

**SENATE BILL REPORT**

**SB 5591**

**AS REPORTED BY COMMITTEE ON WAYS & MEANS, MARCH 11, 1991**

**Brief Description:** Adopting comprehensive recycling programs.

**SPONSORS:** Senators Metcalf, Amondson, A. Smith and Roach.

**SENATE COMMITTEE ON ENVIRONMENT & NATURAL RESOURCES**

**Majority Report:** That Substitute Senate Bill No. 5591 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Metcalf, Chairman; Oke, Vice Chairman; Amondson, Barr, Conner, Snyder, and Sutherland.

**Staff:** Gary Wilburn (786-7453)

**Hearing Dates:** February 13, 1991; February 28, 1991

**SENATE COMMITTEE ON WAYS & MEANS**

**Majority Report:** That Second Substitute Senate Bill No. 5591 be substituted therefor, and the second substitute bill do pass.

Signed by Senators McDonald, Chairman; Craswell, Vice Chairman; Bauer, Bluechel, Cantu, Hayner, L. Kreidler, Metcalf, Murray, Niemi, Talmadge, West, Williams, and Wojahn.

**Staff:** Mary Poole (786-7715)

**Hearing Dates:** March 7, 1991; March 11, 1991

**BACKGROUND:**

The 1989 Legislature enacted comprehensive recycling legislation to increase recycling collection programs throughout Washington (Chapter 431, Laws of 1989), and established a goal of recycling 50 percent of Washington's waste by 1995. Recognizing that such increased collection of recyclables might further adversely affect the market for recycled content products, the Legislature designated the Department of Trade and Economic Development (DTED) as the lead state agency for recycling markets development. It charged DTED with several tasks, including developing new markets within the state for recycled materials, attracting recycling businesses to the state, promoting use of recycled content products, and providing technical assistance to businesses.

The legislation also directed DTED to form the Washington Committee for Recycling Markets for the purpose of making recommendations for new market development, with a priority to be placed upon yard waste, plastics, mixed waste paper and

waste tires. The committee's final report noted that Washington recovery of recycled materials is projected to be 4.6 million tons annually by the year 2010, an increase of 3 million tons over the 1988 recovery rate. The committee found that in addition to the surge in supply, much of the material recovered will consist of lower value, heavily contaminated grades of recyclables, further affecting efforts to find stable markets.

The committee further found that markets for recycled materials and resulting products depends upon an increased demand from processors, manufacturers and consumers. Factors affecting industry decisions to use such materials as feedstock include collection, processing and material costs, equipment, supply availability, and performance of the resulting products.

The committee's major recommendations included the creation of a center within DTED to "provide a catalyst, uniting government, industry and public participants in a visible and substantially coordinated effort for the singular purpose of developing markets for recycled materials." The center would provide market research and development; business assistance; information and education; and manage public policy issues related to market development. The center should place primary emphasis upon materials with substantial problems in recycling and markets.

Other recommendations of the committee included: (1) negotiating voluntary agreements with industry to increase recycled content and recyclability of products; (2) undertaking a "buy recycled" outreach effort; (3) implementing an aggressive government procurement policy for recycled products; and supporting recycled product purchases with an effective price preference.

The 1989 Legislature also directed the Department of Ecology to establish a packaging task force to recommend methods to reduce the toxicity of packaging entering the waste stream, reduce the reliance on single use, disposable packaging, and increase packaging recycling. While a consensus of the task force was not reached on all issues, general support was expressed for measures including reduction of heavy metal content in packaging, conducting a public education program, and coding of rigid plastic containers to facilitate source separation and recycling.

#### **SUMMARY:**

Center for Recycling Markets Development. The Center for Recycling Markets Development is created within the Department of Trade and Economic Development. The center is to perform specified duties including providing targeted business assistance to recycling processors and manufacturers, conducting market research, assisting with access to financing, negotiating voluntary agreements with manufacturers to increase recycled content in products, conducting a comprehensive education program to promote recycled products,

and promoting projects to demonstrate new market uses for recycled products.

The center is to place a high priority upon commodities comprising a large part of the waste stream, and specific commodities are listed. The center is to solicit private contributions to support its activities. It is to form an advisory committee with private and public sector representatives, including members involved with the commodities chosen for high priority activities. The center sunsets on June 30, 1996.

Product Packaging. Legislative intent is expressed regarding the adoption of packaging restrictions, taxes, or both following a study by the center of the costs of disposal of products and product packaging prepared for the 1993 Legislature. The further intent is expressed to concurrently adopt provisions regarding state preemption of local government bans or taxes upon product packaging. The center is to conduct a comprehensive packaging education program aimed to achieve voluntary changes in consumer, retailer, distributor and manufacturer behavior.

Within two years no product or package may be sold in the state containing heavy metals which are intentionally introduced in the packaging. Progressively more stringent numeric concentration limits over the next four years are established for specified heavy metals. Exemptions are provided for previously manufactured products, for clearing inventory, and other circumstances. The manufacturer is to certify compliance with such requirements, and the sale of a product may be suspended in the absence of such certification.

The school recycling awards program is expanded.

Plastics. The center is to work toward a goal of locating a major mixed waste plastics recycling facility in the state by 1995. The center is to seek to enter a memorandum of agreement with a facility sponsor for siting and operation. Upon entering such an agreement the center is to request the Department of Ecology to institute rulemaking requiring local governments in the area near the facility site to amend their comprehensive solid waste plans to institute plastics recycling programs.

Rigid plastic containers sold within the state after 1991 are to include a label identifying the resin type used to produce the container. The symbol is described and the code numbers specified for the resin types. Civil penalties up to \$500 may be imposed for selling such containers after notice that the container does not comply with the coding requirement.

Financial Incentives. An exemption from the sales and use tax is granted for the costs of acquisition of a recycling facility. Total exemptions granted may not exceed \$500,000 per year, and individual exemptions are capped at \$50,000. In addition, a credit against the business and occupation tax is granted, in the amount of 10 percent of the purchase price of

a recycling facility, but not to exceed the lesser of \$50,000 or 50 percent of the person's total B&O tax liability. The total of all credits may not exceed \$500,000 per year.

To claim the credit or exemption the person must obtain a certificate from the Department of Revenue. Information regarding the proposed facility is required in the certificate application, and the issuance of certificates is made on a competitive basis where the total of applications exceed applicable caps in a taxable year. Both the sales tax exemption and B&O tax credit expire at the end of 1995.

A credit and exemption may be claimed prior to November, 1993 for a plastics recycling facility. A cap of \$100,000 is established for each of the totals of credits and exemptions granted for this purpose.

Local governments may obtain loans from the public works trust fund for recycling facilities. DTED is to conduct a study of state tax, regulatory and other laws that provide an unwarranted preference for virgin over recycled materials.

Funding. A surcharge upon the litter tax assessment is imposed, equal to two and one-half thousandths of 1 percent of the value of products sold in the state in the case of manufacturers, and two and one-half thousandths of 1 percent of the gross proceeds of sales in the case of wholesale and retail sales. The revenues are deposited to the recycling markets development account, created in the state treasury.

A surcharge upon the solid waste collection tax is imposed, equal to twenty-five one-hundredths of 1 percent of the consideration charged for the services.

**EFFECT OF PROPOSED SUBSTITUTE:**

Provisions are deleted from the original bill relating to: (1) funding sources; (2) financial incentives; (3) siting a plastics recycling facility with the state; and (4) legislative intent regarding future adoption of packaging restrictions or taxes, and to preempt concurrently any local ban on products or packaging.

Duties of the center are modified to reduce the list of high priority commodities to be addressed. The division of responsibility is clarified for education programs between the center and the Department of Ecology.

**EFFECT OF PROPOSED SECOND SUBSTITUTE:**

The customary null and void clause is added, making the bill contingent on funding in the budget.

**Appropriation:** none

**Revenue:** none

**Fiscal Note:** available

**TESTIMONY FOR (Environment & Natural Resources):**

Providing state technical assistance to recycling businesses is key to ensuring that recyclable commodities collected will be remanufactured for resale as a recycled content product.

**TESTIMONY AGAINST (Environment & Natural Resources):**

Proposed funding sources are not sufficiently related to the source of the solid waste management problem. Preemption of local government packaging bans should be made permanent.

**TESTIFIED (Environment & Natural Resources):** Joe Bushnell, Tacoma Recycling (pro); Jerry Graham, King County Commission for Marketing Recyclables (pro); Greg Wright, Joe Tanner, John Rissell, Jerry Bernstien, Allen Bluhar, WA State Recycling Assn.; Ray Hoffman, City of Seattle Solid Waste; Kathy Gill, NWPPA; Kris Backes, AWB; David Doherty, DTED; Bill Fritz, WA Food Processors, Reynolds Metals Council, Anheuser-Busch; Bill Alkire, Dept. of Ecology; Jan Glick, WA Citizens for Recycling; Bruce Wishart, Sierra Club; Kathleen Collins, AWC; Mike Todd, WCFR; J.P. Jones, WA Waste Management Assn.; Jan Gee, WA Retail Assn.; Paul Parker, WA State Assn. of Counties; Randy Boch, Scott Paper

**TESTIMONY FOR (Ways & Means):** None

**TESTIMONY AGAINST (Ways & Means):** None

**TESTIFIED (Ways & Means):** No one