25/50	50
<b>Total</b>	700 Maximum	446