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Natural Resources

Air, Waste and Contaminated Land (Recycling)

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LFB Summary Items for Which Issue Papers Have Been Prepared

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-	Recycling -- Revenues (Paper #722)
4-7	Recycling Program Expenditures (Paper #723)
6(part)	Municipal and County Recycling Grant Formula (Paper #724)
8	Recycling -- Repeal Volume-Based Fee Requirement (Paper #725)

NATURAL RESOURCES -- AIR, WASTE AND CONTAMINATED LAND

Recycling Programs [LFB Papers #722 thru #725]

Motion:

Move to make the approve the Governor's recommendations contained in Legislative Fiscal Bureau Papers #722 through #725, related to recycling funding and expenditures, with the following modifications:

1. *Revenues From a Sales Tax on Solid Waste Services.* [LFB Paper #722] Effective July 1, 2000, impose the 5% general sales tax on solid waste collection and disposal services excluding the following: (a) collection and disposal services provided by local governments using their own employes and/or facilities; (b) collection and disposal services purchased by local governments in Wisconsin from private contractors (as well as such purchases by other types of educational and charitable organizations whose purchases are exempt from the sales tax); (c) collection and disposal of high-volume industrial waste (including fly ash, bottom ash, paper mill sludge and foundry process waste); and (d) collection and disposal of industrial waste that is exempt from landfill tipping fees imposed by the state (waste that is used for daily cover at a landfill following approval from DNR). The revenues would be deposited in the recycling fund. Estimate annual revenue at approximately \$11.8 million in 2000-01 and thereafter.

2. *Revenues From a State Tipping Fee.* [LFB Paper #722] Adopt Alternative 3.d to impose a state tipping fee of \$4.06 per ton on all solid waste except high-volume industrial waste disposed of in landfills in Wisconsin, effective January 1, 2000 (\$4.00 per ton to be deposited in the recycling fund and \$0.06 per ton to be deposited in the environmental fund). Further, exclude waste disposed of by nonprofit corporations under federal Internal Revenue Service code 501(c)(3) that provide services and programs for people with disabilities and who derive a portion of their income from the operation of recycling programs, if that waste is not comingled with waste that is subject to the tipping fee. Estimate annual revenue at approximately \$22,400,000 beginning in 2000-01 to be deposited in the recycling fund.

3. *DNR Municipal and County Recycling Grants.* [LFB Paper #723] Increase funding for local recycling grants to \$25,000,000 annually. Additional funding in the biennium would total \$15,000,000 SEG over AB 133, including an increase of \$5,000,000 in 1999-00 and of \$10,000,000 in 2000-01.

4. *DNR Municipal and County Recycling Grant Formula.* [LFB Paper #724] Direct DNR to distribute the grants on a per capita basis to all responsible units of local government that

operate effective recycling programs. Provide that the grant amount would be \$5.70 per capita for population served by curbside collection of recyclable materials and \$3.50 per capita for population served by drop-off collection. Direct that if the appropriated funds are insufficient to fully fund the grants under the per capita allocation, DNR would be required to prorate the grants. Direct DNR to distribute recycling grants by February 1 each calendar year.

5. *DNR Administration.* [LFB Paper #723] Provide DNR with one-time funding of \$325,000 SEG in each of 1999-00 and 2000-01 for recycling computer system upgrades. In addition, provide \$15,000 SEG in 1999-00 with 0.25 SEG position and \$480,000 SEG in 2000-01 with 8.0 SEG positions to restore eight Waste Management program staff in the regional offices for administration of recycling law provisions. This would provide a total DNR recycling staffing level of 18.0 SEG positions in each year of the biennium.

6. *DNR Waste Reduction and Recycling Demonstration Grants.* [LFB Paper #723] Direct DNR to lapse any unencumbered grant appropriation balance exceeding \$500,000 on June 30, 1999, to the recycling fund (estimated lapse of \$500,000). Delete the \$1,000,000 provided under bill in 1999-00. (The \$500,000 appropriated in 2000-01 would be retained.) This would provide \$1,000,000 for demonstration grants in the biennium.

7. *Commerce Recycling Market Development Program.* [LFB Paper #723] Restore \$2,000,000 SEG annually in the recycling market development financial assistance appropriation and reestimate the program revenue loan repayments appropriation for financial assistance to be \$2,300,000 PR annually (an increase of \$800,000 annually over the bill). The motion would provide a total of \$4,300,000 annually for financial assistance, instead of \$1,500,000 under the bill.

In addition, generally restructure the operation of the RMDB similarly to the existing Commerce Development Finance Board, Minority Business Development Board and Rural Economic Development Board, and include the following changes to the bill: (a) change the membership of the RMDB to delete the currently-designated members and instead include two representatives of responsible units of local governments, two representatives of businesses that market products made from recycled materials, recover recyclable materials or develop markets for products made from recycled materials and the Secretary of Commerce or the Secretary's designee, and specify that the non-Commerce members would be appointed by the Governor for three-year terms; (b) eliminate the authorization for an unclassified executive director; (c) repeal s. 287.40 through 287.48 of the statutes related to the RMDB and instead create recycling market development program provisions under Chapter 560; (d) authorize Commerce to provide grants, loans or manufacturing rebates, after the approval of the RMDB, to a governmental entity or a business entity to assist waste generators in the marketing of recovered materials or to develop markets for recovered materials; (e) require that before the RMDB awards a grant, loan or rebate, the Board shall consider the extent to which the project: (1) maximizes the marketability of recovered materials on a statewide basis; (2) minimizes the amounts of recovered materials disposed of in landfills or burned without energy recovery in incinerators; (3) includes the materials that are banned from landfills that will support community recycling efforts; (4)

maintains present markets or creates new or expanded markets for recovered materials; (f) authorize Commerce, after the approval of the RMDB, to request proposals for activities, if Commerce determines that financial assistance is necessary to assist responsible units in the marketing of recovered materials or to develop markets for recovered materials; (g) provide that the 2.0 positions retained under the bill would be Commerce recycling market development staff instead of RMDB staff, and would include a loan portfolio manager to manage past and future financial assistance funded by the RMDB and a commodity specialist to develop and direct strategy for recycling market development (these positions would be instead of the executive director and financial specialist under AB 133); (h) delete \$38,700 SEG annually to reflect reduced staff costs; (i) provide the 2.0 positions as permanent instead of the current project positions expiring June 30, 2001; (j) delete the authority of Commerce to use the SEG or PR financial assistance appropriations for contracts with persons to carry out the duties of the Board (currently the RMDB uses the financial assistance appropriation and as of July 1, 2001, Commerce may use the PR appropriation for contracts); and (k) direct Commerce to use the financial assistance appropriation to annually contract with a materials exchange program that received funding from the RMDB during 1997-99 to operate a statewide materials exchange program.

8. *University of Wisconsin - Extension.* [LFB Paper #723] Provide an additional \$200,000 SEG annually with 3.0 SEG positions for the UW-Extension Solid and Hazardous Waste Education Center for educational and technical assistance related to recycling and recycling market development.

9. *Department of Revenue Administration.* Provide DOR with \$40,000 SEG in 1999-00 and \$39,000 SEG in 2000-01 with 1.0 SEG position beginning in 2000-01 for administration of the sales tax provisions.

10. *State Procurement of Toner Cartridges.* Incorporate the provisions of 1999 LRB-0618/1 to require the Department of Administration, every other state agency to which DOA delegates purchasing authority other than the University of Wisconsin Hospitals and Clinics Authority and the World Dairy Center Authority, and state legislative and judicial branch entities to ensure that the specifications that the use for purchasing prohibit the procurement of toner cartridges whose original manufacturer places restrictions on the remanufacturing of the toner cartridges by any person other than the manufacturer. Define "toner cartridge" as any cartridge containing a dry, powdered ink for application to paper by use of a photocopier, laser printer or similar device. Provide restrictions on remanufacturing that include reducing the price of the toner cartridge in exchange for an agreement not to remanufacture the toner cartridge, a licensing agreement on the toner cartridge that forbids remanufacturing and any contract that forbids the remanufacturing or recycling of a toner cartridge. Prohibit cities, villages, towns, counties and other local units of government from purchasing toner cartridges that have such restrictions on remanufacturing.

Note:

The Department of Revenue would have to segregate sales taxes collected on such services and deposit them into the recycling fund. An estimate of the associated administrative costs is not currently available. In cases in which a hauler's fees incorporate both collection and disposal services, the transaction between the customer and the hauler would constitute the final sale for sales tax purposes. The sale would be either taxable or exempt, depending on the nature of the waste and whether or not the customer was exempt from paying sales tax. In a manner similar to the tax treatment of sales of tangible merchandise for resale (which are exempt from the sales tax), no sales tax would be due on a hauler's subsequent payment of tipping fees for disposal of such waste at a landfill.

Definitive information on the costs of solid waste collection and disposal across various sectors is unavailable. The estimated sales tax revenue that would be generated by the proposal could be larger or smaller than the estimates provided if actual experience differs from the assumptions used to make the estimates. Similarly, the effect of increased state tipping fees on the amount of solid waste landfilled is not known. For the purpose of this motion, a \$4 per ton fee is assumed to result in a reduction of approximately 8%. Due to the lack of more specific data, the revenue impacts of the motion must be considered to be speculative.

The recycling fund condition under the motion is shown in the following table.

**Recycling Fund Condition -- Motion
(\$ Millions)**

	1998-99 Estimated	1999-00 Estimated	2000-01 Estimated
Opening Balance -- July 1	\$39.4	\$43.3	\$15.9
Recycling Surcharge	32.8	0.0	0.0
Sales Tax on Solid Waste Services	0.0	0.0	11.8
Recycling Tipping Fee	0.0	0.0	22.4
Interest Income and Other	<u>3.4</u>	<u>3.0</u>	<u>1.0</u>
Total Revenue	36.2	3.0	35.2
Total Revenue Available	\$75.6	\$46.3	\$51.1
Budget Bill Expenditures and Reserves	32.3	23.8	17.9
Proposed Additional Expenditures	<u>0.0</u>	<u>6.6</u>	<u>13.0</u>
Total Expenditures and Reserves	\$32.3	\$30.4	\$30.9
Closing Balance -- June 30	\$43.3	\$15.9	\$20.2

[Change to Bill: \$34,200,000 SEG-REV recycling fund, \$19,546,600 recycling fund SEG, 12.0 recycling fund SEG positions]

	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	
	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	
	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	
MO#	BURKE	DECKER	JAUCH	MOORE	SHIBILSKI	PLACHE	COWLES	PANZER	GARD	PORTER	KAUFERT	ALBERS	DUFF	WARD	HUBER	RILEY	AYE	NO	ABS	

NATURAL RESOURCES -- AIR, WASTE AND CONTAMINATED LAND

Recycling Programs and Variance to Effective Program Requirements
[Papers #722 thru #725]

Motion:

Move to:

1. Adopt LFB Paper #723, Alternative A.2.a to increase funding for municipal and county recycling grants from \$15,000,000 SEG to \$20,000,000 SEG in 2000-01, and Alternative D.1 and F.1 to approve the Governor's recommendation related to reducing base funding and staff for the Recycling Market Development Board and funding the Corrections computer recycling program.

2. Replace the current formula used by the Department of Natural Resources (DNR) for determining whether to grant a variance to the effective recycling program requirements related to material separation and landfill and incineration ban requirements for materials subject to the 1995 landfill and incineration bans. Instead, require that DNR must grant a variance at the request of a responsible unit or an out-of-state unit or on its own initiative if DNR determines that the cost of recycling the material minus the cost of disposing of the material exceeds the revenue from selling the material. Authorize DNR to grant a variance to the requirement that materials subject to the 1995 landfill or incineration ban be separated for recycling for up to two years (instead of one year currently).

Create the following definitions: (a) define "cost of recycling" as the cost, averaged over the preceding 12 months, of collecting, processing, storing, transporting and selling a material separated for recycling in a region, less the portion of any state financial assistance received under the municipal and county recycling grant program, the waste reduction and recycling demonstration grant program or from the Recycling Market Development Board; (b) define "cost of disposing" as the cost, averaged over the preceding 12 months, of collecting, processing, transporting and disposing of postconsumer waste in a region that contains a material subject to the 1995 landfill or incineration ban, based on the material not being separated for recycling from the postconsumer waste; and (c) define "revenue from selling" as the revenue, averaged over the preceding 12 months, from selling to a broker, dealer or manufacturer a material subject to the 1995 landfill or incineration ban that is separated from postconsumer waste.

Direct DNR to specify by rule how the cost of recycling, the cost of disposing and revenue from selling the recyclable materials shall be determined. Require that the rules specify that the

costs shall be based upon a uniform system of accounting for the costs of solid waste management. Direct DNR to submit the proposed rules to the Legislative Council Staff for review no later than six months after the effective date of the provision, which would be October 1, 1999, or the effective date of the bill, whichever is later.

Note:

Currently, DNR must grant a one-year variance to effective recycling program material separation and landfill and incineration ban requirements for a material subject to the 1995 landfill or incineration ban (for aluminum containers, corrugated paper, foam polystyrene packaging, glass containers, magazines, newspapers, office paper, plastic containers, steel containers and bi-metal cans) at the request of a responsible unit or out-of-state unit or on its own initiative if the cost of selling processed material exceeds either \$40 per ton of processed material, as adjusted for inflation by DNR since 1989, or the cost of disposing of processed material. Processed material is a component of solid waste that has been collected, transported to a waste processing facility and prepared for sale to a broker, dealer or manufacturer. The cost of disposing of processed material is the gross cost of transferring processed material to a solid waste disposal facility and disposing of the material in the facility. The cost of selling processed material is the net cost of selling processed material to a broker, dealer or manufacturing facility, plus any cost of transporting the processed material from the waste processing facility to the destination specified by the broker, dealer or manufacturing facility, less any state financial assistance received in the form of a state recycling grant to a responsible unit or a waste reduction and recycling demonstration grant that is attributable to the processed material. Since these costs focus on the management of processed material, they do not include the cost of collecting the material from the waste generator or processing the material, in order to prepare it for sale.

The motion would require DNR to grant a variance if the cost of recycling the material minus the cost of disposing of the material exceeds the revenue from selling the material.

[Change to Bill: \$5,000,000 SEG]

	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	
	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	
	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	
MO#	BURKE	DECKER	JAUCH	MOORE	SHIBILSKI	PLACHE	COWLES	PANZER		GARD	PORTER	KAUFERT	ALBERS	DUFF	WARD	HUBER	RILEY

AZE NO ABS
[Handwritten signature]

(Gov) Agency: DNR - Air, Waste & Contaminated Land
Recycling Revenues

Recommendations:

Paper No. 722: Decker Motion
(possibly followed by a Panzer motion)

Comments: This paper just points out that the governor didn't provide any new funding to keep recycling going, and suggests a number of alternatives to fund the programs.

Any of the alternatives would be fine as long as we add enough money to the recycling fund to do a lot of the things outlined in Paper 723 (i.e. next). The most important thing is to at least maintain grants to municipalities of \$24 million a year.

Alternative 1 deals with the business surcharge, alternative 2 deals with tipping fees, alternative 3 also deals with tipping fees (minus high-volume industrial waste), alternative 4 addresses the sales tax on solid waste services, alternative 5 is the gross revenues tax on solid waste companies.

Decker will have a motion that he wants to guarantee at least 8 votes (need to make sure Moore and Riley vote aye). I don't think the Decker motion will get a majority. If it fails, Panzer is supposed to have some bandaid motion using reduced business surcharge dollars to prop up recycling for another 2 years. If we are going to do the bandaid approach, we should really go for \$30 million in local assistance. Or, alternatively, we should commit to another 10 years of funding at \$25 million a year in local grants.

This paper really goes hand-in-hand with the next 2 or 3 papers, and it should probably be part of an omnibus recycling motion.

prepared by: Barry



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June 7, 1999

Joint Committee on Finance

Paper #722

Recycling -- Revenues (DNR -- Air, Waste and Contaminated Land)

CURRENT LAW

State recycling programs are funded from the segregated recycling fund. The temporary recycling surcharge was imposed on most businesses since 1991 and expired in April, 1999. The surcharge was designed to generate revenues that would be sufficient to fund appropriations from the recycling fund.

GOVERNOR

No new revenues are provided for recycling programs. The bill would spend \$41.5 million from the balance of the recycling fund on state recycling programs.

DISCUSSION POINTS

1. This paper describes several potential revenue sources that could be used to supplement the recycling fund balance if recycling programs are funded above the levels provided in AB 133.

A. REVENUES FROM A RECYCLING SURCHARGE

2. The recycling surcharge first applied to tax years ending after April 1, 1992 and remained in effect until April, 1999. Beginning in tax year 1998, the surcharge was equal to 2.75% of gross tax liability of corporations. (Prior to tax year 1998, the surcharge rate was 5.5%.) There was a minimum payment of \$25 and a maximum payment of \$9,800. Corporations (including S corporations) and taxable insurance companies with less than \$4,000 in total receipts were excluded from the recycling surcharge.

3. Nonfarm sole proprietorships, partnerships, limited liability companies (LLCs)

taxable as partnerships and S corporations were subject to a temporary recycling surcharge of 0.2173% of net business income, again with a \$25 minimum payment and a \$9,800 maximum payment. (The surcharge rate was 0.4345% prior to tax year 1998.) Sole proprietorships and partnerships with less than \$4,000 of gross receipts from nonfarm trade or business activities were exempt from the surcharge. Members of the clergy and noncorporate farms with less than \$1,000 of net farm profits were also exempt from the surcharge. Noncorporate farms that were subject to the surcharge paid a flat amount of \$25. The rate of 0.2173% applied to the net business income of sole proprietorships, partnerships and S corporations is equivalent to the 2.75% rate applied to the gross tax liability of corporations. For corporations, gross tax liability is determined by applying the corporate tax rate of 7.9%, which equals a tax rate of 0.2173% when multiplied by the surcharge rate of 2.75%.

4. Table 1 shows the recycling surcharge collections from 1991-92 through 1998-99. The amounts shown for years through 1997-98 reflect the 5.5% surcharge rate. The amount shown for 1998-99 is an estimate and reflects the 2.75% surcharge rate.

TABLE 1
Recycling Surcharge Collections
(\$ in Millions)

1991-92	\$32.1
1992-93	36.8
1993-94	47.6*
1994-95	40.6
1995-96	41.6
1996-97	51.5
1997-98	53.6
1998-99	32.8**

*Includes one-time collections of an estimated \$7.9 million due to estimated payments.

**Estimate.

5. Table 2 shows recycling surcharge collections by source for 1997-98 by type of taxpayer. Again, the collections primarily reflect the 5.5% surcharge rate. Over 300,000 taxpayers paid the surcharge. Of total collections, \$34.5 million was paid by corporations, \$13.6 million was paid by individuals and \$4.7 million was paid by partnerships.

TABLE 2**Recycling Surcharge Revenue Collections by Source -- 1997-98**

	<u>Number</u>	<u>Amount Collected</u>
Individuals	200,050	\$13,574,600
Corporations	98,874	34,461,400
Partnerships	19,848	4,679,900
Delinquent, Other	<u>1,560</u>	<u>899,300</u>
TOTAL	320,332	\$53,615,200

6. The temporary recycling surcharge was the result of a relatively long and deliberative legislative process. Alternative state funding sources for state recycling programs were reviewed and analyzed by the Subcommittee for Resource Recovery of the Legislative Council's Special Committee on Solid Waste Management that began meeting in August, 1988. As a result of its activities, the Committee recommended legislation that would establish state recycling programs and a throwaway container fee as a source of state funding for those programs. This legislation was included in 1989 Senate Bill 300, which was introduced in October, 1989. Senate Bill 300 was amended by the Senate Committee on Urban Affairs, Environmental Resources, Utilities and Elections, the Joint Committee on Finance and the Senate and Assembly before being enacted as 1989 Wisconsin Act 335. The Governor partially vetoed portions of Act 335 that established a gross receipts recycling fee as a funding source. In his veto message, the Governor announced his intention to include an alternative funding mechanism for state recycling programs in the 1991-93 biennial budget.

7. In 1991-93 Assembly Bill 91 (the 1991-93 biennial budget bill), the Governor proposed three alternative funding sources for state-supported recycling programs: a gross receipts fee, a residential energy fee and a used tire fee. The Joint Committee on Finance deleted these fees and adopted a surcharge mechanism. The surcharge mechanism was modified in the Assembly and was adopted as part of 1991 Wisconsin Act 39 (the 1991-93 biennial budget act). The Governor partially vetoed a provision that established a method for setting annual surcharge rates; however, it was restored by 1991 Wisconsin Act 60. The rate setting process, method of payment and exclusion amount were further modified by 1993 Wisconsin Act 16 (the 1993-95 biennial budget act).

8. The recycling surcharge was supported because it was broad-based, and in most cases, relatively low. The surcharge was viewed as a general means of imposing the costs associated with solid waste disposal on entities that generate solid waste. However, because the surcharge was based on the income of a business, the amount paid was not directly related to the amount of waste generated by the business. Further, since state recycling program funds focus on municipal and residential recycling, it is argued a business tax is not sufficiently linked to waste generation. In addition, the surcharge imposed a financial and administrative burden on many small businesses.

9. If the Committee wishes to use the recycling fee as a source of revenue for the state recycling fund, it could reimpose the surcharge at the 1998 rate of 2.75% (0.2173%) beginning with tax year 2000. This would generate \$9 million in 1999-00 and \$33.0 million in 2000-01. If there is concern about the impact on small businesses, the gross receipts exclusion could be increased from \$4,000 to \$250,000. Using the 1998 surcharge rate, this would generate \$8.2 million in 1999-00 and \$25.0 million in 2000-01. Another alternative would be to increase the gross receipts exclusion amount to \$1,000,000. Table 3 shows the amount of revenue that would be generated by a recycling surcharge with a \$1 million gross receipts exclusion at various surcharge rates.

TABLE 3

**Estimated Recycling Surcharge Collections with
\$1 Million Gross Receipts Exclusion**

<u>Rate</u>	<u>Collections (\$ in Millions)</u>	
	<u>1999-00</u>	<u>2000-01</u>
2.75% (0.2173%)	\$6.9	\$21.5
3.0% (0.237%)	7.4	22.6
4.0% (0.316%)	9.1	26.5
5.0% (0.395%)	10.6	30.0
5.5% (0.4345%)	11.3	31.6
6.0% (0.474%)	12.0	33.2
7.0% (0.553%)	13.3	36.1

B. REVENUES FROM STATE TIPPING FEES

10. A tipping fee is a fee based on the amount of solid waste, usually measured in tons, disposed of by generators of waste at solid waste landfill facilities. Disposal tipping fees charged by landfill operators vary widely throughout the state. Annual reports submitted by local governments to the Department of Natural Resources (DNR) for 1997 indicate that the disposal solid waste tipping fees in Wisconsin range from \$17 to \$55 per ton and average approximately \$30 per ton.

11. In addition to the disposal tipping fees, Wisconsin assesses five state tipping fees on solid waste disposed of at landfills which are shown in Table 4. The fees total 44.7¢ per ton for high-volume industrial waste and 74.7¢ on other waste. High-volume industrial waste includes fly ash, bottom ash, paper mill sludge and foundry process waste. Other waste includes municipal solid waste, construction and demolition waste, industrial waste that is not classified as high-volume and other nonhazardous waste. Waste is exempt from state tipping fees if the landfill receives approval from DNR to use the waste for daily cover and then uses the waste for daily cover.

TABLE 4

State Landfill Tipping Fees

<u>Fee</u>	<u>Use of Fee</u>	Amount Per Ton -- <u>High-Volume Industrial Waste</u>	Amount Per Ton -- <u>Other Waste</u>
Environmental Repair	SEG Environmental Fund	20¢	50¢
Groundwater	SEG Environmental Fund	10	10
Well Compensation	SEG Environmental Fund	4	4
Landfill License Surcharge	PR Solid waste management administration	9	9
Facility Siting	PR Solid Waste Facility Siting Board	<u>1.7</u>	<u>1.7</u>
Total		44.7¢	74.7¢

12. In calendar year 1997, approximately 8.7 million tons of solid waste was disposed of in Wisconsin that was subject to state tipping fees. This is shown in Table 5. Of the total amount of solid waste subject to fees, 5.1 million tons (almost 60%) were municipal solid waste, 2.6 million tons were high-volume industrial waste (30%) and the remaining 1.0 million tons were other nonhazardous waste. An additional 1.3 million tons were exempt from fees because they were used for daily cover.

TABLE 5

Solid Waste Tons Landfilled in Wisconsin, 1997

	<u>Tons (Millions)</u>	<u>Tons (Millions)</u>
Wisconsin Residential	2.2	
Wisconsin Commercial	1.7	
Out-of-State	<u>1.2</u>	
Subtotal Municipal Solid Waste Subject to State Tipping Fees		5.1
High-Volume Industrial	2.6	
Non-High Volume Industrial	<u>1.0</u>	
Subtotal Non-Municipal Solid Waste Subject to State Tipping Fees		3.6
Total Tons Subject to State Tipping Fees		8.7
Tons Exempt from State Tipping Fees		1.3
Total Tons Landfilled in Wisconsin, 1997		10.0

13. Preliminary data for calendar year 1998 indicates that the number of tons of solid waste subject to state tipping fees increased from 8.7 million to 8.8 million tons. While the components of solid waste are not available for 1998, preliminary indications are that out-of-state waste may have decreased from 1.2 million to 1.1 million tons in 1998.

14. Some would argue that an increase in the state tipping fee would be an appropriate method of generating revenues for state recycling programs because the fee would be directly linked to the amount of solid waste generated. This could provide a direct incentive for waste generators to reduce the amount of waste generated and increase the amount of recycling. Further, producers of waste in other states that utilize Wisconsin landfills would also be subject to the tipping fees.

15. Others would argue that an increase in the state tipping fee merely redistributes the costs of state recycling programs from nonresidential waste and generators of large quantities of solid waste to municipal and residential recycling programs. Further, it could result in some communities with lower cost recycling programs that generate relatively high quantities of solid waste paying more in tipping fee increases than they receive from the state in recycling grants.

16. Some would argue that an increase in the state tipping fee should be applied to all waste currently subject to the state tipping fees. Under this alternative, fees on nonresidential commercial and industrial waste would pay for a portion of state recycling programs, including the grants for local residential recycling programs. On the other hand, some would argue that industrial wastes should not be subject to increases in the state tipping fees, because they do not receive assistance from the residential recycling programs.

17. Based on reports by landfills to DNR for 1997 landfill tonnages as shown in Table 5, approximately 5.1 million tons (almost 60% of the tons subject to state tipping fees) were municipal solid waste, 2.6 million tons were high-volume industrial (30%) and 11% were from other industrial sources. Further, a study conducted for DNR by Franklin Associates indicates that approximately 45% of municipal solid waste is commercial waste, including business, institution, government and school sources. Out-of-state municipal solid waste represented 14% of waste subject to state tipping fees. Thus, Wisconsin residential municipal solid waste represented perhaps 25% of 1997 tons subject to state tipping fees.

18. If the state tipping fee would be increased by \$1 on all solid waste currently subject to the fee, the fee would generate approximately \$8.7 million annually to fund recycling programs. If the state tipping fee would be increased by \$1 on all waste except high-volume industrial waste, the fee would generate approximately \$6.1 million annually to fund recycling programs. As tipping fees increase, the amount of solid waste landfilled would be expected to decrease. There would be a corresponding decrease in the amount of revenue per cent or dollar of existing tipping fees or potential new tipping fees for recycling. That is, while a \$1 tipping fee increase on all waste is expected to generate \$8.7 million, a \$10 increase in the tipping fee would not generate \$87 million in annual revenues. While it may not be possible to predict the impact of increasing amounts of tipping fees on the amount of solid waste, several factors could influence the amount of solid waste subject to the tipping fee. These include: (a) the amount of out-of-state waste disposed of in

Wisconsin might decrease; (b) industries might increase the beneficial reuse of wastes, decreasing the number of tons subject to current and increased tipping fees; and (c) residential, commercial and industrial generators of solid waste might recycle more and dispose of less waste. The actual change in the number of tons would depend on how these factors impact the decisions of waste generators about the amount of waste they dispose of and where they dispose of it. A \$3 per ton tipping fee on all waste may be expected to result in a reduction of approximately 5% in the number of landfilled tons, and generate additional revenues of \$24.8 million annually. A \$5 per ton tipping fee may result in a reduction of approximately 12% in the number of tons and generate \$38.3 million annually. However, due to the lack of specific data, the revenue impact of various tipping fee increases must be considered speculative.

19. If a tipping fee is established as a funding source for recycling programs and the number of tons of solid waste landfilled decreases, revenues to the environmental fund would decrease. This revenue shortfall could be offset by increasing the state tipping fees deposited in the environmental fund. For example, if the number of tons declines by 5% under a \$3 per ton tipping fee increase for recycling, environmental fund tipping fees would generate approximately \$240,000 less. This could be offset by increasing the environmental fund tipping fee for all solid waste by approximately 3¢ per ton.

20. The state tipping fees are assessed in May for solid waste tons landfilled in the prior calendar year. If a tipping fee increase would be first applied to waste disposed of on or after the effective date of the biennial budget act, approximately four months of revenue would be generated in 1999-00 and a full year of revenue would be generated in 2000-01. It may be administratively easier for landfills and DNR to determine which waste is subject to the increased state tipping fee if the fee would become effective for waste landfilled beginning January 1, 2000. Under this alternative, there would be no new revenue in 1999-00 and a full year in 2000-01.

C. REVENUES FROM A GROSS RECEIPTS OR SALES TAX

21. It has been suggested that funds for recycling could be raised by extending the sales tax to solid waste services. Under current law, the Wisconsin 5% general sales tax is imposed on the gross receipts from the sale and rental of personal property and selected services. The tax is imposed on the sale, lease or rental of all personal property not specifically exempted. This contrasts with the treatment of services, where the tax is imposed only on those services specifically listed in the statutes. Solid waste services are not among the services currently subject to the sales tax.

22. Under a sales tax, solid waste services provided directly by local governments would not be taxable, as there would be no "sale" to tax. In addition, solid waste services provided by local governments in Wisconsin through contracts with private businesses would be exempt from the tax under a general sales tax exemption for sales to governmental, educational and charitable organizations.

23. The fiscal effect of imposing the sales tax on solid waste services would depend on

whether the tax applied to all types of solid waste and whether the tax was imposed on waste collection, waste disposal or both. One option would be to impose the tax on both collection and disposal services for all types of solid waste (with the exception of sales to exempt governmental organizations). Precise information is not available for solid waste collection and disposal expenditures that would exclude exempt sales. However, based on reports of solid waste expenditures by local governments made annually to the Department of Revenue (DOR) and on information from the DNR on tons of solid waste disposed of by sector, it is estimated that a sales tax on all solid waste collection and disposal services would generate increased sales tax collections of \$20.0 million in 1999-00, assuming an effective date of October 1, 1999, and \$27.0 million annually in 2000-01 and thereafter.

24. In addition, because the optional county sales tax is "piggy-backed" on the state sales tax, it is estimated that the 53 counties that will impose the county tax would collect \$3.0 million annually from such sales.

25. In cases in which a solid waste hauler's fees incorporate both collection and disposal services, the transaction between the customer and the hauler would constitute the final sale for sales tax purposes. The sale would be either taxable or exempt, depending on the nature of the waste and whether or not the customer was exempt from paying sales tax. In a manner similar to the tax treatment of sales of tangible merchandise for resale (which are exempt from the sales tax), no sales tax would be due on a hauler's subsequent payment of tipping fees for disposal of such waste at a landfill.

26. The majority of Wisconsin residents live in municipalities in which solid waste service is provided by the local government and would, therefore, be exempt from a sales tax on such services. Based on reported expenditures by local governments, it is estimated that 70% to 75% of Wisconsin's population lives in municipalities that provide some level of residential solid waste services (however, even in such municipalities, apartment complexes and similar multi-family units are responsible for their own solid waste collection and disposal). It could be argued that a sales tax on solid waste services would place the burden of paying for recycling primarily on commercial and industrial customers and the minority of individuals that pay directly for their own solid waste services. The majority of residential users of these services would not be directly affected by the tax. Therefore, this option may not be viewed as a broad-based funding source for recycling. Further, it may not create a broad-based incentive to reduce waste.

27. An alternative approach would be to consider a tax on the gross revenues of businesses providing solid waste services. Such a tax would have a broader base than a sales tax, as it would apply to solid waste services purchased (but not provided directly) by local governments in Wisconsin. Based on information from the 1992 Census of Transportation, Communications, and Utilities, prepared by the U.S. Department of Commerce, a 5% gross revenues tax on businesses engaged in collection and disposal of waste would generate approximately \$35 million annually. At the rate of 2.5%, such a tax would generate an estimated \$17.5 million per year.

D. GENERAL PURPOSE REVENUES

28. Some have argued that state funding for recycling programs should be provided from the general fund because recycling activities benefit all of the citizens of the state. General purpose revenues (GPR) could either be transferred from the general fund to the recycling fund for recycling programs or could be directly appropriated for recycling activities.

ALTERNATIVES

1. Establish a recycling surcharge, effective for tax years beginning on January 1, 2000, and deposit the revenues in the recycling fund. Establish the surcharge rate to be the same as the one in effect for tax year 1998 (generally 2.75% with certain exceptions and exclusions) and provide one of the following gross receipts exclusions, to generate the revenues indicated:

- a. \$4,000, to generate revenues of \$9.0 million in 1999-00 and \$33.0 million in 2000-01.
- b. \$250,000, to generate revenues of \$8.2 million in 1999-00 and \$25.0 million in 2000-01.
- c. \$1,000,000, to generate revenues of \$6.9 million in 1999-00 and \$21.5 million in 2000-01.

2. Establish a state tipping fee on all solid waste currently subject to state tipping fees and deposit the revenues in the recycling fund. In addition, increase the current state tipping fee on all solid waste that is deposited in the environmental fund to offset the amount by which environmental fund revenues could be expected to decrease as the number of tons landfilled decreases. Provide one of the following state tipping fees per ton, effective with waste landfilled on January 1, 2000, with annualized revenues beginning in 2000-01.

	<u>Recycling Tipping Fee</u>	<u>Environmental Fund Tipping Fee</u>	<u>Total Fee</u>	<u>Annual Recycling Revenues</u>
a.	\$1	0¢	\$1.00	\$8,700,000
b.	2	2	2.02	16,900,000
c.	3	3	3.03	24,800,000
d.	4	5	4.05	32,000,000
e.	5	7	5.07	38,300,000

3. Establish a state tipping fee on solid waste currently subject to state tipping fees, except for high-volume industrial waste and deposit the revenues in the recycling fund. In addition, increase the current environmental fund state tipping fee on solid waste that is not high-volume industrial waste that is deposited in the environmental fund to offset the amount by which

environmental fund revenues could be expected to decrease as the number of tons landfilled decreases. Provide one of the following state tipping fees per ton, effective with waste landfilled on January 1, 2000, with annualized revenues beginning in 2000-01.

	<u>Recycling Tipping Fee</u>	<u>Environmental Fund Tipping Fee</u>	<u>Total Fee</u>	<u>Annual Recycling Revenues</u>
a.	\$1	0¢	\$1.00	\$6,100,000
b.	2	2	2.02	11,800,000
c.	3	3	3.03	17,400,000
d.	4	6	4.06	22,400,000
e.	5	9	5.09	26,800,000
f.	6	11	6.11	31,100,000
g.	7	14	7.14	35,000,000
h.	8	16	8.16	39,000,000

4. Establish a sales tax on solid waste collection and disposal services on October 1, 1999, for deposit in the recycling fund, to generate revenues of approximately \$20.0 million in 1999-00 and \$27.0 million in 2000-01.

5. Establish a tax on the gross revenues of businesses providing solid waste services, including solid waste services purchased by local governments in the state, effective October 1, 1999. Deposit the revenues in the recycling fund. Provide one of the following tax rates and revenue amounts:

a. 5% of gross revenues of businesses engaged in collection and disposal of solid waste, to generate approximately \$26.2 million in 1999-00 and \$35.0 million in 2000-01.

b. 2.5% of gross revenues of businesses engaged in collection and disposal of solid waste, to generate approximately \$13.1 million in 1999-00 and \$17.5 million in 2000-01.

6. Provide general purpose revenues (GPR) in an amount necessary to fund recycling fund appropriations.

Prepared by: Kendra Bonderud, Faith Russell and Ron Shanovich

(Gov) Agency: DNR - Air, Waste & Contaminated Land
Recycling Program Expenditures

Recommendations:

Paper No. 723: Decker Motion
(possibly followed by a Panzer motion)

Comments: Again, I hope this paper is included as part of an omnibus motion, otherwise it could be a big pain in the rear.

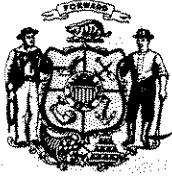
This paper deals with recycling fund appropriations to 7 different state agencies.

If there's no omnibus motion, I'd vote this way:

- Part A - Alternative 2 (b or c)
- Part B - Alternative 1 (no action needed)
- Part C - Alternative 1 (no action needed)
- Part D - Alternative 3
- Part E - Alternative 1 (no action needed)
- Part F - Alternative 1 or 2
- Part G - Alternative 1 or 2
- Part H - Alternative 1 (no action needed)
- Part I - Alternative 1 (no action needed)

As you can see, it would be much better to include all these alternatives in an omnibus motion, so the funding can match the need.

prepared by: Barry



Legislative Fiscal Bureau

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June 7, 1999

Joint Committee on Finance

Paper #723

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

[LFB 1999-01 Budget Summary: Pages 454-457, #4-7; Page 61, #2; Page 100, #15;
Page 147, #1; Page 173, #23; and Page 535, #17]

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 and recycling regulations and financial and technical assistance is administered by the Department of Natural Resources (DNR). DNR administers the municipal and county recycling grant program which provides financial assistance to responsible units of local government for eligible recycling expenses. The grant program is appropriated \$24 million in 1998-99. DNR also administers a waste reduction and recycling demonstration grant program which is appropriated base funding of \$1 million annually. The Recycling Market Development Board in the Department of Commerce administers several recycling market development programs. Other programs are administered by the University of Wisconsin System, and the Departments of Agriculture, Trade and Consumer Protection, Administration, Corrections and Revenue.

GOVERNOR

In general, AB 133 would spend down the recycling fund balance and reduce program expenditures to reflect the sunset of the temporary recycling surcharge on most businesses for tax years that ended after April 1, 1999. No new revenue would be provided for the recycling fund. Appropriations from the recycling fund would be provided to DNR, Commerce, the UW System and Corrections with total funding of \$23.7 million in 1999-00 and \$17.7 million in 2000-01.

DISCUSSION POINTS

1. Joint Committee on Finance action, to date, on the 1999-01 budget has modified AB 133 to maintain \$75,000 in annual recycling fund expenditures in DNR for rent. Recycling fund appropriations for all agencies are shown in Table 1.

TABLE 1

Recycling Fund Appropriations, All Agencies AB 133 Plus Committee Action To Date

Agency	1998-99 Adjusted Base		1999-00		2000-01	
	Funding	Positions	Funding	Positions	Funding	Positions
Administration	\$128,300	2.50	\$0	0.00	\$0	0.00
Agriculture, Trade and Consumer Protection	211,900	2.20	0	0.00	0	0.00
Commerce	2,832,300	4.00	180,300	2.00	180,300	2.00
Corrections	0	0.00	500,000	4.00	500,000	4.00
Natural Resources						
Municipal & County Recycling Grants	24,000,000	0.00	20,000,000	0.00	15,000,000	0.00
Other Programs	4,826,100	28.50	2,536,800	17.75	1,536,800	10.00
Revenue	334,600	2.50	0	0.00	0	0.00
University of Wisconsin System	527,400	4.50	527,400	4.50	527,400	4.50
Total	\$32,860,600	44.20	\$23,774,500	28.25	\$17,744,500	20.50

2. Table 2 shows the estimated balance of the recycling fund. The recycling fund will have an estimated July 1, 1999, unencumbered balance of \$43.3 million. The only revenue to the fund in 1999-01 would be investment income of approximately \$3.5 million. After expenditure of approximately \$41.7 million in 1999-01 under the bill, the estimated June 30, 2001, closing balance would be \$5.1 million. This balance could be appropriated for municipal and county recycling grants, waste reduction and recycling demonstration grants or any of the administrative appropriations.

TABLE 2
Recycling Fund Condition -- AB 133
(\$ Millions)

	1997-98 <u>Actual</u>	1998-99 <u>Estimated</u>	1999-00 <u>Estimated</u>	2000-01 <u>Estimated</u>
Opening Balance -- July 1	\$44.6	\$39.4	\$43.3	\$22.0
Recycling Surcharge	53.6	32.8	0.0	0.0
Interest Income and Other	<u>3.3</u>	<u>3.4</u>	<u>2.5</u>	<u>1.0</u>
Total Revenue	56.9	36.2	2.5	1.0
Total Revenue Available	\$101.5	\$75.6	\$45.8	\$23.0
Expenditures and Reserves	39.3	32.3	23.8	17.9
Transfer to General Fund	3.9	0.0	0.0	0.0
Encumbrances and Continuing Balances	<u>18.9</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total Expenditures and Reserves	\$62.1	\$32.3	\$23.8	\$17.9
Closing Balance -- June 30	\$39.4	\$43.3	\$22.0	\$5.1

A. DNR MUNICIPAL AND COUNTY RECYCLING GRANTS

3. During the last ten 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.

5. AB 133 would reduce base funding for municipal and county recycling grants by \$4,000,000 SEG in 1999-00 and \$9,000,000 SEG in 2000-01 from the recycling fund to reduce grant funding from \$24,000,000 in 1998-99 (calendar year 1999) to \$20,000,000 in 1999-00 (calendar year 2000) and \$15,000,000 in 2000-01 (calendar year 2001). In addition, the bill would extend the end date for the grant program from the year 2000 to the year 2001.

6. Municipal and county recycling grants average approximately 30% of the net eligible recycling costs of communities. 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.

7. It is argued that at the time the program was created the state promised to provide municipal grants through 1999. That obligation has been met and the bill would provide an additional \$35 million for two additional years of local recycling grants (through 2001). Under this argument, the funding in the bill is more than necessary to meet the state's promise to local governments.

8. Others argue that 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. Therefore, some argue that the total amount of state funding for local recycling grants should not decrease below the current level of \$24,000,000, which would continue to provide an average of 30% of local recycling program expenses. Local governments argue that the state imposes a mandate for local governments 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.

9. In 1996 and 1997, when state grant funding totaled \$29.2 million annually, local net eligible recycling expenses were \$66 to \$69 million and the basic recycling grants were prorated to provide 75% to 80% of the eligible grant amount. In 1998 and 1999, state grant funding totaled \$24 million in each year, net eligible recycling expenses were \$76 to \$78 million and the basic recycling grants were prorated to provide 55% to 58% of the eligible grant amount.

10. Others suggest that the amount of state funding for local recycling grants should be increased to fund a greater portion of local recycling program expenses. For example, if \$29,200,000 would be provided in each year (as was provided for calendar years 1994 through 1997), state grants would fund an average of 37% of local recycling program expenses, based on 1999 net eligible costs. If \$35,000,000 would be provided in each year, state grants would fund an average of 45% of local recycling program expenses, and local governments would receive grants equaling almost 100% of the eligible grant amount. (The eligible grant amount is currently determined by calculating 66% of the difference between eligible expenses and avoided disposal costs or \$8 per capita, whichever is less. If the amount calculated is less than 33% of eligible expenses, the grant equals 33% of eligible expenses. AB 133 would reduce the maximum grant amount to \$8 per capita.)

B. DNR ADMINISTRATION

11. AB 133 would reduce funding for DNR recycling administration by \$1,277,500 SEG and 10.75 SEG positions in 1999-00 and \$1,777,500 SEG and 18.5 SEG positions in 2000-01

from the recycling fund. This would decrease DNR recycling staff from 28.5 positions in 1998-99 to 17.75 in 1999-00 and to 10.0 positions in 2000-01.

12. In the Waste Management program, the bill would delete 4.0 positions in 1999-00 and 11.75 positions in 2000-01 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, \$876,600 with 12.75 positions would remain in 1999-00 and \$376,600 with 5.0 recycling fund positions in 2000-01 would perform these functions.

13. The DNR Waste Management program indicates that under the staff reductions provided in the bill, the program would phase out policy development, enforcement of requirements for effective programs and haulers, review of waste reduction and recycling demonstration grants, staff training, recycling team meetings, review of newspaper recycled content reports and presentation of workshops, and reduce outreach and publication distribution and technical assistance to local governments and haulers. Remaining duties would consist of review of recycling annual reports, program evaluation visits, compost site licensing and inspections, less frequent inspection of material recovery facilities, maintenance of the recycling database, publication distribution, interprogram and interagency coordination, responding to information requests and analyzing and measuring program accomplishments.

14. The DNR Waste Management program suggests that a staff level of 13.75 be retained in the program, instead of the 12.75 in 1999-00 and 5.0 in 2000-01 provided in the bill. Under this staffing level, the Waste Management program would reduce but not eliminate assistance related to local government recycling grants, continue review of demonstration grants, continue to inspect materials recovery facilities (on a more limited basis than currently), and implement smaller reductions than under the bill related to outreach, compliance, enforcement and workshops. The program also suggests that one of these positions be utilized for projects related to recyclable materials that have toxic, hazardous or high-volume characteristics such as fluorescent light bulbs, rechargeable batteries, mercury-containing thermometers, waste tires, used oil filters, computers, paint, textiles and construction and demolition waste. An alternative to the bill would be to restore \$61,800 SEG and 1.0 SEG position in 1999-00 and \$523,800 SEG and 8.75 SEG positions in the Waste Management program.

15. In the Administration and Technology Division, the bill would delete 2.0 positions annually from the recycling fund related to accounting, audit of recycling grants, purchasing and other financial management recycling-related responsibilities. Under the bill, \$117,200 with 1.0 recycling fund position would remain to perform these functions.

16. In the Customer Assistance and External Relations (CAER) Division, the bill would delete 4.75 positions annually from the recycling fund related to informational and education functions and administration of the municipal and county recycling grant program and waste

reduction and recycling demonstration grant program. Under the bill, \$366,700 with 3.0 recycling fund positions would remain to perform these functions.

17. One of the 3.0 remaining CAER Division positions would be located in the Bureau of Community Financial Assistance. The Bureau 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. Currently, DNR administers 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. The Bureau recommends that the 2.5 SEG grant administration positions and LTE funding be restored in order to continue administering the grant programs. Restoring \$233,600 SEG with 2.5 SEG positions to administer the grant programs could be considered. Alternatively, some have suggested a simplified grant formula which would reduce the need for administrative staff.

18. As introduced, the bill would convert \$750,000 annually in expenditures from the recycling fund to the conservation fund (\$500,000) and environmental fund (\$250,000) for departmental rent and facilities costs. This would reduce use of the recycling fund for rent from \$782,300 to \$32,300 annually. On May 26, 1999, the Joint Committee on Finance adopted an alternative to convert \$75,000 less annually from the recycling fund to the conservation fund. As a result, \$425,000 annually would be converted from the recycling fund to the conservation fund (instead of \$500,000) and \$107,300 SEG from the recycling fund would be used for rent in each year of the biennium. This is an 86% reduction in rent costs charged to the recycling fund. However, under the bill, staffing is reduced 65%. If rent were reduced proportionately, \$273,800 would remain, which is \$166,500 more than under legislative action to date. Under a proportionate reduction, the net conversion from the recycling fund could be \$508,500, including \$339,000 to the conservation fund (instead of the \$425,000 converted to date) and \$169,500 to the environmental fund (instead of the \$250,000 converted to date). If DNR is provided additional staff, a proportional share of rent costs could be similarly shifted.

19. The bill would delete \$70,300 annually to eliminate use of the recycling fund for recycling activities in DNR parks and forests. DNR has made minimal use of this appropriation in the last three years for park and forest recycling activities, with \$0 expenditures reported in 1995-96, \$14,000 in 1996-97 and \$16,500 in 1997-98. It would appear that DNR is accomplishing park and forest recycling activities with other funding sources, primarily use of the conservation fund.

C. DNR WASTE REDUCTION AND RECYCLING DEMONSTRATION GRANTS

20. 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. 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 which cumulatively total more than \$250,000. The program has focused 1997-99 funding efforts 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.

21. The bill would delete \$500,000 SEG in 2000-01 to reduce base funding for the recycling demonstration grant program from \$1,000,000 in 1999-00 to \$500,000 in 2000-01. The appropriation will have a July 1, 1999, unencumbered balance of approximately \$1,000,000. This will result in available grant program funding during 1999-01 of approximately \$2,500,000.

22. Some argue that the 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.

23. 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. An alternative view would be that if state-funding of recycling activities is going to be phased out, grants for innovative waste can be phased out at an earlier end date than when all funding for state recycling-funded activities ends.

24. Program expenditures have averaged \$900,000 annually over the previous five years. Funding during the biennium could be reduced by \$700,000 to provide \$1,800,000 in available program funding. This would allow grant funding to continue at current levels in the biennium. Funding in 1999-00 could be reduced by \$500,000, to \$500,000, and the 2000-01 appropriation could be reduced by \$200,000 to \$300,000. Alternatively, if no new program funding would be provided during the biennium, DNR could use the \$1,000,000 in carry-in funding to provide financial assistance at approximately 55% of the current levels.

25. AB 133 would direct DNR to award a grant from the appropriation, without being subject to standard program requirements, to the Wheelchair Recycling Project of \$75,000 on September 1, 1999 and \$50,000 on July 1, 2000. The grants would be used 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. In 1997 Act 237, DNR was directed to provide a grant of \$100,000 in 1998-99 to the Wheelchair Recycling Project. The organization also received a \$80,775 program grant in 1997-98. For the six months from July to December, 1998, the

organization reported to DNR that over 70% of the revenues of the organization derived from the DNR recycling demonstration grants. It could be argued that continued state funding of the activity fills an otherwise unmet need for reusing and recycling medical equipment. On the other hand, it could be argued that limited state recycling funds should not be used for the ongoing support of a private nonprofit organization, and that the private sector should support such activities.

D. RECYCLING MARKET DEVELOPMENT BOARD

26. The Recycling Market Development Board within the Department of Commerce is authorized annual base funding of \$2,500,000 SEG from the recycling fund and \$1,500,000 PR from loan repayments for financial assistance and \$346,400 SEG with 4.0 project positions for administration. AB 133 would eliminate SEG funding for financial assistance and \$166,100 SEG annually with 2.0 positions for administration, retaining \$180,300 SEG annually with 2.0 project positions (the executive director and a financial specialist).

27. The RMDB administers several recycling market development programs, primarily loans, rebates for business use of recycled materials, technical assistance and education. The RMDB has focussed on approving financial assistance and discussing and developing markets for specific commodities, especially materials that are not banned from landfills such as construction and demolition debris, high-volume industrial byproducts and computers.

28. In addition to the administrative appropriation, the RMDB has used the financial assistance appropriation in 1997-99 to hire over four contract and limited-term staff to provide business consultant (\$150,000 annually), loan portfolio management and commodity specialist services and for Commerce to administer the recycling market development loan portfolio of the former Department of Development. Thus, the RMDB has over seven staff. This total includes three full-time equivalent commodity specialists who develop and direct strategy for promoting the development of recycling markets and the use of recovered materials, and make recommendations related to business use of specific materials.

29. The RMDB will award approximately \$4.6 million in financial assistance during the 1997-99 biennium and will lapse approximately \$0.4 million in unused funds to the recycling fund. The awarded amount includes \$0.9 million for contracts with a private business consultant, a University of Wisconsin - Green Bay commodity specialist and a Commerce loan portfolio administrative project position. This means that over seven staff positions to the RMDB were able to generate \$3.7 million in loans, rebates, technical assistance and educational projects for approval by the RMDB.

30. The bill would deposit loan repayments from the former DOD recycling market development loan programs in the RMDB loan repayments appropriation instead of in the recycling fund. This change would provide an estimated \$379,200 in loan repayments for use for financial assistance. There will be an estimated \$4,600,000 in loan repayments available for financial assistance in 1999-01, or \$2,300,000 annually (an increase of \$800,000 over the current estimated

expenditure level). The amount of loan repayments available in 1999-01 would allow RMDB financial assistance awards to maintain 1997-99 levels.

31. Some would argue that current staff levels are greater than necessary for promotion of recycling market development activities. AB 133 retains the executive director, financial specialist, \$41,000 annually for limited-term employees and authorization of use of the PR appropriation for contracts (such as with a business consultant and commodity specialist).

32. 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 markets and conditions have impacted markets for recycled materials in ways that state financial assistance have not been able to counteract. For example, Asian economic downturns have decreased the revenues Wisconsin local governments receive for recyclable newspaper and paper.

33. Some would argue that a separate Recycling Market Development Board is no longer necessary and that recycling market development activities should instead be integrated into Commerce's economic development programs. Under this alternative, the RMDB could be eliminated now instead of on June 30, 2001, as specified under current law. Currently, Commerce is authorized, effective July 1, 2001, to promulgate rules to provide recycling market development programs. Commerce could be authorized to begin that process now instead of on July 1, 2001. Further, an alternative method of staffing the recycling market development program would be to provide a loan portfolio manager to manage past and future financial assistance funded by the RMDB, a commodity specialist to develop and direct strategy for recycling market development and no LTE or contract staff. Under this alternative, an additional \$38,700 SEG annually could be deleted, the 2.0 authorized positions would not include an executive director and the PR loan repayment appropriation would not be authorized for use for contracts with persons to carry out the duties of the Board.

34. Some would argue that the current level of \$2,500,000 SEG from the recycling fund should continue to be provided for financial assistance and that 2.0 staff are insufficient to administer the \$2,300,000 annual financial assistance funding that would be available under the bill. However, the bill would allow the RMDB to continue to award the same level of financial assistance in 1999-01 as in 1997-99 and it could be argued that 2.0 positions would be sufficient to administer that level of financial assistance.

E. DEPARTMENT OF ADMINISTRATION

35. AB 133 would delete \$132,000 SEG and 2.5 SEG positions annually from the recycling fund that were used for the development and enforcement of state procurement policy regarding recycled materials and supplies. The eliminated funds represent salary and fringe benefit costs for a 0.5 procurement supervisor, a procurement specialist and a program assistant.

36. In addition to the funding reduction, the Governor's proposal repeals the following

statutory requirements currently associated with DOA's resource recovery and recycling program: (a) the requirement to annually report to the Governor and to the chief clerk of each house of the Legislature on the program; (b) the requirement for agencies, authorities and participating local governmental units to biennially submit recommendations to DOA regarding the operation of the program; (c) the requirement for DOA to maintain a clearinghouse of information on recycled products available for purchase by governmental agencies; and (d) the requirement for DOA to annually submit a report to the Recycling Market Development Board regarding the activities of the program (under current law this last requirement would expire on June 30, 2001). The appropriation from the recycling fund to support these activities would also be repealed. These repeals would all be effective on the general effective date of the budget bill.

37. The Governor's rationale for eliminating these positions is that recycling activities are already institutionalized into agency procurement processes and therefore, the positions and the reporting requirements are unnecessary. In addition, DOA believes that the reporting requirements do not provide significant value. Furthermore, the temporary recycling surcharge that supported these activities has expired.

38. An alternative view of the Governor's proposal is that it eliminates all of the positions associated with development of procurement guidelines for purchasing recyclable products but does not eliminate the statutory requirement for agencies to adhere to those guidelines. Smaller agencies and local governments will still be required to adhere to existing guidelines but will no longer have a centralized source to obtain information on procuring recycled materials. This is likely to result in some variation in the compliance with the law. In addition, the elimination of the reporting requirements will leave policy-makers with less information to make decisions on state recycling activities. Therefore, the Committee may want to retain the positions and reporting requirements. (\$132,000 SEG annually and 2.5 SEG positions)

F. DEPARTMENT OF CORRECTIONS

39. 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 demonstration grant program from the recycling fund with 4.0 PR one-year project positions to support a computer recycling program at the Racine Youthful Offender Correctional Facility (RYOCF) and Taycheedah Correctional Institution (TCI). Under the program, Corrections receives used computers mostly from state agencies. These computers are evaluated and reprocessed for sale to daycare and youth centers, schools and churches. The program also "demanufactures" computers (saving salvageable parts for reprocessing and selling nonsalvageable parts to vendors). Funding in 1997 Act 237 was provided on a one-time basis because of concerns regarding the continuation of recycling funds beyond 1999-00. Funding and position authority for these positions are removed from Corrections' 1999-01 biennial budget as non-continuing items under standard budget adjustments.

40. The bill provides \$500,000 SEG and 4.0 SEG two-year project positions annually from the recycling fund to support continuation of the computer recycling program at RYOCF and

TCI. The bill also creates an annual, SEG appropriation in Corrections for the computer recycling program. The bill would continue the program with funds appropriated directly from the recycling fund, instead of from a recycling grant. Funding provided in the bill would be divided as follows: (a) staff costs, \$135,500 in 1999-00 and \$180,800 in 2000-01; (b) program supplies, services and property, \$105,700 in 1999-00 and \$106,100 in 2000-01; (c) one-time costs, such as equipment and facility preparation, \$198,000 in 1999-00 and \$131,900 in 2000-01; and (d) inmate wages, \$60,800 in 1999-00 and \$81,200 in 2000-01.

41. As of April, 1999, 39 inmates are employed by the computer recycling project (13 female offenders at the Taycheedah Correctional Institution reprocessing computers and 26 male offenders at the Racine Youthful Offender Correctional Facility demanufacturing computers). Since the project began, over 23,200 pieces of equipment (computer processing units, monitors, keyboards and printers) have been collected. Donations are dropped off at 21 sites statewide. Most of the donated computers are from state agencies. Donated computers are inventoried and tested at RYOCF. Nonworking equipment is demanufactured and recycled; working or easily repaired equipment is processed and upgraded at TCI and sold for between \$25 and \$100. Approximately 1,100 computers and 225 printers have been sold.

42. To date, Corrections has generated \$27,100 from sales of computers, which is deposited to the Badger State Industries program revenue appropriation to partially offset overhead costs associated with the project. In addition to the recycling of used computers, the project also provides employment skills for inmates. The project does not generate sufficient revenues to pay the costs of the project.

43. Some would argue 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 use general purpose revenues for these activities.

G. DEPARTMENT OF REVENUE

44. The Department of Revenue administered 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.

45. AB 133 would delete 2.5 SEG positions annually and all funding for administration of the recycling surcharge to reflect the elimination of the surcharge in April 1999. In addition, the appropriation used to fund administrative costs would be deleted. The Department of Revenue indicates that it would need those positions if it were again required to administer a recycling surcharge.

H. UNIVERSITY OF WISCONSIN SYSTEM

46. AB 133 would continue to appropriate base funding of \$203,300 SEG 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, \$34,300 supports the cost of a 0.5 FTE 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) the safe disposal of solid waste that cannot be recycled or composted. 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. In 1998-99, 14 grants were awarded totaling \$168,600.

47. 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. If the SEG funding for these activities would be eliminated, the Board of Regents would have to reallocate base funding to carry out its statutory responsibilities. Alternatively, the Committee could choose to eliminate the current statutory requirements.

I. UNIVERSITY OF WISCONSIN - EXTENSION

48. AB 133 would continue adjusted base funding of \$324,100 SEG and 4.0 SEG positions annually from the recycling fund for the University of Wisconsin-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.

49. Positions within UW-Extension are authorized to provide statewide information on hazardous pollution prevention and to provide educational and technical assistance related to recycling. 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.

50. 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 processing and compost specialist at UW-Stevens Point, and a recycling operations specialist and a program

assistant at UW-Madison. Funding appropriated to the Center from the recycling fund is also used to provide educational and technical assistance in recycling and recycling market development. 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.

51. SHWEC also received grants from the Recycling Market Development Board in 1997-99 totaling \$70,000 in 1997-98 and \$160,000 in 1998-99 for the Industry Recycling Assessment Program (IRAP) for three staff to provide technical assistance to industries, businesses, recyclers and others to identify source reduction opportunities, methods to make products and packaging recyclable, appropriate recycling technologies, and the feasibility of using recycling materials to manufacture other products. While in March, 1999, the RMDB denied a SHWEC request for \$160,000 for continued IRAP funding in 1999-00, funding available to the RMDB under the bill would allow the RMDB to maintain 1997-99 financial assistance levels, and the RMDB could choose to continue funding IRAP or other SHWEC recycling market development activities.

52. 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, it could be argued that the educational and technical assistance provided by SHWEC is an important component of a statewide recycling program.

J. DEPARTMENT OF AGRICULTURE, TRADE AND CONSUMER PROTECTION

53. DATCP is provided 2.2 positions to administer the Department's recycling program responsibilities. Under prior Committee action, a weights and measures inspector position and \$48,400 annually was converted from recycling fund SEG to petroleum inspection fund SEG and a chief of environmental products position and \$143,900 annually was converted from recycling fund SEG to weights and measures PR. Further, a 0.2 bureau director position and \$17,100 annually was converted from recycling fund SEG to grain inspection PR.

54. DATCP is required to establish and enforce content and labeling standards for recyclable goods. These activities could continue under base funding. However, Department officials indicate that without receiving funding specifically for recycling, the Department will not continue its recycling program administration with any degree of regularity. The Department reports that field staff spent fewer than 40 hours on recycling activities in 1997-98 and the chief of environmental products position has been vacant for over a year. Therefore, it could be argued DATCP is able to continue its current level of recycling related activities without recycling fund SEG.

ALTERNATIVES

Approval of any alternative or combination of alternatives that results in a net expenditure of more than \$5,100,000 in excess of the expenditure levels provided in AB 133 would require provision of additional revenue.

A. DNR MUNICIPAL AND COUNTY RECYCLING GRANTS

1. Approve the Governor's recommendation to reduce base funding for municipal and county recycling grants by \$4,000,000 SEG in 1999-00 and \$9,000,000 SEG in 2000-01 from the recycling fund, to reduce grant funding from \$24,000,000 in 1998-99 (calendar year 1999) to \$20,000,000 in 1999-00 (calendar year 2000) and \$15,000,000 in 2000-01 (calendar year 2001). In addition, approve the Governor's recommendation to extend the end date for the grant program to the year 2001.

2. Modify the Governor's recommendation to provide one of the following amounts of grant funding during 1999-01:

a. \$20,000,000 in each year.

Alternative A2a	SEG
1999-01 FUNDING (Change to Bill)	\$5,000,000

b. \$24,000,000 in each year.

Alternative A2b	SEG
1999-01 FUNDING (Change to Bill)	\$13,000,000

c. \$29,200,000 in each year.

Alternative A2c	SEG
1999-01 FUNDING (Change to Bill)	\$23,400,000

B. DNR ADMINISTRATION

1. Approve the Governor's recommendation to: (a) delete \$2,027,500 SEG and 10.75 SEG positions in 1999-00 and \$2,527,500 SEG and 18.5 SEG positions in 2000-01 from the recycling fund; and (b) convert \$675,000 annually for rent from the recycling fund to the

conservation fund (\$425,000) and the environmental fund (\$250,000).

2. Approve the Governor's recommendation as modified in one or more of the following ways:

a. Restore \$61,800 SEG and 1.0 SEG position in 1999-00 and \$523,800 SEG and 8.75 SEG positions in the Waste Management program for recycling program administration.

<u>Alternative B2a</u>	<u>SEG</u>
1999-01 FUNDING (Change to Bill)	\$585,600
2000-01 POSITIONS (Change to Bill)	8.75

b. Restore \$233,600 SEG with 2.5 SEG positions in the Bureau of Community Financial Assistance to administer the municipal and county recycling grant program and waste reduction and recycling demonstration grant program.

<u>Alternative B2b</u>	<u>SEG</u>
1999-01 FUNDING (Change to Bill)	\$467,200
2000-01 POSITIONS (Change to Bill)	2.50

c. Reduce the conversion of recycling fund rent expense by an additional \$166,500 annually (\$86,000 from the conservation fund and \$80,500 from the environmental fund).

C. DNR WASTE REDUCTION AND RECYCLING DEMONSTRATION GRANTS

1. Approve the Governor's recommendation to: (a) delete \$500,000 SEG in 2000-01 from the waste reduction and recycling demonstration grant program (to provide a total of approximately \$2,500,000 during 1999-01); and (b) direct DNR to provide a grant to the Wheelchair Recycling Project of \$75,000 on September 1, 1999, and \$50,000 on July 1, 2000.

2. Adopt the Governor's recommendation, but modify the amount of demonstration grant funding in one of the following ways:

a. Delete an additional \$700,000 SEG (\$500,000 in 1999-00 and \$200,000 in 2000-01), to provide total grant funding of approximately \$1,800,000 during 1999-01.

<u>Alternative C2a</u>	<u>SEG</u>
1999-01 FUNDING (Change to Bill)	- \$700,000

b. Delete an additional \$1,000,000 SEG in 1999-00 and \$500,000 in 2000-01 (no new funding), to provide a total of approximately \$1,000,000 from the carry-in balance during 1999-01.

<u>Alternative C2b</u>	<u>SEG</u>
1999-01 FUNDING (Change to Bill)	- \$1,500,000

3. In addition to Alternatives 1 or 2, delete the designated grant funding for the Wheelchair Recycling Project.

D. RECYCLING MARKET DEVELOPMENT BOARD (CHANGE TO BASE)

1. Approve the Governor's recommendation to: (a) delete \$2,500,000 SEG annually for financial assistance; (b) delete \$166,100 SEG and 2.0 SEG project positions annually for administration; (c) deposit loan repayments from the former DOD recycling market development loan programs in the RMDB loan repayments appropriation instead of the recycling fund; (d) until June 30, 2001, authorize the RMDB to use the PR loan repayments appropriation for contracts with persons to carry out the duties of the Board, in addition to using the appropriation for financial assistance.

<u>Alternative D1</u>	<u>PR</u>	<u>SEG</u>	<u>TOTAL</u>
1999-01 REVENUE (Change to Base)	\$379,200	- \$379,200	\$0
[Change to Bill]	\$0	\$0	\$0]
1999-01 FUNDING (Change to Base)	\$0	- \$5,332,200	- \$5,332,200
[Change to Bill]	\$0	\$0	\$0]
2000-01 POSITIONS (Change to Base)	0.00	- 2.00	- 2.00
[Change to Bill]	\$0	0.00	0.00]

2. Approve the Governor's recommendation, except: (a) delete the authorization of the RMDB to use the PR loan repayments appropriation for contracts with persons to carry out the duties of the Board; (b) reestimate the PR loan repayments appropriation from \$1,500,000 PR to \$2,300,000 PR annually, to reflect anticipated loan repayment revenues; (c) delete the authorization for an executive director; and (d) delete \$38,700 SEG annually to provide a loan portfolio and commodity specialist instead of an executive director and administrative financial specialist.

<u>Alternative D2</u>	<u>PR</u>	<u>SEG</u>	<u>TOTAL</u>
1999-01 FUNDING (Change to Base)	\$1,600,000	- \$77,400	\$0
[Change to Bill]	1,600,000	- \$77,400	\$0]

3. Repeal the Recycling Market Development Board on the effective date of the bill (instead of June 30, 2001). In addition: (a) change the effective date for Commerce administration of recycling market development programs from July 1, 2001 to the effective date of the bill (the PR loan repayments appropriation would not be used for contracts with persons to carry out the duties of the recycling market development program); (b) provide that the RMDB SEG administrative appropriation would instead be used for Commerce recycling market development program

administration; (c) delete \$38,700 SEG annually to provide a loan portfolio and commodity specialist to Commerce instead of an executive director and administrative financial specialist to the RMDB; (d) reestimate the PR loan repayments appropriation from \$1,500,000 PR to \$2,300,000 PR annually, to reflect anticipated loan repayment revenues; (e) deposit loan repayments from the former DOD recycling market development loan programs in the RMDB loan repayments appropriation instead of the recycling fund.

<u>Alternative D3</u>	<u>PR</u>	<u>SEG</u>	<u>TOTAL</u>
1999-01 REVENUE (Change to Base)	\$379,200	- \$379,200	\$0
[Change to Bill]	\$0	\$0	\$0]
1999-01 FUNDING (Change to Base)	\$1,600,000	- \$5,409,600	- \$3,809,600
[Change to Bill]	\$1,600,000	- \$77,400	\$1,522,600]
2000-01 POSITIONS (Change to Base)	0.00	- 2.00	- 2.00
[Change to Bill]	0.00	0.00	0.00]

4. Maintain current law.

<u>Alternative D4</u>	<u>PR</u>	<u>SEG</u>	<u>TOTAL</u>
1999-01 REVENUE (Change to Base)	\$0	\$0	\$0
[Change to Bill]	- \$379,200	\$379,200	\$0]
1999-01 FUNDING (Change to Base)	\$0	\$0	\$0
[Change to Bill]	\$0	\$5,332,200	\$5,332,200]
2000-01 POSITIONS (Change to Base)	0.00	0.00	0.00
[Change to Bill]	\$0	2.00	2.00]

E. DEPARTMENT OF ADMINISTRATION

1. Approve the Governor's recommendation to: (a) delete \$132,000 SEG and 2.5 SEG positions annually from the recycling fund that are used for the development and enforcement of state procurement policy regarding recycled materials and supplies; and (b) repeal several statutory requirements associated with DOA's resource recovery and recycling program.

2. Maintain current law.

<u>Alternative E2</u>	<u>SEG</u>
1999-01 FUNDING (Change to Bill)	\$264,000
2000-01 POSITIONS (Change to Bill)	2.50

F. DEPARTMENT OF CORRECTIONS (CHANGE TO BASE)

1. Approve the Governor's recommendation to provide \$500,000 SEG annually from the recycling fund and 4.0 SEG two-year project positions for the Corrections computer recycling

program:

Alternative F1	SEG
1999-01 FUNDING (Change to Base)	\$1,000,000
[Change to Bill]	\$0]
2000-01 POSITIONS (Change to Base)	4.00
[Change to Bill]	0.00]

2. Approve the Governor's recommendation, except provide the funding as GPR instead of recycling fund SEG.

Alternative F2	GPR	SEG	TOTAL
1999-01 FUNDING (Change to Base)	\$1,000,000	\$0	\$1,000,000
[Change to Bill]	\$1,000,000	-\$1,000,000	\$0]
2000-01 POSITIONS (Change to Base)	4.00	0.00	4.00
[Change to Bill]	4.00	- 4.00	0.00]

3. Maintain current law.

Alternative F3	SEG
1999-01 FUNDING (Change to Base)	\$0
[Change to Bill]	-\$1,000,000
2000-01 POSITIONS (Change to Base)	0.00
[Change to Bill]	- 4.00

G. DEPARTMENT OF REVENUE

1. Approve the Governor's recommendation to delete \$341,600 SEG and 2.5 SEG positions annually from the recycling fund to reflect the deletion of administration of the recycling surcharge.

2. If a recycling surcharge is recreated, maintain the current law provision of \$341,600 SEG and 2.5 SEG positions annually from the recycling fund to administer a recycling surcharge.

Alternative G2	SEG
1999-01 FUNDING (Change to Bill)	\$683,200
2000-01 POSITIONS (Change to Bill)	2.50

H. UNIVERSITY OF WISCONSIN SYSTEM

1. Approve the Governor's recommendation to continue base funding of \$203,300 SEG

annually with 0.5 SEG position from the recycling fund for costs associated with UW solid waste experimental centers and grants recommended by the Solid Waste Research Council.

2. Delete \$203,300 SEG annually with 0.5 SEG position. (The UW System would reallocate base funding to carry out any solid waste responsibilities.)

<u>Alternative H2</u>	<u>SEG</u>
1999-01 FUNDING (Change to Bill)	- \$406,600
2000-01 POSITIONS (Change to Bill)	- 0.50

3. In addition to Alternative I.2 repeal the requirements that the UW Board of Regents: (a) conduct research into alternatives to solid waste disposal and the safe disposal of solid waste that can not be composted or recycled; and (b) appoint a Solid Waste Research Council to advise the Board concerning the awarding of research funds.

I. UNIVERSITY OF WISCONSIN - EXTENSION

1. Approve the Governor's recommendation to provide adjusted base funding of \$324,100 SEG annually and 4.0 SEG positions from the recycling fund for the UW-Extension Solid and Hazardous Waste Education Center activities.

2. Delete \$324,100 SEG annually and 4.0 SEG positions from the recycling fund for the UW-Extension Solid and Hazardous Waste Education Center.

<u>Alternative I2</u>	<u>SEG</u>
1999-01 FUNDING (Change to Bill)	- \$648,200
2000-01 POSITIONS (Change to Bill)	- 4.00

Prepared by: Kendra Bonderud

(Gov) Agency: DNR - Air, Waste & Contaminated Land
Municipal & County Recycling Grant
Formulas

Recommendations:

Paper No. 724: Decker Motion
(possibly followed by a Panzer motion)

Comments: Once again, I hope this paper is included as part of an omnibus motion.

Everyone seems to think it would be good to go to a per capita grant formula. Milwaukee is a little nervous about this since they have declining population, but claim their recycling costs will stay constant or go up no matter what the population numbers say.

The per capita formula is supposed more fair, and makes municipalities pay more if they want to do more. Barb keeps saying that Milwaukee has a "Cadillac" program, but that's just not true. They do have curbside collections and pick up yard waste, but that's not anything unusual.

If you have to vote on this paper individually, I would just go with the governor (i.e. alternative 1 - no action needed).

prepared by: Barry