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FISCAL NOTE

Drafting Number: LLS 20-0309
Prime Sponsors:

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Bill Status: Bill Request
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Bill Topic: INCENTIVIZE DEVELOPMENT RECYCLING END MARKETS

Summary of Fiscal Impact:

<input type="checkbox"/> State Revenue	<input type="checkbox"/> TABOR Refund
<input checked="" type="checkbox"/> State Expenditure	<input checked="" type="checkbox"/> Local Government
<input type="checkbox"/> State Transfer	<input type="checkbox"/> Statutory Public Entity

This bill creates a recycling market development center; provides for property tax reimbursements for recyclers; requires recycling studies; and requires certain Front Range businesses to recycle in order to be licensed to sell alcohol. It will increase state expenditures on an ongoing basis.

Appropriation Summary: For FY 2020-21, the bill requires an appropriation of \$103,035 to the Department of Public Health and Environment.

Fiscal Note Status: The fiscal note reflects the bill draft requested by the Zero Waste and Recycling Interim Study Committee.

**Table 1
 State Fiscal Impacts Under Bill 1**

		FY 2020-21	FY 2021-22
Revenue		-	-
Expenditures	General Fund	\$75,000	-
	Cash Funds	\$504,255	\$1,420,212
	Centrally Appropriated	\$101,613	\$327,831
	Total	\$680,868	\$1,748,043
	Total FTE	4.7 FTE	4.5 FTE
Transfers		-	-
TABOR Refund		-	-

Summary of Legislation

This bill creates a number of incentives and strategies to promote recycling and to develop recycling end markets as described below.

Recycling Market Development Center. The bill creates the Recycling Market Development Center (center) at the Colorado School of Mines to support the development of end-market businesses in the state, funded by the continuously appropriated Front Range Waste Diversion Enterprise Fund. The center will serve as a resource to existing and new end-market recycling businesses. Among its duties, the center will connect end-market businesses with funding assistance through the Office of Economic Development and International Trade, the Department of Public Health and Environment (CDPHE), and other funding sources. The center is required to conduct studies and report to the committees of reference with jurisdiction over solid waste and recycling by December 15, 2020. The report will address:

- the best recycling practices and programs that address rural needs, increase the purchase of recyclable and recycled materials, and retain and expand existing closed loop recycling systems in Colorado; and
- the feasibility of requiring glass, aluminum, and plastic bottles sold in Colorado to include a minimum amount of recycled material.

Personal property tax reimbursements. The bill authorizes the Pollution Prevention Advisory Board in consultation with the Pollution Prevention Advisory Board Assistance Committee in the CDPHE to develop a formula for reimbursing a new or existing business that reclaims or recycles recyclable materials for locally assessed personal property taxes paid on new or existing waste diversion operations. Reimbursements for eligible recycling businesses located on the Front Range may be paid from the Front Range Waste Diversion Cash Fund, while businesses outside the Front Range may be paid from the Recycling Resources Economic Opportunity (RREO) Fund. Reimbursements are limited to \$500,000 from each funding source.

Recycling studies. The CDPHE is required to conduct two studies. The first study is on structuring a glass bottle deposit program to address rural needs, increasing the amount of recyclable materials available, and supporting and expanding existing closed loop recycling systems. The second study is on the feasibility of requiring the manufacturers or retailers of consumer products to accept their products, including packaging, for recycling. Reports summarizing the findings of the studies are due to the House Health and Insurance Committee and House Energy and Environment Committee and the Senate Health and Human Services Committee and Senate Transportation and Energy Committee, by September 1, 2021.

Recycling requirements for licensing. Beginning September 1, 2021, hotel and restaurant licenses and tavern licenses to serve alcohol will not be issued to premises located on the Front Range unless the licensee recycles according to state licensing authority rules. The Department of Revenue is required to promulgate rules to implement the requirements to become effective September 1, 2021.

Background

Front Range Waste Diversion Enterprise. The enterprise was created in the CDPHE by Senate Bill 19-192 to promote waste diversion in the counties of Adams, Arapahoe, Boulder, Douglas, Elbert, El Paso, Jefferson, Larimer, Pueblo, Teller, and Weld, and the cities and counties of Broomfield and Denver. The enterprise is funded by an increase in solid waste user fees effective January 1, 2020. The enterprise administers a grant program and is governed by a

13-member board of directors. The enterprise is currently being established and expected to begin soliciting grant applications in 2020. The Front Range Waste Diversion Cash Fund is continuously appropriated.

The Recycling Resources Economic Opportunity Program. The RREO Program was created in 2007, to promote waste diversion, recycling, recycling markets, the beneficial use of discarded materials, and other recycling-related activities. Grants and rebates are available to businesses, local governments, nonprofit organizations, and schools and universities to address these issues.

State Expenditures

This bill will increase state expenditures by \$680,868 and 4.7 FTE in FY 2020-21 and \$1,748,043 and 4.5 FTE in FY 2021-22 from General Fund and cash funds to the CDPHE and the Colorado School of Mines. These costs are shown in Table 2 and explained below.

**Table 2
 Expenditures Under Bill 1**

Cost Components	FY 2020-21	FY 2021-22
Department of Public Health and Environment		
Personal Services	\$47,650	\$28,879
Operating Expenses	\$760	\$475
Capital Outlay Costs	\$6,200	-
Grant Software License	\$1,460	\$1,460
Property Tax Reimbursements	-	\$1,000,000
Recycling Studies	\$75,000	-
Centrally Appropriated Costs*	\$45,749	\$270,480
FTE – Personal Services	0.8 FTE	0.5 FTE
Subtotal (CDPHE)	\$176,819	\$1,301,294
Department of Higher Education (School of Mines)		
Personal Services	\$363,680	\$373,598
Operating Expenses	\$3,705	\$3,800
Capital Outlay Costs	\$24,800	-
End Market Studies	\$45,000	-
Travel	\$11,000	\$12,000
Centrally Appropriated Costs*	\$55,864	\$57,351
FTE – Personal Services	3.9 FTE	4.0 FTE
Subtotal (Higher Education)	\$504,049	\$446,749
Total	\$680,868	\$1,748,043
Total FTE	4.7 FTE	4.5 FTE

* Centrally appropriated costs are not included in the bill's appropriation.

Department of Public Health and Environment. The CDPHE requires 0.8 FTE in FY 2020-21 to develop a reimbursement application process for businesses and to contract for and oversee the two studies required under the bill. The staffing requirement is reduced to 0.5 FTE in FY 2021-22 to administer the reimbursement process and finalize the studies. Costs include standard operating costs as well as specialized grant management software. The fiscal note assumes that administrative costs will be split equally between the RREO Cash Fund and Front Range Waste Diversion Cash Fund and that the maximum \$1,000,000 in reimbursements to businesses will be issued annually beginning in FY 2021-22. Because the reimbursements will reduce the funding available for RREO loans, existing staff may offset some of the 0.5 FTE.

The glass bottle deposit program study is expected to cost \$25,000. The study on the feasibility of requiring the manufacturers or retailers of consumer products to accept their products, is expected to cost \$50,000 and require the CDPHE to conduct a request for proposals. It is assumed that the costs of these studies will be paid from the General Fund.

School of Mines. The Recycling Market Development Center is expected to require \$504,049 and 3.9 FTE in FY 2020-21 and \$466,749 and 4.0 FTE in FY 2021-22 from the Front Range Waste Diversion Cash Fund. Staff includes a director to manage the center, supervise staff, and work with stakeholders; two research analysts to develop the materials database, and conduct research required by the bill; and an administrative specialist to enter data and provide administrative support to the center. Costs also include travel and two studies to be contracted for that must be completed by December 15, 2020. The fiscal note assumes that the School of Mines will participate in a stakeholder process to further develop the design of the center and that the fiscal note will be revised to reflect those specifications once additional information is known.

Department of Revenue. The Liquor Licensing Division will have a workload increase to update their rules to require hotel and restaurant licensees and tavern licensees on the Front Range to recycle. The division will verify compliance with recycling rules for new applications and renewals. The workload increase can be accomplished within existing appropriations.

Centrally appropriated costs. Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. These costs, which include employee insurance and supplemental employee retirement payments, are estimated to be \$101,613 in FY 2020-21 and \$327,831 in FY 2021-22.

Local Government

This bill will increase workload for local liquor licensing departments to verify compliance with recycling rules for new applications and renewals for hotel and restaurant licenses and tavern licensees on the Front Range. Prior to implementation licensing departments and licensees will require training on the new rules.

Effective Date

The bill takes effect August 5, 2020, if the General Assembly adjourns on May 6, 2020, as scheduled, and no referendum petition is filed.

State Appropriations

For FY 2020-21, the bill requires the following appropriations to the CDPHE:

- \$75,000 General Fund; and
- \$28,035 from the Recycling Resources Economic Opportunity Fund.

Because the Front Range Waste Diversion Cash Fund is continuously appropriated, no appropriation is required for expenditures from that fund.

State and Local Government Contacts

Agriculture
Higher Education
LCS Economists
Municipalities
Public Health and Environment

Counties
Information Technology
Local Affairs
Office of Economic Development
Revenue

