



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #591

Recycling Tipping Fee Increase (DNR -- Air, Waste, and Contaminated Land)

[LFB 2009-11 Budget Summary: Page 485, #3]

CURRENT LAW

State recycling programs and the renewable energy grants and loans program are funded from the segregated recycling and renewable energy fund. Prior to enactment of 2007 Act 20, the fund was named the recycling fund, and funded recycling programs.

The recycling and renewable energy fund (recycling fund) provides funding to the Department of Natural Resources (DNR) for state recycling grants to local governments for eligible recycling expenses (\$31.0 million in 2007-08) and recycling efficiency incentive grants to local governments (\$1.9 million in 2007-08). The fund also provides the Department of Commerce with \$15 million annually for renewable energy grants and loans, and funds recycling programs and administration in DNR, Department of Commerce, Department of Agriculture, Trade and Consumer Protection, University of Wisconsin System, Department of Corrections, and Department of Revenue. Revenues to the fund totaled \$50 million in 2007-08 and are anticipated to generate approximately \$48 million in 2008-09. Base level expenditures are \$56.8 million in 2008-09 with 28.4 positions.

There are two revenues to the recycling fund. The recycling surcharge is 3% of gross tax liability for most corporations (including insurance companies and limited liability companies taxed as corporations) or 0.2% of net business income for sole proprietorships, partnerships, limited liability companies taxable as partnerships, and S corporations. The Department of Revenue administers and collects the surcharge.

A recycling tipping fee of \$4 per ton of solid waste is assessed on waste disposed of in Wisconsin landfills. The recycling tipping fee is not assessed on high-volume industrial waste,

certain PCB contaminated sediments, and certain paper mill wastes related to recycling. The fee was \$3 per ton prior to November 1, 2007.

GOVERNOR

Increase the recycling tipping fee by \$1 per ton, from \$4 to \$5 per ton, for waste that is disposed of in Wisconsin landfills on or after October 1, 2009. The fee is assessed quarterly for wastes disposed of during the previous three months. Thus, DNR would first assess landfills for the fee increase in February, 2010, for solid waste disposed of during the three months of October 1, 2009, through December 31, 2009. The administration estimates the recycling tipping fee increase would generate revenue of \$3,170,000 in 2009-10 and \$7,310,000 in 2010-11.

Table 1 shows the major changes in expenditures of recycling and renewable energy fund SEG under the bill.

TABLE 1

Recycling and Renewable Energy Fund Expenditures – Major Changes to Base, AB 75

	<u>2009-10</u>	<u>2010-11</u>
UW System Bioenergy Center (new program)	\$4,000,000	\$4,000,000
DNR Transfer to Wildlife Damage Program (one-time)	0	350,000
DNR Waste Reduction and Recycling Demonstration Grant Program Repeal	-1,500,000	-1,500,000
DNR Recycling Efficiency Incentive Grant Program Repeal	-1,900,000	-1,900,000
DATCP Clean Sweep Grant Program Repeal	<u>-1,000,000</u>	<u>-1,000,000</u>
Total -- Major Items	-\$400,000	-\$50,000

DISCUSSION POINTS

1. The number of solid waste tons disposed in the state is expected to be lower than previously estimated by the administration. Under the bill, the amount of solid waste subject to recycling tipping fees would be approximately 6.76 million tons in calendar year 2009 and 6.64 million tons in 2010. This reflects a reduction to earlier recycling tipping fee estimates of \$340,000 in 2009-10 (from \$3,170,000 to \$2,830,000) and \$1,890,000 (from \$7,310,000 to \$5,420,000).

2. In addition, it is anticipated recycling surcharge collections will decline from the amounts received in 2007-08, due to the slowing economy and lagging corporate income tax collections.

3. Table 2 shows the revenue reestimates for the recycling surcharge and recycling tipping fee, in comparison with those contained within AB 75. Estimated revenues for the three years of 2008-09 through 2010-11 are \$17.29 million less than estimated by the administration.

TABLE 2

**Recycling and Renewable Energy Fund - Estimated Revenues
(\$ Millions)**

	<u>2008-09</u> <u>Current Law</u>	<u>2009-10</u> <u>AB 75</u>	<u>2010-11</u> <u>AB 75</u>	<u>Total</u>
Recycling Surcharge				
February, 2009 AB 75	\$24.00	\$24.00	\$24.00	\$72.00
Reestimate	<u>20.00</u>	<u>21.00</u>	<u>22.00</u>	<u>63.00</u>
Difference	-\$4.00	-\$3.00	-\$2.00	-\$9.00
Recycling Tipping Fee				
AB 75	\$29.60	\$32.92	\$37.06	\$99.58
Reestimate	<u>27.64</u>	<u>30.43</u>	<u>33.22</u>	<u>91.29</u>
Difference	-\$1.96	-\$2.49	-\$3.84	-\$8.29
Total				
AB 75	\$53.60	\$56.92	\$61.06	\$171.58
Reestimate	<u>47.64</u>	<u>51.43</u>	<u>55.22</u>	<u>154.29</u>
Difference	-\$5.96	-\$5.49	-\$5.84	-\$17.29

4. Table 3 shows the estimated condition of the fund under AB 75. The administration has indicated its intent to transfer \$15.78 million during the 2009-11 biennium (\$7.89 million in each year) from the recycling and renewable energy fund to the general fund. This includes transfers of: (a) \$4.4 million in each year, equal to the appropriations repealed under the bill for recycling efficiency incentive grants, recycling demonstration and business assistance grants, and clean sweep grants (separate budget papers discuss each of the proposed program repeals); (b) \$494,400 in each year, equal to the 1% across the board reductions; and (c) \$3 million appropriated in each year for PCB contaminated sediment transport reimbursement (also discussed in a separate budget paper).

TABLE 3**Recycling and Renewable Energy Fund Condition -- AB 75
(\$ Millions)**

	2007-08 <u>Actual</u>	2008-09 <u>Estimated</u>	2009-10 <u>AB 75</u>	2010-11 <u>AB 75</u>
Opening Balance -- July 1	\$7.43	\$17.80	\$3.82	-\$5.55
Recycling Surcharge	25.09	20.00	21.00	22.00
Recycling Tipping Fee	24.13	27.64	30.43	33.22
Interest Income and Other	<u>0.96</u>	<u>0.40</u>	<u>0.30</u>	<u>0.30</u>
Total Revenue	\$50.18	\$48.04	\$51.73	\$55.52
Total Revenue Available	\$57.61	\$65.84	\$55.55	\$49.97
Expenditures				
Local Recycling Grants	\$32.90	\$32.90	\$30.69	\$30.69
Administration, Other Programs	4.15	8.94	6.63	6.65
Renewable Energy Grants and Loans	2.00	15.00	14.85	14.85
UW Bioenergy Center	0.00	0.00	4.00	4.00
Reserves and Expenditure of Prior Year Encumbrances	<u>0.00</u>	<u>5.19</u>	<u>0.04</u>	<u>0.07</u>
Authorized Expenditures	\$39.05	\$62.03	\$56.21	\$56.26
Planned Expenditure Reductions	0.00	-13.29	-3.00	-3.00
Planned Transfers to General Fund *	-0.76	-13.29	-7.89	-7.89
Transfer to Conservation Fund	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>-0.35</u>
Ending Cash Balance	\$17.80	\$3.82	-\$5.55	-\$11.53
Encumbrances and Continuing Balances	<u>-10.05</u>	<u>-5.00</u>	<u>-5.00</u>	<u>-5.00</u>
Closing Available Balance -- June 30	\$7.75	-\$1.18	-\$10.55	-\$16.53

* The administration has indicated its intent to make the identified transfers to the general fund as part of overall agency allocations under 2007-09 and 2009-11 budget lapse requirements, but indicates the amount may change.

5. Table 3 shows that when a full year of tipping fee increase is implemented in 2010-11, estimated fund revenues would be \$55.52 million, and authorized expenditures would be \$56.26 million. On an annualized basis, the tipping fee increase would provide the fund with almost enough revenues to fund appropriations under the bill. For each of 2009-10 and 2010-11, Table 2 shows planned expenditure reductions of \$3 million, because the administration intends to transfer all of the appropriated funds for the PCB contaminated sediment transport reimbursement program to the general fund. In 2008-09, expenditure reductions are being made in order to transfer the amounts shown in Table 4 to the general fund.

TABLE 4

**Recycling and Renewable Energy Fund,
Planned Transfers to the General Fund in 2008-09**

<u>Department</u>	<u>Program</u>	<u>Amount</u>
DNR	Demonstration and business recycling grants	\$1,311,400
DNR	Recycling efficiency incentive grants	400,000
DNR	Municipal and county recycling grants	3,100,000
DNR	PCB contaminated sediment transport reimbursement	3,000,000
DATCP	Clean sweep grants	478,100
Commerce	Renewable energy grants and loans	5,000,000
DOR	Recycling surcharge administration	<u>4,300</u>
Total		\$13,293,800

6. The fund would not receive sufficient revenues to pay for all appropriations under the bill and make the administration's intended transfers to the general fund. Table 2 shows that the recycling fund would be in deficit by \$16.53 million at the end of 2010-11 if all authorized expenditures (other than PCB contaminated sediment reimbursement) and transfers to the general fund would be made. However, if none of the administration's intended transfers to the general fund would be made, the recycling and renewable energy fund would only be in deficit by \$0.76 million. Under this scenario, it is likely enough expenditure reductions could be made to maintain a positive fund balance.

7. It appears that the \$1 recycling tipping fee increase, under earlier, higher surcharge and tipping fee estimates, was mainly intended to fund \$4 million annually for the UW bioenergy center (discussed in a separate budget paper). Further, base level funding appropriated in 2007-09 for three recycling programs would be repealed under the bill and the amounts transferred to the general fund.

8. It is likely that, under the current revenue projections, the administration would have to find moneys from sources other than the recycling fund to transfer to the general fund, and/or would have to make significant expenditure reductions in appropriations authorized under the bill.

9. A cumulative total of \$95.3 million will be transferred from the recycling fund to the general fund or conservation fund through the end of 2008-09.

10. Some would argue that increasing the recycling tipping fee to fund a UW bioenergy center is consistent with the need to find statewide sources of revenue to support activities that might have otherwise been supported by the general fund. Further, this project could be viewed as consistent with the recent focus on renewable energy projects from the fund.

11. Others would argue that any increases in the recycling tipping fee should be used to increase state financial support for local recycling programs. For example, the Governor's Task Force on Waste Materials Recovery and Disposal submitted a final report to the Governor in December, 2006, which included a recommendation that existing revenues of the recycling fund be used only for recycling, beneficial reuse, and waste reduction programs, and for implementing recycling recommendations of the report. The Task Force also recommended banning diversions of funds from the recycling fund for non-recycling purposes, and using any fund balances to fund local government programs that operate effective recycling and waste reduction programs.

12. The anticipated deficit in the recycling fund could be addressed in a number of ways. For example, to ensure that revenues to the fund are used for recycling and renewable energy purposes rather than transferred to the general fund, transfers from the recycling fund to the general fund could be prohibited during the biennium (Alternative A2a). Under this alternative, the shortfall would be approximately \$0.76 million at the end of the biennium.

13. To ensure sufficient revenues are available to make all of the expenditures and planned transfers to the general fund shown in Table 3, increasing the recycling tipping fee beyond the levels in the bill could be considered. For example, if the recycling tipping fee would be increased to \$6 (an additional \$1 beyond the \$1 increase in the bill), it would generate additional revenue of approximately \$9.61 million during the biennium, including \$3.38 million in 2009-10 and \$6.23 million in 2010-11 (Alternative A2b). If this would be approved in addition to the \$4.40 in tipping fee increases included in the bill, the additional \$1 would result in total state tipping fees of \$11.30 per ton. Under this alternative the June 30, 2011, shortfall would be approximately \$7.7 million. If the recycling tipping fee would be increased to \$7 (an additional \$2 beyond the \$1 increase in the bill), it would generate additional revenue of approximately \$19.08 million during the biennium, including \$6.76 million in 2009-10 and \$12.32 million in 2010-11 (Alternative A2c). The additional \$2 would result in total state tipping fees of \$12.30. Under this alternative the June 30, 2011, balance would be approximately \$1.8 million.

14. If the recycling tipping fee increase is not approved (Alternative A3), and if the expenditure authority in the bill is not decreased, the administration would need to decrease expenditures below authorized levels in order to maintain a positive fund balance. In addition, whether or not the fee increase under the bill is approved, it can be expected that little of the administration's intended transfers to the general fund could be made.

15. Under prior action of the Committee, the transfer of \$350,000 SEG from recycling to the agricultural wildlife damage program was adopted. When combined with other Committee actions under the Fish, Wildlife and Recreation section of DNR, the wildlife damage appropriation account is expected to have an ending balance of approximately \$650,000. However, the year-to-year volatility of bonus deer permit sales makes revenue projections difficult.

16. Given the condition of the recycling fund, and given the expected wildlife damage balance, the recycling fund transfer for wildlife damage claims could be reviewed. If the transfer were deleted (Alternative B1) the wildlife damage appropriation account would still be expected to

have a June 30, 2011, balance of approximately \$300,000. However, if bonus deer permit sales were substantially lower, or wildlife damage program costs significantly higher, DNR could be required to pay some wildlife damage costs by reducing other wildlife management activities. Another option would be to specify that recycling funds may be transferred in the amount necessary, but not to exceed \$350,000 (Alternative B2). Under this alternative, a recycling fund transfer would not be expected to occur, but it would allow DNR to access recycling funds if necessary to pay damage claims (if wildlife damage revenues declined, or costs accelerated, beyond current expectations).

ALTERNATIVES

A. Recycling Tipping Fee

1. Approve the Governor's recommendation to increase the recycling tipping fee by \$1 per ton (to \$5) for waste that is not high-volume industrial waste, effective for waste disposed of in Wisconsin landfills on or after October 1, 2009. Reestimate revenue from the recycling tipping fee increase at \$2,830,000 in 2009-10 (a decrease of \$340,000 from the administration's estimate of \$3,170,000) and \$5,420,000 in 2010-11 (a decrease of \$1,890,000 from \$7,310,000).

ALT A1	Change to Bill Revenue
SEG	- \$2,230,000

2. In addition to Alternative A1, adopt one or more of the following:

a. Prohibit transfer of funds from the recycling and renewable energy fund to the general fund in the 2009-11 biennium.

b. Increase the recycling tipping fee by an additional \$1 per ton (to \$6). This would generate estimated revenue of approximately \$9,610,000 during the biennium, including \$3,380,000 in 2009-10 and \$6,230,000 in 2010-11.

ALT A2b	Change to Bill Revenue
SEG	\$9,610,000

c. Increase the recycling tipping fee by an additional \$2 per ton (to \$7). This would generate estimated revenue of approximately \$19,080,000 during the biennium, including \$6,760,000 in 2009-10 and \$12,320,000 in 2010-11.

ALT A2c	Change to Bill
	Revenue
SEG	\$19,080,000

3. Delete provision.

ALT 3	Change to Bill
	Revenue
SEG	- \$10,480,000

B. Wildlife Damage Transfer

1. Delete the transfer of \$350,000 in 2010-11 from the recycling fund to the wildlife damage appropriation account.
2. Specify that DNR may transfer from the recycling and renewable energy fund, the amount necessary, but not to exceed \$350,000, in 2010-11 to fund wildlife damage claims payments.
3. Take no action. (The one-time transfer for wildlife damage claims would be maintained.)

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Attachment

ATTACHMENT

**Appropriations Funded From the Segregated Recycling
and Renewable Energy Fund Under 2009 AB 75**

	<u>2008-09</u>		<u>2009-10</u>		<u>2010-11</u>	
	<u>Adjusted Base</u>	<u>Positions</u>	<u>AB 75</u>	<u>Positions</u>	<u>AB75</u>	<u>Positions</u>
Administrative Appropriations						
<i>Commerce</i>						
143 (1)(um)Renewable energy grants and loans	\$59,000	1.0	\$75,800	1.0	\$75,800	1.0
<i>Corrections</i>						
410 (1)(qm)Computer recycling	296,800	2.0	309,200	2.0	315,400	2.0
<i>Natural Resources</i>						
370 (2)(hq) Recycling administration	1,309,800	13.0	1,320,400	13.0	1,320,400	13.0
(3)(mr) Recycling enforcement and research	292,300	2.4	316,700	2.4	313,300	2.4
(8)(iw) Statewide recycling administration	281,900	0.5	411,400	0.5	428,200	0.5
(9)(is) Statewide recycling assistance	459,600	4.0	459,600	4.0	459,600	4.0
<i>Revenue</i>						
566 (1)(q) Recycling fees administration	220,000	1.0	220,300	1.0	220,300	1.0
<i>University of Wisconsin System</i>						
285 (1)(tb) Extension recycling education	361,000	4.0	357,400	4.0	357,400	4.0
(1)(tm) Solid waste research and experiments	157,400	0.5	155,800	0.5	155,800	0.5
(1)(s) Wisconsin bioenergy initiative	<u>0</u>	<u>0.0</u>	<u>4,000,000</u>	<u>0.0</u>	<u>4,000,000</u>	<u>0.0</u>
Subtotal	\$3,437,800	28.4	\$7,626,600	28.4	\$7,646,200	28.4
Financial Assistance Appropriations						
<i>Agriculture, Trade and Consumer Protection</i>						
115 (7)(va) Clean sweep grants	\$1,000,000		\$0		\$0	
<i>Commerce</i>						
143 (1)(tm) Renewable energy grants and loans	15,000,000		14,850,000		14,850,000	
<i>Natural Resources</i>						
370 (6)(br) Waste reduction and recycling grants	1,500,000		0		0	
(6)(bq) Municipal and county recycling grants	31,000,000		30,690,000		30,690,000	
(6)(bv) Recycling efficiency incentive grants	1,900,000		0		0	
(6)(ev) Reimbursement for disposal of contaminated sediment	<u>3,000,000</u>		<u>3,000,000</u>		<u>3,000,000</u>	
Subtotal	\$53,400,000		\$48,540,000		\$48,540,000	
TOTAL APPROPRIATIONS	\$56,837,800		\$56,166,600		\$56,186,200	