

# HOUSE BILL REPORT

## ESHB 1060

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### As Passed Legislature

**Title:** An act relating to directing state investments of existing litter tax revenues under chapter 82.19 RCW in material waste management efforts without increasing the tax rate

**Brief Description:** Directing state investments of existing litter tax revenues under chapter 82.19 RCW in material waste management efforts without increasing the tax rate.

**Sponsors:** House Committee on Environment (originally sponsored by Representatives Fitzgibbon, Short, Farrell, Pike, Gregerson, Jinkins and Fey).

#### **Brief History:**

##### **Committee Activity:**

Environment: 1/13/15, 1/20/15 [DPS];

General Government & Information Technology: 2/3/15, 2/6/15 [DPS(ENVI)].

##### **Floor Activity:**

Passed House: 3/3/15, 96-1.

Passed Senate: 4/8/15, 47-0.

Passed Legislature.

#### **Brief Summary of Engrossed Substitute Bill**

- Adds composting as a subject covered by the Waste Reduction, Recycling, and Litter Control Act.
- Changes the specified allowable uses of litter tax revenues allocated to litter collection efforts coordinated by the Department of Ecology (ECY), waste reduction and recycling programs managed by the ECY, and local government waste reduction and recycling programs.
- Makes permanent certain allowed uses of litter tax revenues on waste reduction, recycling, and litter control programs that had previously been specified only for the 2013-2015 biennium.
- Amends and permanently establishes a 2013-2015 biennium matching fund competitive grant program administered by the ECY for litter reduction and recycling programs run by local governments and nonprofit organizations.

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### HOUSE COMMITTEE ON ENVIRONMENT

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 8 members: Representatives Fitzgibbon, Chair; Peterson, Vice Chair; Shea, Ranking Minority Member; Short, Assistant Ranking Minority Member; Fey, Goodman, McBride and Pike.

**Minority Report:** Do not pass. Signed by 1 member: Representative Taylor.

**Staff:** Jacob Lipson (786-7196).

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## HOUSE COMMITTEE ON GENERAL GOVERNMENT & INFORMATION TECHNOLOGY

**Majority Report:** The substitute bill by Committee on Environment be substituted therefor and the substitute bill do pass. Signed by 7 members: Representatives Hudgins, Chair; Senn, Vice Chair; MacEwen, Ranking Minority Member; Caldier, Assistant Ranking Minority Member; McCabe, Morris and Takko.

**Staff:** Dan Jones (786-7118).

### **Background:**

The Waste Reduction, Recycling, and Litter Control Act (Act), dating to 1971, prohibits littering and establishes statewide programs to prevent and clean up litter, reduce waste, and increase recycling. These programs are funded by the 0.00015 percent litter tax on manufacturers', wholesalers', and retailers' gross proceeds on 13 categories of consumer products. The products subject to the litter tax include human food, pet food, groceries, cigarettes, tobacco products, wine, beer, malt beverages, soft drinks, carbonated water, household paper products, cleaning agents, toiletries, nondrug drugstore assorted products, and glass, metal, plastic, and synthetic fiber containers.

### Allowed Uses of Litter Tax Revenues: Waste Reduction, Recycling, and Litter Control Act Programs.

The programs funded by the litter tax under the Act include litter collection efforts by state agencies including the Department of Ecology (ECY), and state assistance of local government waste reduction and recycling programs. Also established by the Act is the ECY Youth Corps program, which employs teens to collect litter from highways, parks, and other public areas.

In most years, litter tax revenues have been directed into a Waste Reduction, Recycling, and Litter Control Account (Account), from which it is distributed to fund the Act's programs as follows:

- Fifty percent is allocated to litter collection efforts by several state agencies, including the departments of Ecology, Transportation, Corrections, Revenue, and Natural Resources. This 50 percent allocation of the litter tax is also used to cover the ECY's costs of coordinating statewide litter control efforts, to conduct a statewide litter survey, and to conduct statewide public awareness programs.

- Twenty percent is allocated to local city and county waste reduction, recycling, and litter control programs, which are administered by the ECY as the Community Litter Cleanup Program; and
- Thirty percent is allocated to the ECY for waste reduction and recycling efforts.

2013 Amendments to Litter Tax Allowed Uses and Waste Reduction, Recycling, and Litter Control Act Programs.

The 2013 Legislature enacted legislation which distributes \$5 million per fiscal year of litter tax revenue to the State Parks Renewal and Stewardship Account until July 1, 2017. This money is to be used to fund the operations and maintenance of state parks.

In addition, several changes to the allowable uses of litter tax revenues in the Account were made in the 2013-15 operating budget passed in 2013, and apply only during the 2013-2015 biennium. Under these 2013 amendments, during the 2013-2015 biennium litter tax funds used for Act programs must generally be prioritized for recycling and litter programs for the products subject to the litter tax. In addition, the following specific uses of litter tax funds in the Account are authorized during the 2013-2015 biennium:

- Under the 50 percent of Account money allocated for litter collection efforts by state agencies, the ECY Youth Corps was specifically authorized to be funded;
- Under the 20 percent of Account money allocated to the ECY to fund local government activities, the ECY was also authorized to create a matching fund competitive grant program to local governments and nonprofit organizations for litter reduction and recycling public assistance programs related to the items subject to the litter tax. Unspent funds from other Act programs may be spent on the matching fund competitive grant program.
- The 30 percent of Account money allocated to the ECY for waste reduction and recycling were specified during the 2013-2015 biennium for the following activities:
  - to implement waste reduction and recycling efforts, including coordination with other state agencies, local governments, and voluntary efforts;
  - for technical assistance to local governments for commercial and residential recycling programs primarily for products subject to the litter tax; and
  - to increase access to recycling programs, particularly for food packaging, plastic bags, and appropriate techniques of discarding products.

**Summary of Engrossed Substitute Bill:**

Scope of the Act.

The encouragement of composting is added as a purpose of the Act. State and local government programs authorized by the Act may include composting activities in addition to waste reduction, recycling, and litter control efforts. In addition, the 2013-2015 biennium requirement that Act programs prioritize the 13 categories of products subject to the litter tax is made a continuing part of state law. The requirement that the ECY periodically conduct a statewide litter survey targeting litter composition, sources, demographics, and geographic trends is eliminated.

Allocation of Litter Tax Funds.

The changes to the specific allowable uses of litter tax funds in the Account made in the 2013 budget are, with some further changes, extended on a non-expiring basis beyond the 2013-2015 biennium.

- Under the 30 percent allocation of Account money to the ECY under the Act, three activities are authorized:
  - implementing waste reduction, recycling, and composting efforts, including coordination with other state agencies, local governments, and voluntary efforts;
  - providing technical assistance to local governments for recycling and composting public education programs; and
  - increasing access to waste reduction, composting and recycling programs.

Extended permanently is the 2013-2015 biennium's funding of the ECY Youth Corps among the state agency litter collection activities funded as part of the 50 percent allocation of Account money to the ECY.

The 2013-15 biennium's matching fund competitive grant program is also extended permanently. The competitive grant program is funded from any unspent funds in the 20 percent of Account money that is also allocated to the ECY for local government waste reduction, litter control, composting, and recycling efforts. Composting is added as a subject of the matching fund competitive grant program, and the following restrictions and structural elements are added to the grant program:

- Grants must be less than \$60,000.
- Local governments must match 25 percent of eligible grant program expenses in cash or contributed services.
- A legislative appropriation is required in order for grant payments to be made.
- Grants must be managed under existing the ECY grant program guidelines.

Grants received by nonprofit organizations are not subject to the state business and occupation tax.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** This bill takes effect 90 days after adjournment of the session in which the bill is passed, except for section 3, relating to allowed uses of funds in the Account, and section 6, relating to distribution of litter tax revenues, which take effect June 30, 2017.

**Staff Summary of Public Testimony (Environment):**

(In support) This bill will clarify historical, successful uses of litter tax funds like the ECY's youth cleanup programs, technical assistance to local governments, and waste reduction efforts. The bill will also create a couple of new uses, like including composting among the waste reduction programs. Since the Legislature began deferring litter tax money to fund state parks, litter pickup crews have been cut, recycling rates have fallen below 50 percent, and public outreach efforts have faltered for lack of funds. This bill will help restore the original intent of the litter tax by eventually restoring funding to these programs, although the bill intentionally will not affect the planned diversion of \$10 million to Washington State Parks and Recreation Commission in the upcoming biennium. Although the State has much

to be proud of in its recycling record, there is still much more that needs to be done to avoid unnecessary waste and increase recycling, and this bill will support those efforts.

(Opposed) None.

**Staff Summary of Public Testimony (General Government & Information Technology):**

(In support) This bill will clarify the policy behind the original passage of the litter tax, and make sure litter tax dollars go towards their intended use of waste reduction and litter control of products subject to the tax. This bill will make permanent some of the temporary changes to the litter tax enacted in the operating budget this biennium, and will not have any fiscal impact. The Department of Ecology currently operates a grant program to local governments, and this bill will create a new competitive grant program for nonprofit organizations using funds that local governments don't spend. This bill will continue to support the operations of the State Parks and Recreation Commission by not changing the \$10 million per biennium diversion that is in effect through the next biennium.

(Opposed) None.

**Persons Testifying (Environment):** Laurie Davies, Department of Ecology; Jan Gee, Washington Food Industry Association; and Suellen Mele, Zero Waste Washington.

**Persons Testifying (General Government & Information Technology):** Carolyn Logue, Washington Food Industry Association; Laurie Davies, Department of Ecology; and Daniel Farber, Washington State Parks.

**Persons Signed In To Testify But Not Testifying (Environment):** None.

**Persons Signed In To Testify But Not Testifying (General Government & Information Technology):** None.