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FISCAL IMPACT STATEMENT

LS 6556

BILL NUMBER: SB 210

NOTE PREPARED: Dec 31, 2011

BILL AMENDED:

SUBJECT: Solid Waste Management District Matters.

FIRST AUTHOR: Sen. Gard

FIRST SPONSOR:

BILL STATUS: As Introduced

**FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL**

IMPACT: State & Local

Summary of Legislation: *Elimination of Property Tax as a Funding Source:* This bill eliminates the authority of a solid waste management district (SWMD) to impose property taxes, except to pay currently outstanding bonds or to pay bonds issued to refund the outstanding bonds.

Allowing Counties to Terminate SWMDs: This bill provides that if a county withdraws from a joint SWMD or has designated itself as a county SWMD, the county may adopt an ordinance specifying that the county may not be part of a joint SWMD and may not be designated as a county SWMD. (Current law requires that a county must either be a member of a joint SWMD or to designate itself as a county SWMD.) It provides that a county adopting such an ordinance is not subject to the SWMD statutes and is not an SWMD or part of a joint SWMD. It specifies that a county adopting such an ordinance remains responsible for obligations incurred before the county left the SWMD (in the case of a county that was part of a joint SWMD) or before the county terminated the county SWMD (in the case of a county that had designated itself as a county SWMD).

Educational Standards and Reports: The bill requires districts to: (1) implement minimum educational standards established by the Department of Environmental Management (IDEM); and (2) report programmatic and financial information to the Legislative Council and IDEM.

Evaluation of SWMDs: The bill requires the General Assembly to evaluate the continued existence of SWMDs every 10 years.

SWMD Permits: The bill provides that districts may not require a person to obtain a permit before the person may engage in an activity.

Effective Date: July 1, 2012.

Explanation of State Expenditures: *Educational Standards:* The bill requires IDEM to develop a curriculum model for SWMDs to implement educational programs. This requirement should be able to be accomplished within IDEM's existing resources.

Explanation of State Revenues:

Explanation of Local Expenditures: *Educational Standards and Reports:* The bill requires the SWMDs to implement educational programs that meet the minimum standards established by IDEM. SWMDs currently provide educational programs, but they vary by district. Any impact will depend upon the extent that the IDEM standards differ from the current educational programs provided by the SWMDs.

Allowing Counties to Terminate SWMDs: If this bill results in more districts withdrawing from multi-county SWMDs or terminating single-county SWMDs, the following impacts could occur.

- Counties could be responsible for their portion of contracts entered into by the district; repayment of loans entered into by the district; payment of bonds issued by the district; and any other legal obligation entered into by the district. Units within the districts may experience an increase in staff and legal fees associated with determining the county's legal obligations.
- 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 will depend on the number and nature of changes in districts that occur as a result of the bill.

Explanation of Local Revenues: *Elimination of Property Tax as a Funding Source:* Beginning in CY 2013, the bill provides that SWMDs are no longer able to impose property taxes, except to repay outstanding bonds. In 2011 there were 34 SWMDs that levied a total of \$20.7 M in property taxes. The total budget appropriation for all districts was \$49.3 M.

Monroe County Solid Waste Management District has an outstanding bond of \$3,875,000. The total 2011 levy for the district was \$1.6 M, of which \$293,073 was levied for debt service. The district could continue to impose a debt service levy under this bill.

The elimination of solid waste management district levies would reduce overall tax rates leading to reduced circuit breaker losses for other civil taxing units and school corporations. Statewide, the circuit breaker reduction is estimated at about \$5 M per year beginning in CY 2013.

In addition to the loss of property tax revenue, districts would also lose revenue from motor vehicle excise tax and the CAGIT and COIT income taxes. These revenues are distributed to taxing units based on property tax levies. So, if the levies are eliminated in the districts, then the excise and income taxes that have been distributed to the districts would be redistributed to other taxing units in the county. In CY 2011, solid waste management districts were expected to collect \$1.3 M in excise tax, \$1.0 M in CAGIT shares, and \$0.5 M in COIT shares.

Allowing Counties to Terminate SWMDs: If this bill results in more districts withdrawing from multi-county SWMDs the following impacts could occur. Depending on the funding sources of the districts, the impact could range from inconvenient to severe and will depend upon local action.

One funding mechanism that could be affected pertains to the solid waste management fee of up to \$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 surcharge and if the county that has the landfill withdraws from the district, the remaining units could lose a funding mechanism. Second, 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. Currently, districts can be funded through state and/or federal grants, user fees, and property tax levies.

SWMD Permits: This bill provides that districts may not require a person to obtain a permit before the person may engage in an activity. The Boone County SWMD requires permitting for clean fill disposal and clean fill processing. There are temporary (less than 90 days) permit fees of \$150 and long-term permit fees that equal \$400 annually, and a renewal every five years at \$800. The permit fees generated about \$6,000 in revenue for CY 2011, which is approximately 5% of the district's total revenue.

State Agencies Affected: IDEM.

Local Agencies Affected: Solid waste management districts.

Information Sources: IDEM; Local Government Database; Jennifer Lawrence, Boone County SWMD, 765-483-0687.

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