# LEGISLATIVE SERVICES AGENCY
## OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

301 State House
(317) 232-9855

## FISCAL IMPACT STATEMENT

**LS 6874** | **DATE PREPARED:** Jan 25, 2002
**BILL NUMBER:** SB 283 | **BILL AMENDED:** Jan 24, 2002

**SUBJECT:** Withdrawals from Solid Waste Management Districts.

**FISCAL ANALYST:** Bernadette Bartlett
**PHONE NUMBER:** 232-9586

**FUNDS AFFECTED:** X **GENERAL**
X **DEDICATED**
**FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** (Amended) This bill eliminates the requirement for disclosure (1) by a county of the reasons for withdrawal from a joint solid waste management district; and (2) by a joint district for removal of a county. The bill establishes the effective date of a withdrawal or removal of a county from a district. It requires a report on the existing legal obligations at the time of withdrawal or removal and establishes the responsibility for those obligations after withdrawal. This bill also permits use by the joint district and the withdrawn or removed county of the existing district plan for not more than one year after withdrawal. The bill also repeals provisions that: (1) require action by a joint district board to allow withdrawal by a county; and (2) void the withdrawal process if all necessary actions are not taken within one year.

As amended, this bill provides that the law as it exists before the proposed changes continues to apply with respect to pending withdrawals and removals unless an election is made before May 1, 2002, to apply the law as amended by this act.

**Effective Date:** Upon passage.

**Explanation of State Expenditures:** The State Board of Accounts (SBA) must examine and report on the division of legal obligations of the units involved. The Board must report to the board of directors of the solid waste management district involved and the executive of the county that withdrew or was removed. The report could be used as evidence in an action seeking to enforce the payment of legal obligations entered into by a joint solid waste management district. This provision would result in additional examination and reporting requirements for the SBA. The SBA would need to send at least one examiner to the site for an estimated minimum of three days. The local unit would be required to reimburse the SBA at a rate of $45 per day. Costs to the SBA for salary, travel, and processing of the report are estimated at $375 a day, or $330 if the local unit pays $45. A report that required three days of the examiner's time would cost about $1,000 per unit involved.

The state pays 20% property tax replacement credit (PTRC) on property tax levies of solid waste management districts. Currently, the state pays about $2.5 M in PTRC for solid waste management districts. If as a result of the proposal, more counties are removed from or withdraw from solid waste management districts and seek to assess property tax levies to fund solid waste management, state PTRC could increase. The specific impact would depend on local action.

The Department of Environmental Management could be required to review additional district plans. This provision could add to the Department's administrative expenses. However, the Department should be able to absorb additional costs associated with this provision given its current budget.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** The proposal provides that in cases where a county wishes to withdraw from a multi-county solid waste management district or a county is removed from a district, the counties no longer need to specify reasons for the withdrawal to the district or to the Commissioner of IDEM. If this proposal results in more districts being removed or withdrawing, the following impacts could occur.

Counties involved in the removal or withdrawal from a district may be required to reimburse the SBA for a report generated by the SBA concerning legal obligations of each unit involved. The local unit would be required to reimburse the SBA at a rate of $45 per day for additional auditing costs incurred by the SBA. Assuming that the SBA could complete its work within three days would result in a local expense of $135 for additional SBA reporting.

Counties could be responsible for their portion of contracts entered into by the joint district; repayment of loans entered into by the joint district; payment of bonds issued by the joint district; and any other legal obligation entered into by the joint district. Units within the districts may experience an increase in staff and legal fees associated with determining the county's legal obligations.

Counties that remain or counties that form new districts would be required to adopt new district plans. This provision could increase costs to the new districts in terms of staff time or in terms of contracts for consulting services to assist with the development of the new plan. Consulting expenses could cost up to $80,000.

Removal or withdrawal from a district could also affect equipment and facilities available to all of the units involved. Units could incur additional expenses if the change in the make-up of the district requires units to move and/or dispose of equipment or facilities or if equipment and facilities are no longer available.

The specific impact of the proposal will depend on the number and nature of changes in districts that occur as a result of the proposal.

**Explanation of Local Revenues:** If this proposal results in more districts being removed or withdrawing, the following impacts could occur. First, when a county is removed or withdraws from a district, each unit previously within the district could experience a fiscal impact. The impact would depend on the remaining resources of the units involved. Depending on the funding sources of the districts, the impact could range from inconvenient to severe.

One funding mechanism that could be affected pertains to the solid waste management fee of $2.50 per ton for waste deposited in a final disposal facility located within the district. Fees remitted to the district may be used to pay costs associated with the development and implementation of the district plan. If a district

collects the $2.50 surcharge and if the county that has the landfill withdraws from the district, the remaining units could lose a funding mechanism. Secondly, if the tax base of the withdrawing unit is significantly greater than the remaining units, the remaining units may experience a significant impact in their ability to provide services once the district is divided. Districts can be funded through state and/or federal grants, user fees, and property tax levies. Ten multi-county districts and 51 single county districts maintained property tax levies during CY 2001. Levies and tax rates for multi-county districts are outlined below.

| CY 2001 Multi-County Solid Waste Management Districts | | | |
|---|---|---|---|
| District | Counties | Property Tax Levy | Property Tax Rate |
| Northeast Indiana Solid Waste Management | DeKalb | $197,791 | 0.0438 |
| | LaGrange | $139,877 | 0.0436 |
| | Noble | $187,190 | 0.0457 |
| | Steuben | $189,037 | 0.0438 |
| Southeastern Indiana Solid Waste Management | Franklin | $72,885 | 0.0415 |
| | Jefferson | $116,244 | 0.0415 |
| | Jennings | $76,901 | 0.0394 |
| | Ohio | $18,907 | 0.0416 |
| | Ripley | $96,240 | 0.0415 |
| | Scott | $66,402 | 0.0415 |
| | Switzerland | $22,965 | 0.0415 |
| East Central Indiana Solid Waste | Delaware | $192,874 | 0.0237 |
| | Grant | $131,368 | 0.0237 |
| | Madison | $206,694 | 0.0237 |
| Clay-Owen-Vigo Solid Waste Management | Clay | $0 | 0.0237 |
| | Owen | $0 | 0.0237 |
| | Vigo | $0 | 0.0237 |
| Mideast Indiana Solid Waste Management | Blackford | $0 | 0.0000 |
| | Jay | $0 | 0.0000 |
| | Wells | $0 | 0.0000 |
| Northwest Indiana Solid Waste Management | Benton | $0 | 0.0000 |
| | Carroll | $0 | 0.0000 |
| | Jasper | $0 | 0.0000 |
| | Newton | $0 | 0.0000 |
| | Pulaski | $0 | 0.0000 |
| | White | $0 | 0.0000 |
| Three Rivers Solid Waste Management | Fayette | $0 | 0.0000 |
| | Hancock | $0 | 0.0000 |
| | Henry | $0 | 0.0000 |
| | Rush | $0 | 0.0000 |
| W. U. R. Solid Waste Management | Union | $0 | 0.0000 |
| | Wayne | $0 | 0.0000 |
| West Central Indiana Solid Waste Management | Hendricks | $0 | 0.0000 |
| | Montgomery | $0 | 0.0000 |
| | Morgan | $0 | 0.0000 |
| | Parke | $0 | 0.0000 |
| | Putnam | $0 | 0.0000 |
| Wildcat Creek Solid Waste Management | Clinton | $0 | 0.0000 |
| | Tippecanoe | $0 | 0.0000 |

The specific impact of the proposal will depend on local action.

**State Agencies Affected:** State Board of Accounts.

**Local Agencies Affected:** Solid Waste Management Districts.

**Information Sources:** Charlie Pride, State Board of Accounts, 317.232.2521; Mark Davis, Executive Director, Monroe County Solid Waste Management District and on the Board of the Association of Solid Waste Districts, 812.349.2020; Local Government Database, Department of Local Finance.