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Fiscal Note

Drafting Number: LLS 22-0614
Prime Sponsors: Rep. Cutter
Sen. Priola

Date: February 22, 2022
Bill Status: House Energy & Environment
Fiscal: Christina Van Winkle | 303-866-6289
Analyst: Christina.VanWinkle@state.co.us

Bill Topic: **WASTE DIVERSION & CIRCULAR ECONOMY DEVELOPMENT CENTER**

Summary of Fiscal Impact:

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

The bill creates the Circular Economy Development Center in the Department of Public Health and Environment to promote markets for recycled commodities in Colorado. The bill also extends the repeal date of various waste programs and fees. Beginning in FY 2022-23, it increases state expenditures and beginning in FY 2026-27, it continues state revenue from solid waste user fees that would otherwise repeal.

Appropriation Summary: No appropriation is required.

Fiscal Note Status: The fiscal note reflects the introduced bill.

Summary of Legislation

The bill creates the Circular Economy Development Center (center) in the Department of Public Health and Environment (CDPHE) to support end markets for recycled commodities and compost in Colorado. The CDPHE will contract with a third-party administrator to operate the center by July 1, 2023. The center must conduct a statewide end-market gap analysis and opportunity assessment and submit a final report to the CDPHE by August 1, 2024, in addition to annual progress reports beginning September 1, 2023. The CDPHE is required to include these annual reports in its annual SMART Act hearings. Costs associated with operating the center and for the CDPHE to oversee the center will be paid from the Front Range Waste Diversion Cash Fund and the Recycling Resources Economic Opportunity Fund. The center is repealed September 1, 2030.

The bill modifies grant award limitations under the Front Range Waste Diversion (FRWD) Enterprise (enterprise) and extends the repeal date of the enterprise to September 1, 2030. It also extends the repeal dates of the Recycling Resources Economic Opportunity (RREO) Grant Program and associated cash fund to September 1, 2030.

Finally, the bill extends the repeal of the FRWD solid waste user fee to September 1, 2030, and strikes the repeal of the solid waste user fee, including the RREO solid waste user fee, which under current law, repeals July 1, 2026.

Background

Senate Bill 20-055. Senate Bill 20-055 required the CDPHE to convene a stakeholder group to inform the structure and governing guidance for a recycling market development center to incentivize the development of recycling end markets in Colorado. The CDPHE submitted [a final report to the General Assembly](#) in July of 2021. This bill implements the recommendations found in that report.

Front Range Waste Diversion Enterprise. The enterprise was created in the CDPHE by SB 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. Under current law, user fees are \$0.30 per cubic yard per load in calendar year 2021 and increase to \$0.60 per cubic yard per load in calendar year 2024. In following years, the amount of the fee is adjusted for inflation until the fee repeals effective September 1, 2029, under current law. The enterprise administers a grant program and is governed by a 13-member board of directors. The Front Range Waste Diversion Cash Fund is continuously appropriated to the enterprise.

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. The program is funded by an increase in solid waste user fees of \$0.14 per cubic yard per load. The Recycling Resources Economic Opportunity Cash Fund is annually appropriated to the CDPHE until the fund repeals effective July 1, 2026, under current law.

State Revenue

Beginning in FY 2026-27, the bill results in a continuation of existing state revenue to a number of different fund sources by extending the repeal date for solid waste user fees. Eliminating the July 1, 2026 repeal date of solid waste user fees will generate approximately \$9.0 million annually in continuing revenue beginning in FY 2026-27, split approximately evenly to the Solid Waste Management Fund and the Hazardous Substance Response Fund

Eliminating the July 1, 2026, repeal date of the RREO user fee is anticipated to generate approximately \$5.0 million per year in continuing revenue to the RREO Cash Fund starting in FY 2026-27.

The FRWD solid waste user fee repeal date is extended from September 1, 2029, to September 1, 2030, which is anticipated to result in around \$19.5 million in revenue in FY 2029-30 to the FRWD Cash Fund. Table 1 below reflects the approximate annual fee revenue from solid waste user fees.

**Table 1
Solid Waste User Fee Revenue**

Fee	Repeal Under Current Law	Repeal Under HB22-1159	Approximate Annual Revenue	Receiving Fund
Solid Waste User Fee	July 1, 2026	Indefinitely.	\$9.0 million	Hazardous Substance Response Fund Solid Waste Management Fund
RREO User Fee	July 1, 2026	Indefinitely	\$5.0 million	RREO Cash Fund
FRWD User Fee	September 1, 2029	September 1, 2030	\$19.5 million	FRWD Cash Fund

State Expenditures

Beginning in FY 2022-23, the CDPHE will have costs to operate and oversee the Circular Economy Development Center. Annual costs to operate and oversee the center are estimated to be \$495,000, with an additional \$100,000 in FY 2022-23 to support set up and initiation. These costs will be split approximately 60 percent from the FRWD Cash Fund (\$357,000) and 40 percent from the RREO Cash Fund (\$238,000). Funding from these cash funds used to operate and oversee the center will reduce the available funding for grants. The FRWD Cash Fund is continuously appropriated to the CDPHE, and therefore no appropriation is required for this portion of the funding. Funding from the RREO Cash Fund is annually appropriated by the General Assembly, and funds to implement this bill will be from existing appropriations.¹

Workload will increase in the CDPHE and the Office of Economic Development to provide input to the center and report on progress to the General Assembly. This workload can be accomplished within existing resources.

Technical Note

The bill eliminates the repeal date of the RREO solid waste user fee, continuing the fee indefinitely. The bill extends the repeal of the RREO program and cash fund to September 1, 2030, meaning that revenue directed to the RREO program will continue after the program and cash fund are repealed.

Effective Date

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed.

¹ The CDPHE is requesting \$5.3 million in spending authority from the RREO Cash Fund in FY 2022-23 through the annual budget process. The Long Bill for FY 2022-23 has not yet been adopted. If spending authority from the RREO Cash Fund in the FY 2022-23 Long Bill is lower than requested by the CDPHE and insufficient funds are available to administer the center, additional appropriations may be required in this bill.

State and Local Government Contacts

Information Technology
Office of Economic Development

Law
Public Health and Environment