

LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

ASSEMBLY COMMITTEE SUBSTITUTE FOR

ASSEMBLY, No. 1886

**STATE OF NEW JERSEY
212th LEGISLATURE**

DATED: JANUARY 10, 2008

SUMMARY

- Synopsis:** "Recycling Enhancement Act"
- Type of Impact:** Revenue increase in the State Recycling Fund; revenue termination in the Solid Waste Services Tax Fund.
- Agencies Affected:** Department of Environmental Protection, counties and affected municipalities.

Office of Legislative Services Estimate

Fiscal Impact	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
State Cost	\$8 million	\$0	\$0
State Revenue	\$34 million (\$2.5 million)	\$34 million	\$34 million

- The committee substitute imposes a recycling tax of \$3.00 per ton on most solid waste generation in order to provide grants and financial support to municipalities and counties for recycling programs. Revenues would be deposited into the State Recycling Fund and administered by the Department of Environmental Protection (DEP).
- A General Fund appropriation of \$8 million is proposed to supplement the existing \$4 million recycling grants program during the first year after enactment. This sum would be repaid from recycling tax revenues at \$1 million annually.
- The solid waste services tax is repealed, reducing annual revenue by \$2.5 million and any balances transferred to the State Recycling Fund.
- Based on prior Division of Taxation estimates, the Office of Legislative Services (OLS) estimates that the recycling tax will generate about \$34 million annually. Of this amount, approximately \$19 million would be allocated for the recycling grants program.

BILL DESCRIPTION

Assembly Committee Substitute (1R) for Assembly Bill No. 1886 of 2006 imposes a recycling tax on solid waste generation that would provide increased State assistance to municipalities and counties for recycling programs. This tax would be levied on most (see below) owners or operators of solid waste facilities at the rate of \$3.00 per ton on all solid waste accepted for disposal or transfer. The same per ton rate would also be levied on solid waste collectors for all solid waste collected for transshipment or direct transportation to an out-of-state disposal site.

Revenues generated from the recycling tax would be deposited in the State Recycling Fund, which is administered by the DEP. The Fund's estimated annual balance would be appropriated annually for the following purposes:

(1) 60 percent would support a recycling grants program for municipalities or counties, the latter being eligible when there already exists a self-supporting program that collects, processes and markets recyclable materials on a regional basis. At present, a \$4 million recycling grants program is supported by revenues from the Clean Communities Program;

(2) 5 percent would be used for State recycling program planning and program funding, including administrative expenses incurred by the DEP;

(3) 25 percent would be used by counties for preparing, revising, and implementing solid waste management plans;

(4) 5 percent would be used by counties for public information and education programs concerning recycling activities; and

(5) 5 percent of the estimated annual balance of the Fund would be used by the department to provide grants to institutions of higher education to conduct research in recycling.

The committee substitute amends current law to limit the \$4 million allocation for recycling grants from the Clean Communities Program Fund to one more year, rather than annually. It also supplements this amount by appropriating \$8 million from the General Fund, thus budgeting a total of \$12 million for recycling grants awarded during the first year after enactment. The General Fund appropriation would be repaid in annual \$1 million installments from recycling tax revenues. Further, whenever a municipality operates or provides for solid waste collection, the amount of grant moneys received by the municipality for its recycling activities may not be less than the annual amount of recycling tax paid by the municipality.

The substitute bill also repeals the solid waste services tax that is imposed on all solid waste accepted for disposal at a registered sanitary landfill facility on or after May 1, 1985. This tax, which generates approximately \$2.5 million per year, is distributed to counties for solid waste management planning. Any remaining balances from this fund would be transferred to the State Recycling Fund and used for purposes provided under the committee substitute.

Last, the recycling tax would not be imposed on: (1) the owner or operator of a railroad transfer station; (2) the owner or operator of a sanitary landfill facility that accepts ash residue from solid waste incinerators; (3) the owner or operator of a solid waste facility that collects residue from a scrap processing facility; (4) the owner or operator of a materials recovery facility that accepts Type 13C Construction and Demolition waste; or (5) the owner or operator of a solid waste facility that accepts residue generated from post-consumer waste material in the manufacture of a recycled product.

FISCAL ANALYSIS

EXECUTIVE BRANCH

Although the Executive Branch did not submit fiscal note data on the committee substitute, the Division of Taxation did provide such data on a similar bill introduced in the previous legislative session, Senate Bill No. 2615 of 2005. The Division estimated at that time that approximately \$34 million would be generated annually from the recycling tax imposed under the bill. This sum was based on estimates of the amount of solid waste generated per person annually times the State population. The resulting solid waste tonnage was then multiplied by the \$3.00 recycling tax per ton.

OFFICE OF LEGISLATIVE SERVICES

The OLS concurs with the Executive estimate as detailed above. The OLS notes that the bill's appropriation of \$8 million from the General Fund to support grant awards during the first year of the new tax would constitute a State cost, albeit temporarily, until this amount is repaid over time from recycling tax revenues. The committee substitute would also enhance the Clean Communities Program in the second year after enactment (and thereafter) by ending its annual \$4 million allocation to the existing recycling grants program. Based on the Division of Taxation's estimate of annual revenues generated from the new tax, the proposed 60 percent allocation for recycling grants would total approximately \$19 million, an increase of \$15 million over the current grants funding level and \$7 million over the proposed funding level during the first year after the committee substitute's enactment.

The OLS contends that any adverse fiscal impacts on municipal or county taxes or costs due to the imposition of the proposed recycling tax should be minimal due to the provision that offsets the amount of recycling tax paid by a municipality with the amount of grant moneys it receives for recycling activities. Last, the solid waste services tax is repealed, reducing annual revenue by \$2.5 million and any balances transferred to the State Recycling Fund. Counties that now receive funding from this source should receive the same or more funding for the same purposes under the committee substitute. Also, the termination of this tax may also provide some relief to those owners or operators who will be affected by the imposition of the proposed recycling tax.

Section: Environment, Agriculture, Energy and Natural Resources

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This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.