

March 9, 2016

Solid Waste Working Group

Meeting Summary

Prepared by Rep. Oliver Olsen

March 9, 2016

Background

At a meeting of the House Natural Resources & Energy Committee on March 9, 2016, the committee chair, Rep. Tony Klein, requested that Rep. Oliver Olsen convene a working group of interested parties to consider the issues of solid waste tax revenue and solid waste governance. Participants in the working group included:

- Rep. Oliver Olsen
- Rep. Robin Chestnut-Tangerman
- Rep. Mike Hebert
- Rep. Marianna Gamache
- Jen Holliday, Chittenden Solid Waste District
- Susan Alexander, Lamoille Solid Waste District
- Paul Tomasi, NEK Waste District
- Adam Necrason, Necrason Group on behalf of SWMA
- Frank Stanley, Myers Waste & Recycle
- Heather Shouldice, Shouldice & Associates
- Craig Goodenough, Goodenough Rubbish
- Cathy Jamieson, Vermont DEC
- Rebecca Ellis, Vermont DEC

The working group was tasked with the following charge:

1. To consider adjusting the solid waste franchise tax as proposed in H602;
2. To consider a proposal to implement a five-year sunset of the solid waste franchise tax;
3. To recommend an interim funding source to help support capital investment in regional infrastructure necessary to fully implement Act 148; and
4. To recommend the structure and charge of a study committee that would consider and recommend structural changes to solid waste governance and a sustainable funding mechanism necessary to meet the goals of Act 148 over the long term.

The working group met during the afternoon of March 9, 2016 and had considerable discussion within the scope of its charge. As an informal working group, no formal votes were taken; while there may be

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dissent on some points, the working group did arrive at a general consensus around a basic framework that could form the basis of legislation to be considered by the House Natural Resources & Energy Committee. It should be noted that some members of the working group were not present for the entire conversation, and no member of the working group had an opportunity to review or comment on this written summary in advance of its distribution.

The following recommendations are offered:

Recommendation 1 – No Exemption to the Solid Waste Franchise Tax

Because any exemptions to the current solid waste franchise tax would result in further degradation of a revenue source that is already in decline, the working group felt that no exemptions could be implemented without offsetting revenue. Given the time constraints of the current legislative session, the working group felt that it had insufficient time to develop an alternative revenue structure that would offset the lost revenue. Therefore, the working group recommends that no changes be made to the current structure of the existing solid waste franchise tax – e.g. no change to the application of the tax or allocation of revenue. More specifically, changes as proposed in H602 should not be enacted.

Recommendation 2 – Five Year Sunset of Solid Waste Franchise Tax

The working group considered and came to consensus in support of the proposal to sunset the solid waste franchise tax, as it exists in its current form, in five years. This would require statutory change to repeal the franchise tax on July 1, 2021. Repeal of the solid waste franchise tax on a date certain in five years would allow for a more comprehensive study and planning for reforms of Vermont's solid waste governance and funding structures (see Recommendation 5 below).

Recommendation 3 – Establish a Three Year Recycling Infrastructure Grant Program

The working group recognized the need for capital investment in infrastructure necessary to achieve the goals of Act 148. The gap between projected demand and capacity for processing food waste was viewed as a particular challenge requiring immediate capital investment. The working group recommends the creation of a grant program, to be administered by the Agency of Natural Resources over the course of three years, which will award matching grants annually to public and private sector entities for projects designed to support the full implementation of Act 148. The grant program will provide up to a 40% match (eligible match percentage would be determined by objective criteria established by the Agency) for projects, based available funding in each grant year. Grant applications supporting the development of food waste processing, hauling, and container infrastructure will be given priority over all other grant applications; other grant applications will only be considered after all eligible food waste grants have been funded in each year.

Recommendation 4 – Establish a Temporary (3-Year) Solid Waste Surcharge of \$3 per Ton

The working group recommends that a temporary surcharge of \$3 per ton be added to the solid waste franchise tax. The surcharge would sunset after three years (on July 1, 2019) and any revenue from the surcharge would be dedicated to the recycling infrastructure grant program outline in Recommendation

3. Solid waste generated out of state, transported to Vermont for processing, and then disposed of out of state (i.e. the circumstances contemplated in H602) will be exempt from the temporary surcharge.

Recommendation 5 – Establish a Study to Consider Sustainable Governance & Revenue Reform

The working group recommends the creation of a study committee to consider options and provide specific recommendations for the restructuring Vermont’s solid waste governance and revenue structure. This study committee will begin work in the summer of 2016 and conclude its efforts by January 2018, at which time it will be expected to provide specific recommendations to the House and Senate Natural Resource and Energy Committees.

The scope of the study committee’s work shall include the following items, which will be addressed in its final report:

1. Long Term Sustainable Solid Waste Governance Structure
 - a. An analysis of the current solid waste governance structure, and how it aligns to the goals of Act 148;
 - b. Identification of areas where the current governance model is working well and supporting advancement towards the goals of Act 148;
 - c. Identification of areas where the current governance model is impeding progress towards Act 148 goals, creating disparity across geographic regions, and/or impeding the efficient and cost effective collection, processing, and disposal of recyclable material and solid waste;
 - d. Identification of opportunities to more efficiently govern Vermont’s solid waste system;
 - e. An assessment of alternatives to the current solid waste governance model, including an analysis of the advantages and disadvantages of the current model and each alternative; and
 - f. A summary of recommended governance changes.

2. Sustainable Financing Structure (i.e. successor to the solid waste franchise tax)
 - a. A review of prior reports and recommendations pertaining to solid waste tax revenue;
 - b. A review of current local, regional, and statewide solid waste assessment structures (general assessments, fees, and taxes levied by government entities);
 - c. An assessment of revenue options that align with the committee’s recommended governance changes, and that fund:
 - i. ANR solid waste program;
 - ii. Household Hazardous Waste collection programs;
 - iii. Capital investments to support regional / local infrastructure; and
 - d. A recommendation for a sustainable financing structure, including long-term financial projections that account for expected changes to diversion rates in the solid waste stream.

3. Assessment of Recycling Infrastructure Grant Program

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- a. A review and assessment of the first year implementation of the recycling infrastructure grant program (Recommendation 3);
- b. A review of updated projections of generation vs. capacity gap; and
- c. A recommendation for whether temporary solid waste surcharge should be extended and co-terminate with the base solid waste franchise tax in 2021.

The study committee will receive administrative and technical support from the Agency of Natural Resources, Legislative Council, and the Joint Fiscal Office, and will consist of the following members:

1. One member from the House, to be appointed by the Speaker of the House
2. One member from the Senate, to be appointed by the Senate Committee on Committees
3. Secretary of the Agency of Natural Resources, or her designee
4. Two members from a solid waste district, alliance, or group (one from an urban area, and one from a rural area), one to be appointed by the Speaker of the House and one to be appointed by the Senate Committee on Committees
5. The following members to be appointed by the Governor:
 - a. A municipal representative from an independent town (not aligned with a solid waste district, alliance, or group)
 - b. A solid waste hauler with less than 20 employees
 - c. A solid waste hauler with more 20 or more employees
 - d. A representative from a private transfer station
 - e. A representative from an in-state landfill
 - f. A representative from a compost processing facility