

Approved W.F.D. 5-6-92
Date

MINUTES OF THE SENATE COMMITTEE ON ASSEMENT AND TAXATION

The meeting was called to order by Senator Dan Thiessen at
Chairperson

11:00 a.m./~~p.m.~~ on Monday, March 30, 1992 in room 519-S of the Capitol.

All members were present except:
Senator Fred Kerr (Excused)
Senator Janis Lee (Excused)

Committee staff present:
Bill Edds, Revisor's Office
Don Hayward, Revisor's Office
Chris Courtwright, Research Department
Tom Severn, Research Department
Marion Anzek, Committee Secretary

Conferees appearing before the committee:

Representative Don Crumbaker, speaking to HB3110
Norman D. Wilks, Director of Labor Relations, KS Ass'n. of School Boards
Merle Dupont, a small business owner, from Chase County
Leo Lideman, owner Oxbow Bio-Mass Engineering
Donald W. Meeker, President-Central Fiber Corporation, Wellsville, KS
Claude Shelor, Statewide Coordinator of Waste Reduction, Recycling & Market Development
Terry Leatherman, Executive Director, KS Industrial Council-KCCI
Frank Rowley, Jr., President-Grandient Force Inc.-Valley Center, KS

Chairman Dan Thiessen called the meeting to order and said the agenda today is a hearing on HB3110 and he recognized Representative Don E. Crumbaker.

HB3110: Taxation exemption provided for cooperatives of school districts interlocal cooperatives.

The following conferees are proponents of HB3110.

Representative Don Crumbaker said, the interlocal co-op's and service centers now, do not pay property taxes on their business property. He said, all of them are paid, and handed down by the Attorney General a few weeks ago, and they were notified of this, so they went to the Revisor's Office and had HB3110 drawn up, which exempts them from property tax.

He said, this affects every school district in the State of KS., because most of them either belong to a service center or an interlocal co-op.

He said, he originally introduced a bill creating the Interlocal. He said, because of the Attorney General's Opinion they were afraid they were going to have to pay property taxes on their buildings, etc. He said they have been paying their taxes and this will just continue on paying even though they are an entity of the school district.

Representative Crumbaker said, attached to his testimony are copies of all the Interlocal Centers, and a copy of the Attorney General's Opinion. (ATTACHMENT 1)

Norman D. Wilks, Director of Labor Relations, KS Association of School Boards said the school district interlocal can provide educational services and has powers and duties similar to school districts. The exception is the power to issue bonds or levy a tax. He said, if the services provided by the interlocal were provided by a sponsoring school district, the property would be exempt from taxes. (ATTACHMENT 2)

Chairman Thiessen concluded the hearing on HB3110 and turned attention to HB2938.

HB2938: Income tax credit for equipment used to make products from postconsumer wastes.

The following conferees are proponents of HB2938.

Merle Dupont said he has a small company that is in the plastic thermoforming and repair business.

He said, the people who buy scrap pay so little for it that by the time you pay freight on it you have lost money. He said, this does not take into account the labor on their end, getting the product ready to ship and all the labor on their end, handling the product several times before it is usable. He said, they are a very small company

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION,

room 519-S, Statehouse, at 11:00 a.m./~~p.m.~~ on Monday, March 30, 1992.
and there are many other small companies like them who are experiencing the same problems that they have.

He said, they believe the only way they can turn their scrap into cash is to manufacture a finished product with it. He said, this eliminates much of the handling and expenses of dealing with two or three brokers who buy and resell the high grade scrap, and it also eliminates the profit of the broker. By going this route recycling is possible, otherwise they believe that they are only kidding themselves. (ATTACHMENT 3)

Leo Lideman said, he and his wife own Oxbow Bio-Mass Engineering and he said, they presently are manufacturing hard wood fuel pellets out of industrial wood waste materials, and he said, they have been blessed with finding a large market for their wood pellet fuel.

He said, they produce pellets for the stove industry, absorbents, insulation, packing material, meat smoking and fertilizer, and he, passed several bags of different pellets for the members to see their finished product.

He said, thanks to a new machine that a fellow Kansan has invented, they feel that they can produce a new "intense" fuel pellet and alliviate 73% of what is going into the landfills on a daily basis, and with the State of Kansas being the focal point of this new technology it would greatly enhance the State's economics, job markets would be created, new revenues and etc., as this industry goes through the country and possibly world wide.

He said, their industry needs a little financial support, and with the committee's help, he said, they can greatly excellerate their advancement and stay on the leading edge of this new industry.

Attached to his testimony is a page from the Neodesha Sun Register, with an article about "Recycled sawdust is basis for new pellet Company", A letter from Braun Intertec, Northwest, Inc., Portland Oregon and a brochure regarding "Pellet Stoves". (ATTACHMENT 4)

Donald W. Meeker, President Central Fiber Corporation, Wellsville, KS said, through its manufacturing processes, Central Fiber produces building materials, mulch, lawn and garden products. He said, they also produce cellulose industrial fiber products which are used in numerous industrial processing applications.

He said, the primary raw materials used by Central Fiber in its manufacturing processes are certain recyclable, post-consumer wastepaper, most of which consists of old newspapers, magazines, and corrugated containers.

He said, the purpose of HB2938 is to provide a credit against the income tax liability of a taxpayer for purchases of qualified equipment used in connection with the manufacture of products composed of postconsumer waste. He said, they would benefit if this bill would become law. (ATTACHMENT 5)

Claude Shelor, Statewide Coordinator of Waste Reduction, Recycling and Market Development, said, in 1991 the KS Legislature resolved the waste tire delemma by requiring waste tire management regulations. He said, hearings on HB2801 are currently being held to update the Kansas Solid Waste Act that adopts subtitle D regulations of RCRA to allow Kansas to design landfills approved by Federal standards.

He said, by passing HB2938 the legislature would establish national recognition that Kansans are serious about the environment and willing to assist and promote markets within their great state.

He said, HB2938 is very implicit in allowing an income taxation credit to purchasers of "qualified equipment" to be utilized in the manufacturing of products composed of postconsumer waste. He said, it reflects the sponsors dedication to progress KS into the next phase of Reduce, Reuse and Recycle.

He said, attached to his testimony, is a copy of a special report entitled "Recycling in the States, a 1990 review compiled by the National Solid Waste Management Association of Washington, D.C. (ATTACHMENT 6)

Terry Leatherman, Executive Director, KS Industrial Council, KCCI said, it is the policy of KCCI to support efforts of business and government to cooperate in providing workable solutions to the problems of solid waste control and disposal.

He said, by providing business with a tax incentive which could make a recycling endeavor more cost effective, HB2938 is an excellent example of government/industry cooperation which should benefit all Kansans. (ATTACHMENT 7)

Frank Rowley, Jr., President, Grandient Force Inc.-Valley Center, KS said, in his handout on the second page, is a picture of a machine that he invented, and he said, he spoke to the House Committee, and he does not see that HB2938 has been helped. He said he supports the bill from a tax standpoint for the companies that go into recycling.

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He said, the 1st page of his handout shows the tipping fees in the various regions of the U.S. on a per couple basis of what it has been costing since 1990 to put this refuge in the landfills. He said, 20% of the refuge is yard and garden, waste, 43% is composed of paper, and 37% is composed of other products. (ATTACHMENT 8)

Chris Courtwright passed a brief of the bill by the Department of Revenue, including a fiscal note and he reviewed it for the committee members. (ATTACHMENT 9)

Chairman Dan Thiessen concluded the hearing on HB2938 and adjourned the meeting at 12:04 p.m.

WRITTEN TESTIMONY WAS TURNED IN BY: Representative Joan Adam (ATTACHMENT 10)



TOPEKA

HOUSE OF
REPRESENTATIVES

DON E. CRUMBAKER
 REPRESENTATIVE, 121ST DISTRICT
 SHERMAN, THOMAS, SHERIDAN COUNTIES
 P O BOX 187
 BREWSTER, KANSAS 67732-0187

COMMITTEE ASSIGNMENTS
 RANKING MINORITY MEMBER: EDUCATION
 MEMBER: AGRICULTURE
 LEGISLATIVE EDUCATIONAL PLANNING
 COMMITTEE

March 30, 1992

MISTER CHAIRMAN AND MEMBERS OF THE ASSESSMENT AND TAXATION COMMITTEE:

We introduced legislation in 1975 authorizing School Districts to enter into interlocal cooperating agreements.

The bill provided that a separate legal entity could be created and would be limited to programs for Special Education, Vocational Education, Career Education, Media Services, Curriculum Development and in-service training for staff. The entity was to be administered by a board of directors composed of at least one member of the Board of Education of each participating school district.

Agreements for joint or cooperative services in special education and vocational education were required to be for a term of not less than three years nor more than five years.

These entities were to be considered the same as a school district for purposes of employer-employee relations, including adoption of a resolution of affiliation with the Kansas Public Employees Retirement System (KPERs), compensation, continuing contract law, due process law, and the professional negotiations law. The cash-basis law was applied to these entities; they were entitled to receive, budget, and expend state and federal funds, except for distributions from the School District Equalization Act and P.L. 874 (federal Impact Aid).

A 1978 expansion of the law ensured that within the service areas that could be provided through interlocal agreements, an interlocal cooperative and its governing board had authority to perform any obligation or responsibility imposed by law on a school district, except for the levying of taxes.

SENATE ASSES, 9 TAX
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In 1979, the law was amended to add bilingual education programs to the list of services that could be provided by school districts through interlocal agreements.

In 1985, the law was expanded to the present form which permits the interlocal cooperatives to perform any services, duties, functions, activities, obligations, or responsibilities authorized or required by law to be performed by school districts. (But, the interlocals still could not levy taxes, nor could they issue bonds, participate in School District Equalization Act, or receive federal Impact Aid.)

Amendments adopted in 1987 made it more difficult to terminate agreements designed to furnish special education services. The amendments provided that the duration of a school district interlocal agreement for special education services is perpetual, but it may be partially or completely terminated by following the rather stringent procedures specified in the law.

Changes in the law were last made in 1990, when the following modifications were adopted:

1. A school district interlocal cooperation agreement was required to specify the organization, composition, and manner of appointment of the board of directors. Only members of boards of education of school districts party to the agreement are eligible for membership on the board of directors. (The prior law required that the board of directors be composed of at least one member from the board of education of each participating school district.
2. A school district interlocal cooperation agreement may establish an executive board which is selected by the board of directors from among its membership and which performs such duties as are delegated to it by the board of directors.

3. An amendment clarifies that school districts may engage in activities under the Interlocal Cooperation Act. However, when an agreement is entered into by boards of education of two or more school districts pursuant to that Act, the boards must comply with the requirements for an interlocal cooperation agreement.

Presently, there are 27 functioning interlocal agreements. A great many of the Kansas school districts participate in these entities.

Don E. Crumbaker
Representative,
100th District

DCE:dr



STATE OF KANSAS

OFFICE OF THE ATTORNEY GENERAL

2ND FLOOR, KANSAS JUDICIAL CENTER, TOPEKA 66612-1597

ROBERT T. STEPHAN
ATTORNEY GENERAL

February 12, 1992

MAIN PHONE: (913) 296-2215
CONSUMER PROTECTION: 296-3751
TELECOPIER: 296-6296ATTORNEY GENERAL OPINION 92- 20

J. Stanley Hill
Counselor for Reno County
Education Cooperative #610
Suite 802, First National Center
P.O. Box 2027
Hutchinson, Kansas 67504-2027

Re: Taxation--Property Exempt from Taxation--Property
Acquired by School Districts Pursuant to Lease
Purchase Agreement

Synopsis: A cooperative created pursuant to K.S.A. 1991
Supp. 72-8230 is not entitled to a property tax
exemption under K.S.A. 79-201 First or K.S.A.
79-201a Second. Cited herein: K.S.A. 10-1101;
12-105a; 12-1218; 12-1679; 17-2339; 31-132; 36-501;
K.S.A. 1991 Supp. 65-6113; K.S.A. 68-589;
68-2101; K.S.A. 1991 Supp. 72-8230; K.S.A.
75-1117; 75-3038; 79-201 First; 79-201a Second.

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Dear Mr. Hill:

As attorney for Reno county education cooperative #610, you request our opinion regarding the tax status of property acquired by that entity. Specifically you inquire whether property acquired pursuant to a lease purchase agreement is exempt from property taxes pursuant to K.S.A. 79-201 First or K.S.A. 79-201a Second.

K.S.A. 79-201 First provides in part:

"The following described property, to the extent herein specified, shall be and is hereby exempt from all property or ad valorem taxes levied under the laws of the state of Kansas:

"First . . . all buildings used exclusively by school districts organized under the laws of this state. . . ."

Reno county education cooperative #610 was created pursuant to K.S.A. 72-8230. This provision authorizes the boards of education of two or more school districts to enter into cooperative agreements to jointly provide special education and other services. In Attorney General Opinion No. 91-4 we stated:

"[E]ntities created pursuant to K.S.A. 1990 Supp. 72-8230 are not school districts. Rather, they are entities created pursuant to the authority of school districts. While they perform many of the functions of a school district and act on behalf of school districts, they were not created in the same manner as school districts nor do they have the broad authority granted to such districts."

Thus, since Reno county education cooperative #610 is not a school district, the above-quoted exemption would not apply to it.

K.S.A. 79-201 Second provides in part:

"The following described property, to the extent herein specified, shall be exempt from all property or ad valorem taxes levied under the laws of the state of Kansas:

. . . .

"Second. All property used exclusively by the state or any municipality or political subdivision of the state. All property owned, being acquired pursuant to a lease-purchase agreement or operated by the state or any municipality or political

subdivision of the state which is used or is to be used for any governmental or proprietary function and for which bonds may be issued or taxes levied to finance the same, shall be considered to be 'used exclusively' by the state, municipality or political subdivision for the purposes of this section."

In Attorney General Opinion No. 91-4, we concluded that " a school district service center created pursuant to the authority set forth at K.S.A. 12-2901 et seq. and K.S.A. 1990 Supp. 72-8230 does not qualify as a political or taxing subdivision of the state." Similarly, we do not believe cooperatives created under K.S.A. 1991 Supp. 72-8230 are political subdivisions of the state. The question remains whether such a cooperative is a municipality for purposes of the K.S.A. 79-201a Second tax exemption.

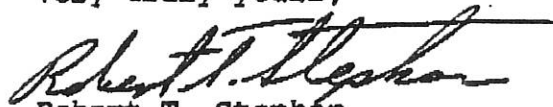
The Kansas Supreme Court has established the following rules and legal principles to be used when construing a statute exempting property from ad valorem taxes:

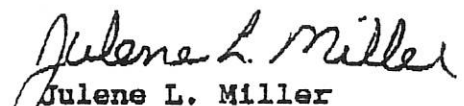
"Whether particular property is exempt from ad valorem taxation is a question of law if the facts are agreed upon. T-Bone Feeders, Inc. v. Martin, 236 Kan. 641, 645, 693 P.2d 1187 (1985); [citation omitted]. Taxation is the rule, and exemption from taxation the exception under the Kansas Constitution and statutes. T-Bone Feeders, Inc. v. Martin, 236 Kan. at 645; City of Arkansas City v. Board of County Commissioners, 197 Kan. 728, Syl. ¶ 1, 420 P.2d 1016 (1966); [citations omitted]. Constitution and statutory provisions exempting property from taxation are to be strictly construed against the one claiming exemption, and all doubts are to be resolved against exemption. In re Application of Int'l Bhd. of Boilermakers, 242 Kan. 302, 305, 747 P.2d 781 (1987); [citations omitted]. Where the language of a statute, in particular, is relied upon as creating an exemption from taxation, it must be strictly construed against the

party claiming the exemption, and he must bring himself clearly within the exemption. Meadowlark Hill, Inc. v. Kearns, 211 Kan. 35, 41 (505 P.2d 1127 (1973)); [citation omitted]. Strict construction, however, does not warrant unreasonable construction. Trustees of The United Methodist Church v. Cogswell, 205 Kan. 847, Sy. ¶ 2 [, 473 P.2d 1 (1970)]."

Attorney General Opinion No. 91-4 concluded that an entity created by two or more school districts pursuant to K.S.A. 1990 Supp. 72-8230 was a municipality for purposes of the tort claims act. However, the tort claims act specifically defines municipality to include "any agency, authority, institution or other instrumentality" of a school district. There is no such definition of municipality for purposes of K.S.A. 79-201a Second. The term municipality is defined broadly enough in some statutes to arguably include entities such as the one in question. See K.S.A. 75-1117; 75-3038; 12-105a. Other statutory definitions of the term municipality would not include entities of this sort. See K.S.A. 10-1101; 12-1218; 12-1679; 17-2339; 31-132; 36-501; 68-589; 68-2101; K.S.A. 1991 Supp. 65-6113. Since it is not clear whether Reno county education cooperative #610 is a municipality for purposes of K.S.A. 79-201a Second and all doubts must be resolved against exemption, we must conclude that the cooperative is not entitled to exemption under K.S.A. 79-201a Second for property it acquires pursuant to a lease purchase agreement.

Very truly yours,


Robert T. Stephan
Attorney General


Julene L. Miller
Deputy Attorney General

RTS:JLM:jm

LAW OFFICES
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RECEIVED
 FEB 18 1992
 U.S.D. 313

WILLIAM Y. CHALFANT
 J. STANLEY HILL
 DELL MARIE SHANAHAN SWEARER
 GREGORY G. MEREDITH

CLAUDE E. CHALFANT (1903-1987)
 MICHAEL E. CHALFANT (1908-1983)
 HAROLD R. BRANINE (1902-1988)

TELECOPIER 316 693-1428

February 13, 1992

Dr. Chet Johnson, Executive Director
 Reno County Education Cooperative #610
 2005 South Halstead
 Hutchinson, KS 67501

Dear Dr. Johnson:

Enclosed is a copy of the opinion dated February 12, 1992 from the Attorney General regarding the exemption from taxation for property acquired by Reno County Education Cooperative #610, pursuant to a lease purchase agreement. The opinion of the Attorney General is that given the uncertainty of the matter, that the cooperative is not entitled to property tax exemption.

Obviously, reading the opinion gives a fuller explanation of the rationale. It is apparent to me though, that the cooperative should be entitled to this exemption, and that an appropriate legislative change should be made. If you would like me to pursue this avenue with our local legislators, all of with whom I am acquainted, I will be glad to do so.

Sincerely yours,


 OF BRANINE, CHALFANT & HILL

JSH:k1b

Enc.

INTERLOCALS

- 603 **ANW Special Education Cooperative**
Dan Shoemake, Director, 710 Bridge, Box 207, Humboldt 66748 (316) 473-2257
School Districts Involved: USD 101-Erie-St. Paul, USD 256-Marmaton Valley, USD 257-Iola, USD 258-Humboldt, USD 366-Yates Center, USD 387-Altoona-Midway, USD 413-Chanute Public Schools, USD 479-Crest
- 605 **South Central Kansas Special Education Cooperative**
Bruce Givens, Director, Box 177, Iuka 67066 (316) 546-2227; FAX: (316) 546-2229
School Districts Involved: USD 254-Barber County North, USD 255-South Barber, USD 331-Kingman, USD 332-Cunningham, USD 361-Anthony-Harper, USD 382-Pratt, USD 438-Skyline Schools, USD 511-Attica
- 607 **Tri-County Special Education Cooperative**
Curt Schmitz, Director, Box 668, Independence 67301 (316) 331-6303
School Districts Involved: USD 436-Caney Valley, USD 445-Coffeyville, USD 446-Independence, USD 447-Cherryvale, USD 461-Neodesha, USD 484-Fredonia, USD 503-Parsons
- 610 **Reno County Education Cooperative**
Chet Johnson, Director, 2005 South Halstead, Hutchinson 67501 (316) 663-7178
School Districts Involved: USD 309-Nickerson, USD 310-Fairfield, USD 311-Pretty Prairie, USD 312-Haven Public Schools, USD 313-Buhler
- 611 **High Plains Educational Cooperative District**
Gary Burkhart, Director, 621 East Oklahoma, Ulysses 67880 (316) 356-5577; FAX: (316) 356-5522
School Districts Involved: USD 200-Greeley County, USD 209-Moscow Public Schools, USD 210-Hugoton Public Schools, USD 214-Ulysses, USD 215-Lakin, USD 216-Deerfield, USD 217-Rolla, USD 218-Elkhart, USD 363-Holcomb, USD 371-Montezuma, USD 374-Sublette, USD 452-Stanton County, USD 466-Scott County, USD 467-Leoti, USD 476-Copeland, USD 494-Syracuse, USD 507-Satanta
- 613 **Southwest Kansas Area Cooperative District**
Howard Smith, Director, 1000 2nd, Box 460, Dodge City 67801 (316) 227-1641; FAX: (316) 227-1640
School Districts Involved: USD 102-Cimarron-Ensign, USD 219-Minneola, USD 220-Ashland, USD 225-Fowler, USD 226-Meade, USD 227-Jetmore, USD 301-Nes Tre La Go, USD 302-Smoky Hill, USD 303-Ness City, USD 304-Bazine, USD 381-Spearville, USD 443-Dodge City, USD 459-Bucklin, USD 477-Ingalls, USD 482-Dighton, USD 483-Kismet-Plains
- 614 **East Central Kansas Cooperative in Education**
Caren Lowe, Director, Box 41, Baldwin City 66006 (913) 594-2737
School Districts Involved: USD 289-Wellsville, USD 348-Baldwin City, USD 491-Eudora
- 615 **Brown County Kansas Special Education Cooperative**
Carol Nigus, Director, 1st and Kickapoo, Hiawatha 66434 (913) 742-7108
School Districts Involved: USD 415-Hiawatha, USD 430-South Brown County
- 616 **Doniphan County Education Cooperative**
Tim Shafer, Box 218, Bendena 66008 (913) 988-4204
School Districts Involved: USD 406-Wathena, USD 425-Highland, USD 429-Troy Public Schools, USD 433-Midway Schools, USD 486-Elwood
- 617 **Marion County Special Education Cooperative**
Barry Stanley, Director, 601 East Main, Marion 66861 (316) 382-3705
School Districts Involved: USD 397-Centre, USD 398-Peabody-Burns, USD 408-Marion, USD 410-Durham-Hillsboro-Lehigh, USD 411-Goessel
- 618 **Sedgwick County Area Educational Services Interlocal Cooperative**
Larry Clark, Director, 620 Industrial, Box 760, Goddard 67052 (316) 794-8641
School Districts Involved: USD 262-Valley Center Public Schools, USD 264-Clearwater, USD 265-Goddard, USD 266-Maize, USD 267-Renwick, USD 268-Cheney, USD 356-Conway Springs, USD 369-Burton, USD 439-Sedgwick Public Schools
- 619 **Sumner County Educational Services Interlocal**
Pamela Chilson, Director, 1002 East Harvey, Wellington 67152 (316) 326-8935
School Districts Involved: USD 357-Belle Plaine, USD 358-Oxford, USD 359-Argonia Public Schools, USD 360-Caldwell, USD 509-South Haven
- 620 **Three Lakes Educational Cooperative**
David Bilderback, Director, 1318 Topeka, Box 627, Lyndon 66451 (913) 828-3113
School Districts Involved: USD 287-West Franklin, USD 420-Osage City, USD 421-Lyndon, USD 434-Santa Fe Trail, USD 454-Burlingame Public Schools, USD 456-Marais Des Cygnes Valley

INTERLOCALS (Cont.)

630

Educational Computer Service Center of Kansas

Tom Darnell, Director, 807 Dexter, Box 97, Clay Center 67432 (913) 632-3176

School Districts Involved: USD 222-Washington Schools, USD 223-Barnes, USD 224-Clifton-Clyde, USD 273-Beloit, USD 333-Concordia, USD 379-Clay Center

631

Learning Consortium Educational Cooperative

Paula Patton, Director, Box 2000, Hesston 67062 (316) 327-7128; FAX: (316) 327-7130

School Districts Involved: USD 411-Goessel, USD 419-Canton-Galva, USD 423-Moundridge, USD 460-Hesston

SERVICE CENTERS

- 602 **Northwest Kansas Educational Service Center**
 Gary Steele, Director, 703 West 2nd, Oakley 67748 (913) 672-3125; 1-(800) 332-1121; FAX: (913) 672-3175
 School Districts Involved: USD 103-Cheylin, USD 208-WaKeeney, USD 241-Wallace County Schools, USD 242-Weskan, USD 274-Oakley, USD 275-Triplains, USD 280-West Graham-Morland, USD 281-Hill City, USD 291-Grinnell Public Schools, USD 292-Wheatland, USD 293-Quinter Public Schools, USD 294-Oberlin, USD 297-St. Francis Community Schools, USD 314-Brewster, USD 315-Colby Public Schools, USD 316-Golden Plains, USD 317-Herndon, USD 318-Atwood, USD 352-Goodland, USD 412-Hoxie Community Schools, USD 468-Healy Public Schools
- 608 **Northeast Kansas Education Service Center**
 James Wheeler, Director, 404 Park, Box 488, Oskaloosa 66066 (913) 863-2919; FAX: (913) 863-2919
 School Districts Involved: USD 338-Valley Falls, USD 339-Jefferson County North, USD 340-Jefferson West, USD 341-Oskaloosa Public Schools, USD 342-McLouth, USD 343-Perry Public Schools, USD 377-Atchison County Community Schools
- 609 **Southeast Kansas Education Service Center**
 David DeMoss, Director, Box 189, Girard 66743 (316) 724-6281; FAX: (316) 724-6284
 School Districts Involved: USD 101-Erie-St. Paul, USD 248-Girard, USD 366-Yates Center, USD 404-Riverton, Fort Scott Community College
- 621 **North Central Kansas Educational Service Center**
 Glen Lakes, Director, 219 West 7th, Concordia 66901 (913) 243-4417
 School Districts Involved: USD 104-White Rock, USD 221-North Central, USD 222-Washington Schools, USD 223-Barnes, USD 224-Clifton-Clyde, USD 272-Waconda, USD 273-Beloit, USD 278-Mankato, USD 333-Concordia, USD 379-Clay Center, USD 380-Vermillion, USD 426-Pike Valley, USD 427-Belleville, USD 455-Hillicrest Rural Schools, USD 498-Valley Heights
- 622 **Education Services and Staff Development Association of Central Kansas (ESSDACK)**
 Dayna Richardson, Director, 1600 North Lorraine, Hutchinson 67501 (316) 663-9566; FAX: (316) 665-6790
 School Districts Involved: USD 311-Pretty Prairie, USD 313-Buhler, USD 376-Sterling, USD 410-Durham-Hillsboro-Lehigh, USD 418-McPherson, USD 423-Moundridge, USD 460-Hesston
- 623 **Area Resource Center of Central Kansas**
 Jan Hallam, Director, 1921 Harrison, Great Bend 67530 (316) 793-1518
 School Districts Involved: USD 228-Hanston, USD 300-Comanche County, USD 347-Kinsley-Offerle, USD 349-Stafford, USD 350-St. John-Hudson, USD 351-Macksville, USD 354-Clafin, USD 355-Ellinwood Public Schools, USD 388-Ellis, USD 395-LaCrosse, USD 401-Chase, USD 403-Otis-Bison, USD 407-Russell County, USD 424-Mullinville, USD 428-Great Bend, USD 431-Hoisington, USD 432-Victoria, USD 474-Haviland, USD 495-Ft. Larned, USD 496-Pawnee Heights, USD 502-Lewis
- 624 **Iuka Center for Excellence in Education**
 Margene McFall, Director, Box 249, Iuka 67066 (316) 546-2209
 School Districts Involved: USD 254-Barber County North, USD 255-South Barber, USD 332-Cunningham, USD 361-Anthony-Harper, USD 382-Pratt, USD 438-Skyline Schools, USD 511-Attica
- 625 **Southwest Kansas Educational Consortium**
 Dick Unruh, Director, Meade High School, Box 400, Meade 67864 (316) 873-2391
 School Districts Involved: USD 219-Minneola, USD 220-Ashland, USD 226-Meade, USD 300-Comanche County, USD 422-Greensburg, USD 424-Mullinville, USD 459-Bucklin, USD 474-Haviland, USD 483-Kismet-Plains
- 626 **Southwest Plains Regional Service Center**
 Don Nigus, Director, 406 West Carson, Box 1010, Sublette 67877 (316) 675-2241; FAX: (316) 675-8347
 School Districts Involved: USD 480-Liberal, Interlocal 611-High Plains Educational Cooperative District, Interlocal 613-Southwest Kansas Area Cooperative District
- 627 **Flint Hills Educational Research and Development Association (FHERDA)**
 Sue Adams, Director, Campus Box 36, Emporia State University, 1200 Commercial, Emporia 66801-5087 (316) 343-5788; FAX: (316) 343-5785
 School Districts Involved: USD 251-North Lyon County, USD 253-Emporia, USD 284-Chase County, USD 417-Morris County, USD 420-Osage City, USD 434-Santa Fe Trail, USD 456-Marais Des Cygnes Valley
- 628 **South Central Kansas Education Service Center**
 Dr. Pat Stephens, Director, 201 West Main, Box 40, Mulvane 67110 (316) 777-0033; FAX: (316) 777-9124; FAX: (913) 827-5446
 School Districts Involved: USD 264-Clearwater, USD 265-Goddard, USD 358-Oxford, USD 359-Argonia Public Schools, USD 385-Andover, USD 396-Douglass Public Schools, USD 465-Winfield
- 629 **Smoky Hill/Central Kansas Education Service Center**
 Rita C. Cook, Director, 3023 Canterbury Drive, Suite 7, Salina 67401 (913) 825-9185; FAX: (913) 827-5446
 School Districts Involved: USD 239-North Ottawa County, USD 240-Twin Valley, USD 298-Lincoln, USD 305-Salina, USD 306-Southeast of Salina, USD 307-Ell-Salina, USD 327-Ellsworth, USD 328-Lorraine, USD 393-Solomon, USD 435-Abilene, USD 473-Chapman, USD 481-Rural Vista, USD 487-Herington

**KANSAS
ASSOCIATION**



**OF
SCHOOL
BOARDS**

5401 S. W. 7th Avenue Topeka, Kansas 66606
913-273-3600

**Testimony on H.B. 3110
before the
Senate Committee on Assessment and Taxation**

by

**Norman D. Wilks, Director of Labor Relations
Kansas Association of School Boards**

March 30, 1992

Mr. Chairman and members of the Committee:

We appreciate the opportunity to appear before you today in support of H.B. 3110. An interlocal should be exempt from property and ad valorem taxes in the same manner as a school district.

The school district interlocal can provide educational services and has powers and duties similar to school districts. The exception is the power to issue bonds or levy a tax.

Interlocal real and personal property is used in the same manner as school district property. If the services provided by the interlocal were provided by a sponsoring school district, the property would be exempt from taxes.

The bill clarifies the issue of taxability of interlocals. It adds to the law what we assumed to be the case prior to the Attorney General's opinion.

We urge your passage of H.B. 3110 as amended by the House Committee. Thank you for your consideration.

SENATE ASSES. & TAX
3-30-92
ATT-2

My name is Merle Dupont from Chase Kansas. I have a small company that is in the plastic thermoforming and repair business. Mr. Shelor asked if I would come to Topeka and testify as a proponent for this bill. This is the first time I have ever considered doing something of this nature because of the negative attitude I have for bureaucracy. I will not dwell on this point because it accomplishes nothing.

In 1986 we started DUPONT ENTERPRISES INC. and produced a product called Kitty Stax. We did this with very limited capital with some assurances that we would receive an SBA loan and an infusion of capital from a public company in Denver. We developed the product which consisted of two disposable trays filled with kitty litter and a lid. We were received very well in the market place. We received a rude shock when we tried to expand our market into the chain stores and other distribution networks. After finding out the slotting fees these people charged us to put our product into their warehouses and stores, we decided to discontinue the product and utilize our equipment for something else. Both of the above sources of capital failed to come through, so we had very little capital but we have survived. The plastic scrap that we generated at this time was not a problem for us because the company we purchased our plastic from would take it back and issue credit on future purchases.

We were able to negotiate a contract with Stromgren Supports Inc. from Hays to produce plastic clam shell packaging for them. As you can see the amount of waste generated with the trimmings of the finished product a serious problem arises. The people who buy scrap pay so little for it that by the time you pay freight on it you have lost money. This does not take into account the labor on our end getting the product ready to ship and all the labor on their end handling the product several times before it is usable. We are a very small company and there are many other small companies like us who are experiencing the same problems that we have.

Another area that we have been working in is the repair of plastic products, primarily totes, milk crates and bread trays. Our agreement with the companies that we do business with requires us to dispose of any item that cannot be repaired. Needless to say we have accumulated a substantial amount of material that needs to be recycled. The number of items that we have repaired already has saved tons of plastic that was going into landfills across our state.

We have several products that can be feasibly manufactured from the plastic that we have as well as other plastic materials that recyclers across the state are accumulating. Most of these people are accumulating large supplies of plastic and are finding no market for it.

We believe the only way we can turn our scrap into cash is to manufacture a finished product with it. This eliminates much of the handling and expenses of dealing with two or three brokers who buy and resell the high grade scrap. It also eliminates the

SENATE ASSES & TAX
3-30-92
ATT. 3-1

profit of the broker. By going this route recycling is possible, otherwise we believe that we are only kidding ourselves

This bill is a step in the right direction for the State of KANSAS. I am speaking from my own personal knowledge on the subject, as limited it may be, but I know that we are in the process of making some decisions as to the future of our company and the expansion of the recycling operation.

I feel that KANSAS really needs to take a three prong attack and become leaders in the recycling market.

1. This bill needs to be passed which would give someone some incentive to make the capital expenditures necessary to manufacture products out of recycled plastic.
2. The state of KANSAS needs to purchase the products produced from the manufacturer, if it is a product that they purchase any way or if can be a replacement for products currently being used.
3. The state of KANSAS needs to revamp some of its securities laws to make easier for small companies to get additional capital. The lack of capital is one of the most serious problems a small business person faces today.

I thank you for your time and much of our company's decision on expansion is based on what our legislature does.

Oxbow Custom Fuel Pelleting
BIO-MASS ENGINEERING

1201 W. Granby • P.O. Box 115
Neodesha, Kansas 66757
316 325-2311 or 316 633-5388

March 30, 1992

Senators

Reference: House Bill No. 2938

We at Ox-Bow Bio-Mass Engineering believe that we are at the brink of propelling a new Industry into being.

We presently are manufacturing hard wood fuel pellets out of industrial wood waste materials. We have been blessed with finding a large market for our wood pellet fuel.

Not only are we producing one of the best fuel pellets for the pellet stove industry, we are finding other products that can be generated through wood waste materials, such as absorbents, insulation, packing material, meat smoking, and fertilizer to name a few.

We at Ox-Bow are presently pelleting six different types of hard woods for a northern Kansas company which is canning these pellets for sale in grocery stores and Wal-Mart for meat smoking.

Another product that we are developing is a pellet that consists of wood and chicken litter. With the help of the Kansas Forestry Division we believe that, by using selected Kansas hardwoods, we can develop a fertilizer pellet with a natural herbicide and pesticide.

We at Ox-Bow are not limited to wood waste materials as a base material. We found through experimentation agricultural waste can also be used as a base for pellet formation.

The most exciting development that we are involved in, at present, is the pelleting of general municipal waste to be used as a new industrial fuel. Until recently, the machinery that is required to reduce a wide range of

PRESENTED BY;
LEO LINDEMAN
SENATE ASSES. & TAX
3.30-92
ATT. 4-1

materials into a usable state for our process has not existed. Thanks to a new machine that a fellow Kansan has invented, we feel that we can produce a new "intense" fuel pellet and alliviate 73% of what is going into the Landfills on a daily basis. With the State of Kansas being the focal point of this new technology it will greatly enhance our economics. Job markets will be created, new revenues and etc. as this industry goes thru the country and possibly world wide.

Ladies and Gentlemen, the only thing that we, the recyclers, need is a little financial support. With your help, we can greatly excellerate our advancement and stay on the leading edge of this new industry.

Thank you,



Leo Lindeman
President of Ox-bow
Bio-Mass Engineering, Inc.

Recycled sawdust is basis for new pellet company

By Anne Mayhew
Staff Writer
Ox-Bow Enterprises of Neodesha, owned by Leo Lindeman, is a trucking service that does various types of hauling for local businesses in the area. Motivated by innovation and ingenuity and a concern for the environment, Lindeman has taken the opportunity to branch out thereby bringing to the area a new business called Ox-Bow Pellet Company.

Ox-Bow Pellet Company, located in a renovated alfalfa mill on West Granby next to the city shop building, will make one inch compressed sawdust pellets for burning in pellet stoves. The pellets will be made by recycling sawdust waste from Prestige Inc. that would normally have been taken to the landfill and burned.

"If I didn't do something about the sawdust someone else would," said Lindeman, "so, actually this was more job preservation as well as an environmental preservation type of venture."

According to Lindeman, the Environmental Protection Agency (EPA) has passed a bill in most states that ban the burning of wood in wood burning stoves because of the smoke. He says there is a bill in the Senate now that may be voted on to pass a law requiring wood burning stoves to be replaced by pellet burning stoves that burn virtually smoke free.

"Prestige is real good about complying with EPA regulations," said Lin-

deman. "And this is one way of making use of a product that would have contributed to the landfill problem."

The process of transforming raw sawdust into pellets begins with feeding the sawdust up a conveyor belt and into two large vats that, like a cement mixer, mix the fine and coarse sawdust product together. From there the sawdust is drawn into a hammer-mill, a 1/8" screen that allows only fine sawdust material to pass into the mill bin. It is then mixed with one percent water and passed along into a "die" that casts the pellet form. The pellets are real hot after this process and need to go into a cooling chamber where they will be transferred into two 500 ton storage tanks ready to be bagged and sold to potential distributors.

Lindeman estimates that approximately 10 tons of pellet product can be processed each week.

Lindeman plans to represent Ox-Bow Pellet Company throughout Kansas, Oklahoma, Arkansas and Nebraska.

According to Lindeman, the average 2,000 square foot home using a pellet stove burns two tons of pellets per year. Ox-Bow plans to sell the pellets for \$105 a ton, priced lower than their competitors, and they intend to sell the stoves in the future as well.

"I look at it as a no-lose situation," concludes Lindeman. "We're helping the environment and the business."



Leo Lindeman shows the wood pellets now being made at his new business utilizing sawdust from Prestige, Inc.

The Neodesha Sun Register

Neodesha, KS 66757

Official newspaper for the City of Neodesha and Wilson County

Thursday, September 12, 1991 50 Cents

February 26, 1992

Project EAGX-92-0145
Client 58270
Invoice 839208
***Revised March 6, 1992**
***Report 08-92-0195R**

Mr. Leo Lindeman
***Ox-Bow Bio-Mass**
Engineering, Incorporated
P.O. Box 115
Neodesha, KS 66757

Dear Mr. Lindeman:

Subject: Analysis performed on one (1) sample
received on February 18, 1992, per your
request.

Item: One (1) Pellet Fuel Sample

Method: Standard Methods for Testing of Pellet
Fuels.

APFI-PF-1-88

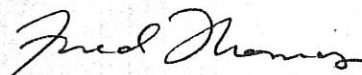
REPORT:

Analysis:

		APFI Spec.
Higher Heating Value, BTU/lb	8200	*8200 Minimum
Density, lbs/ft	40.5	40 Minimum
Moisture, %	6.5	8 Maximum
Non-Combustible Ash, %	0.48	1.0 Maximum
Average Pellet Diameter, Inches	0.29	0.235-0.350
Average Pellet Length, inches	0.50	1.5 Maximum
Fines, %	0.22	0.50 Maximum
Chloride (Cl), ppm	5	300 Maximum

*** Notes revisions**

Sincerely,


Fred Thomas
Supervisor, Chemistry

ft:ljh
k:\system\800\oil-fuel\oxbowe02.26R

Q W A L L A B O R A T O R I E S, I N C.

2809 N BDWY BLDG 4 SUITE C/P.O. BOX 562/PITTSBURG,KS/316 232-1970

LABORATORY REPORT:

REFERENCE # 30100-92

CLIENT: OX-BOW
 BIO MASS ENGINEERING
 P.O. BOX 115
 NEODESHA, KANSAS 66757

DATE REPORTED: 01/28/92
 DATE RECEIVED: 01/22/92
 DATE COMPLETED: 01/28/92
 PAGE 1 OF 2

SAMPLE DESCRIPTION: WATER SAMPLE

SAMPLE:	PARAMETER	UNITS	RESULT	MDL	ANALYST & DATE
PET G	ASH	%	0.05	0.01	JH 01/27
	BTU	BTU/lb	10901.10	50	JH 01/24
HIPS PET G	ASH	%	0.54	0.01	JH 01/24
	BTU	BTU/lb	13638.30	50	JH 01/24
MUN. WASTE	ASH	%	3.93	0.01	JH 01/27
	BTU	BTU/lb	7434.60	50	JH 01/24
PAPER/WOOD/PLAS.	ASH	%	0.62	0.01	JH 01/27
	BTU	BTU/lb	7265.20	50	JH 01/24
WOOD/HIP	ASH	%	0.42	0.01	JH 01/27
	BTU	BTU/lb	7757.80	50	JH 01/24
WHITE OAK/PINE	ASH	%	0.24	0.01	JH 01/27
	BTU	BTU/lb	8118.10	50	JH 01/24
WHITE OAK	ASH	%	0.30	0.01	JH 01/27
	BTU	BTU/lb	7689.00	50	JH 01/24

MDL - Minimum Detection Limit
 N/A - Not Applicable
 ND - None Detected
 EPA - SW 846

Q W A L L A B O R A T O R I E S , I N C .

2809 N BDWY BLDG 4 SUITE C/P.O. BOX 562/PITTSBURG,KS/316 232-1970

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 P.O. BOX 115
 NEODESHA, KANSAS 66757

DATE REPORTED: 01/28/92
 DATE RECEIVED: 01/22/92
 DATE COMPLETED: 01/28/92
 PAGE 1 OF 2

SAMPLE DESCRIPTION: SEE BELOW:

<u>SAMPLE:</u>	<u>PARAMETER</u>	<u>UNITS</u>	<u>RESULT</u>	<u>MDL</u>	<u>ANALYST & DATE</u>
HICKORY	ASH	%	1.88	0.01	JH 01/27
	BTU	BTU/lb	7501.50	50	JH 01/24
MAHOGANEY	ASH	%	0.50	0.01	JH 01/27
	BTU	BTU/lb	7822.20	50	JH 01/24
RED OAK	ASH	%	0.33	0.01	JH 01/27
	BTU	BTU/lb	7848.00	50	JH 01/24
MILK JUGS	ASH	%	0.11	0.01	JH 01/27
	BTU	BTU/lb	20166.40	50	JH 01/24

MDL - Minimum Detection Limit
 N/A - Not Applicable
 ND - None Detected
 EPA - SW 846

APPROVED BY:


 TERRY KOESTER
 LABORATORY DIRECTOR

THE NEW ECLIPSE "CLASSIC" PELLET STOVE



SIMPLY BETTER

FEATURING THE
FREE-FLOW FEED SYSTEM

No auger!

**NOW! The Same High Heat Output
35% Smaller!**

Eclipse
Simply better.

HORIZON
RESEARCH, INC.

H-7

THE NEW ECLIPSE "CLASSIC" PELLET STOVE

**TRADITIONAL STYLING. 35% SMALLER.
AND, MOST IMPORTANTLY—NO AUGER.**

The new "Classic" free-standing stoves and fireplace inserts from Eclipse feature a smooth, upscale look with state-of-the-art operational technology.

You won't find a pellet stove with a more advanced design. Unlike our competitors who use an archaic, complicated auger system with computer-aided fail-safe mechanisms, the Classic incorporates the extremely simple and efficient FREE-FLOW FEED SYSTEM.

35% smaller than the standard-size pellet stove, the Classic still maintains the same high efficiency and heat output. Perfect for ANY size home, including condos and mobile homes.

**ONLY THE ECLIPSE HAS ALL OF THE FOLLOWING FEATURES!
COMPARE BEFORE YOU BUY!**

ECLIPSE FEATURES/ECLIPSE OWNER'S BENEFITS



- Free Flow Feed ▶ Consistent, evenly fed pellets means even heat, even flame and clean burn. No jammed augers.
- Preheated Combustion Air ▶ High combustion temperature gives clean, efficient burns and low emissions.
- Sealed, Preheated Air Wash ▶ Preheated air wash provides for clean windows. Sealed air wash prevents smoke leaks in the house.
- Adjustable Heat ▶ Simple, non-computerized controls give immediate response to any level of heat requirements.
- Reduced Maintenance ▶ Reliable, time-proven controls and motors give long service. Motors and electronic parts may be examined and replaced in a matter of minutes, resulting in reduced maintenance time and costs.
- Certified Low Emissions ▶ Tested by Warnock Hersey Laboratories. Greatly exceed EPA, Oregon and Colorado emission requirements for particulate matter and carbon monoxide.

CLASSIC SPECIFICATIONS

Freestanding and Insert

	Dimensions			Clearances				Burn Time*	Fuel Capacity*	BTU Output*	Average Emissions
	Width	Height	Depth	Front Sides	Rear Sides	Back	Mantle				
Free-Standing	23"	19"	20"	1"	1"	1"	16"	10 to 50 hrs.	45+ lbs.	5,000 to 40,000	PM .8 gms. CO 5 gms.
Insert	22"	19"	12"	1"	0"	1"	16"				

*Burn time, fuel capacities and heat output will vary with fuel type, fuel setting and fuel size.

*2220.0°
INSTALLED*

Safety tested by Warnock Hersey, Madison, Wisconsin, to: UL 1482, ULCS 627, Oregon State Bldg. Code Agency 8-14-23-902. Emission tested to EPA, Oregon DEQ and Colorado standards. ICBO TL#116



Your Eclipse dealer is:

**OX-BOW
BIO-MASS ENGINEERING**
P.O. Box 115 • Neodesha, Kansas 66757
316 325-2311 or 316 633-5388

4-8

THE KANSAS LEGISLATURE

KANSAS SENATE

Committee

on

Assessment and Taxation

HOUSE BILL No. 2938

Testimony

of

Donald W. Meeker
President
Central Fiber Corporation
Wellsville, Kansas

March 30, 1992

SENATE ASSES. & TAX

3-30-92

ATT. 5-1

I. CENTRAL FIBER CORPORATION.

Central Fiber Corporation is located in Wellsville, Kansas, about forty miles southwest of Kansas City, Missouri. Central Fiber is a diversified manufacturer of various fiber products. Through its manufacturing processes, Central Fiber produces building materials and mulch and lawn and garden products. In addition, Central Fiber produces cellulose industrial fiber products which are used in numerous industrial processing applications. Certain of these industrial fibers are now being used where asbestos fibers were once used. The Company has plants in Wellsville and in North Canton, Ohio.

The business was founded by John Pollock in 1980. In 1986, our Company had 20 employees. Today we have eighty employees.

The primary raw materials used by Central Fiber in its manufacturing processes are certain recyclable, post-consumer wastepaper, most of which consists of old newspapers, magazines, and corrugated containers.

During 1991, Central Fiber processed 35,000 tons, or 70 million pounds, of wastepaper that would have otherwise been placed in landfills in east central Kansas. The majority of this was old newspapers. In 1992, we anticipate processing about 40,000 tons of wastepaper.

Central Fiber has an active research and development program to find new uses for cellulose fibers and other recyclable materials and to further refine our existing

products.

Central Fiber has three, separate production lines at its Wellsville Plant. The products manufactured on these lines are composed of at least 70% postconsumer wastepaper.

II. THE PROPOSED LEGISLATION.

The purpose of House Bill No. 2938 is to provide a credit against the income tax liability of a taxpayer for purchases of qualified equipment used in connection with the manufacture of products composed of postconsumer waste. As can be seen from the description of Central Fiber above, we are a manufacturer who could benefit if this Bill should become law.

III. FINANCING OF SMALL BUSINESSES.

A. General.

For small businesses in the manufacturing sector who are experiencing growth in sales volume, the need for financing is always paramount. The expenses of aggressive product development and marketing programs and the capital needed to add plant and equipment require financing, usually at a commercial bank. Few small businesses are able to borrow at the prime rate of interest, and it is very common for the interest rate to be from two to four percentage points above prime. Venture capital financing is sometimes available, but it is generally very expensive for a small business.

B. State Income Tax Credits

One very important method to help in financing the cost of equipment for a small business is the use of a tax credit. This approach has been used quite successfully at times as part of the federal income tax system. By allowing such a tax credit as proposed in this Bill, Central Fiber would use the cash flow from the reduced income tax payable to help in the purchase and financing of equipment to be used in the manufacture of products from postconsumer wastepaper.

Not only will such a tax credit enable Central Fiber to expand its production capacity, but it will also cause the creation of more jobs in order to handle the increased volume of production. With the economy in a state of recession, job creation is most important to the State of Kansas.

C. A Specific Example.

One of Central Fiber's three core businesses is the production of cellulose insulation products using postconsumer wastepaper as the principal raw material. Our primary competition is fiberglass insulation, which has no recycled content. The fiberglass insulation industry is dominated by large, publicly-owned companies that are extremely well financed, with ready access to the financial markets, both debt and equity. They engage in broad-based product development programs, and they spend millions of dollars annually on media advertising, including extensive network television campaigns. The cellulose insulation industry, on the other

hand, consists of a multitude of small businesses, and the combined group does not spend nearly as much for product development, marketing, and sales as the single largest manufacturer of fiberglass insulation. Thus, any financial assistance, such as an income tax credit, is most helpful.

IV. CONCLUSION

We believe House Bill No. 2938 is most important, and we strongly support it. I am most appreciative for the opportunity to appear before this Committee and to present our views on this proposed legislation.



Joan Finney, Governor

KANSAS

DEPARTMENT OF COMMERCE
Industrial Development Division

Bill Thompson
Director

Laura E. Nicholl
Secretary

SENATE COMMITTEE ON ASSESSMENT AND TAXATION

March 30, 1992

Chairperson: Dan Thiessen

Vice Chairperson: Audrey H. Langworthy

Members: Shelia Frahm, Gerald "Jerry" Karr, Fred Kerr, Janis K. Lee, Phil Martin, Don Montgomery, Lana Oleen, Marge Petty, Jack Steineger.

HOUSE BILL NO. 2938 QUALIFIED EQUIPMENT TAX CREDIT

Good morning members of the Committee on Assessment Taxation. My name is Claud S. Shelor. I am the Statewide Coordinator of Waste Reduction, Recycling and Market Development. I am here today to present testimony in support of House Bill No. 2938.

In 1990, you as members of the Kansas Legislature, advanced Kansas into an era of source reduction and recyclability in the marketplace by creating a Commission on Waste Reduction, Recycling and Market Development and the position I fulfill.

In 1991 you resolved the waste tire dilemma by requiring waste tire management regulations.

As you all know, hearings are being held on House Bill 2801 updating the Kansas Solid Waste Act that adopts subtitle D regulations of RCRA to allow Kansas to design landfills approved by Federal standards.

Throughout Kansas there are individuals and businesses that are quite anxious to protect our environment. My office receives calls daily advising me of their efforts and interests to reduce the wastestream and produce markets. Perhaps the most gratifying actions are those of Kansas youth determined to protect "Mother Earth", asking "where can we go with recyclables"?

By passing House Bill No. 2938 you will establish national recognition that Kansans are serious about the environment and willing to assist and promote markets within our great state.

The Department of Commerce provides information nationwide that Kansas business climate is excellent and quality of our employees is outstanding!

In 1990 there were 16 states offering sales tax exemptions for any type of equipment utilized in recycling. Several states offer deductions of 50 to 100 percent of expenses incurred in the purchase and installation of recycling equipment.

It is a proven fact that tax incentives allowed by states within EPA Region VII, Missouri, Iowa, Nebraska and Kansas (MINK), have created markets. The sample passed among you today is but one vivid evidence of tax incentives creating a market.

House Bill NO. 2938 is very implicit in allowing an income taxation credit to purchasers of "qualified equipment" to be utilized in the manufacturing of products composed of postconsumer waste. It reflects the sponsors dedication to progress Kansas into the next phase of Reduce, Reuse and Recycle.

EPA officials have verified that Kansas is now behind Missouri, Iowa and Nebraska in passing legislation to protect our environment.

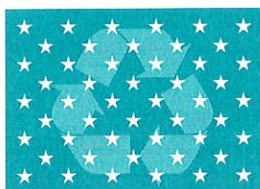
Within my testimony I have included a copy of a special report entitled "Recycling in the States", a 1990 review compiled by the National Solid Waste Management Association of Washington, D.C. I implore each of you to review this report. You, as legislators, will be pleased to learn of the progress of Kansas legislation since the 1990 printing. I have been contacted by its author for an updating of Kansas legislation and it will reflect Kansas activity in recycling and wastestream reduction. It will also reveal Kansas as a leader in assisting market development by your approval of House Bill 2938.

House Bill No. 2938 is conservative by comparison with a number of other states offering state incentives for recycling and market development. But aren't Kansans a conservative class of people?

Thank you for allowing me to appear before your honorable committee.

Recycling in the States

1990 Review



More than 140 recycling laws were enacted by 38 states in 1990. All but two states, Idaho and South Carolina, enacted some type of recycling law in 1989-1990. Thirty-three states and D.C. have comprehensive laws, which require detailed statewide recycling plans and/or separation of recyclables, and which contain at least one other provision to stimulate recycling.

National Solid Wastes Management Association
1730 Rhode Island Avenue, NW
Suite 1000
Washington, DC 20036
(202) 659-4613

WHAT IS RECYCLING?

Recycling involves four basic steps:

- Separating reusable products from other trash, often at curbside, but sometimes at a central facility.
- Processing them so that they can be substituted for virgin raw materials at manufacturing plants.
- Returning them to commerce, usually as part of other products. Common examples include newsprint, which can be reprocessed to make new newsprint or tissue, and aluminum cans, which can be melted to make new containers.
- Having recycled products bought and used by consumers.

Significant trends in 1990 recycling legislation included mandates to product manufacturers and the growth of disposal bans for common recyclables, not just “problem wastes” such as used oil, batteries and appliances. States are beginning to go to the source — the product maker — with requirements to use recycled content, reduce toxins, avoid unsubstantiated environmental claims on packaging, and even collect and recycle problem materials. This trend is likely to continue as states look for ways to share the financial burdens of establishing a recycling infrastructure. States are also emphasizing recycling in their own procurement policies by allowing price preferences for recycled products and setting goals for recycled product purchases.

The drive to recycle is a result of many forces:

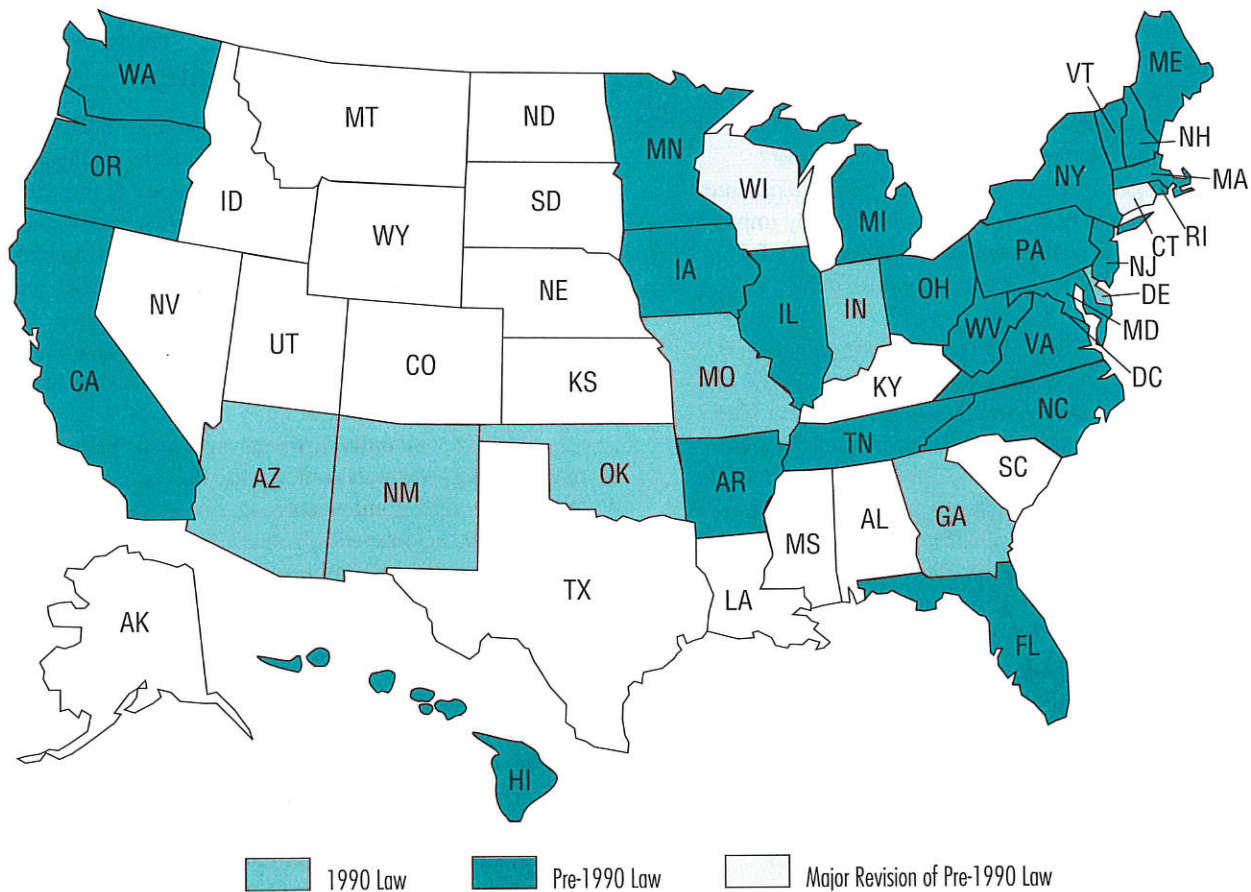
- The rising costs of waste disposal as old landfills are closed and new state-of-the-art landfills and waste-to-energy plants are built according to stringent new environmental regulations.
- The drive to conserve natural resources and existing landfill capacity.
- The difficulty of siting new waste disposal facilities.

Comprehensive laws make recycling part of state-wide waste management practices through detailed planning requirements and/or separation mandates. These laws also commonly include recycling goals, grants, education programs and market development incentives. Seven states (**Arizona, Delaware, Georgia, Indiana, Missouri, New Mexico, and Oklahoma**) enacted new comprehensive recycling laws in 1990, compared to 11 states that did so in 1989. The number of new comprehensive laws enacted each year will probably continue to decline since the states with the greatest incentives to pass them have already done so.

Also in 1990, **Connecticut** and **Wisconsin** enacted significant revisions of earlier comprehensive laws. Connecticut dropped its 1987 disposal ban on recyclables, which had not yet taken effect, in favor of source separation requirements. Wisconsin beefed up its 1983 “opportunity to recycle law” with a major legislative package that banned common recyclables from landfills unless communities implement source separation programs. The new 1990 comprehensive recycling laws are summarized below.

Arizona. Chapter 378 requires local governments to provide residents with the opportunity to recycle and practice waste reduction. A recycling program is created within the Department of Environmental Quality that will be funded in part from a landfill disposal fee. Recycling program responsibilities include public education, technical assistance, status reports, market studies and developing a recycling emblem. The law also grants a five percent price preference to recycled paper products, requires plastic bottles to be coded and requires newspapers to use recycled content. By November 1, 1991, state

COMPREHENSIVE RECYCLING LAWS* AS OF DECEMBER 31, 1990



*Comprehensive recycling laws require detailed statewide recycling plans and/or separation of recyclables, and contain at least one other provision to stimulate recycling.

government agencies and universities must separate at least 50 percent of their waste paper for recycling.

Delaware. S.B. 424 directs the Delaware Solid Waste Management Authority to establish drop-off centers for recycling in each county, and to provide for the collection and marketing of the material brought to the centers. Any profits are to be used to create economic incentives for delivery of the materials to the centers. The Authority must also revise its statewide solid waste management plan to include recycling.

Georgia. The "Georgia Comprehensive Solid Waste Management Act" (S.B. 533) sets a goal of reducing the amount of municipal solid waste received at disposal facilities by 25 percent of 1992 per capita waste amounts by July 1, 1996. A new state waste management plan was due in January 1991. Counties must then create their own plans modeled after the state document. After July 1992, if a county wants to transport its waste to other jurisdictions, it must be "actively involved" in a plan to meet the state recycling goals. Grants and loans for new solid waste equipment and facilities are also linked to county participation in waste reduction efforts. Other features of the law include plastic bottle coding, state procurement measures

and battery recycling.

Indiana. This law (H.B. 1240) establishes a state policy that favors source reduction, recycling and "other alternatives" over incineration and land disposal. Goals for reducing the amount of waste incinerated and landfilled are 35 percent by January 1, 1996, and 50 percent by January 1, 2001. Both state and local waste management plans must include provisions for recycling. The state waste management board is directed to develop rules restricting the disposal of recyclables. The law also creates a fund to provide economic development assistance to businesses that either convert recyclable material into useful products or help create recycling markets. Finally, a state waste reduction task force will be formed to create voluntary guidelines for reducing packaging and increasing the use of recycled paper.

Missouri. S.B. 530 establishes a goal of 40 percent weight reduction in solid waste by 1998 through recycling and waste minimization. Each district or county must have a solid waste management plan that includes specified recycling and waste reduction strategies. Solid waste districts must submit plans within 18 months of their formation; counties not in districts must submit plans by

June 1995. Lead-acid batteries, major appliances, waste oil, and whole waste tires are banned from landfills effective January 1991; yard waste is banned in January 1992, and small quantities of hazardous waste are banned in January 1994. A 50-cent tax on new tire sales will help fund a tire cleanup program. Market development initiatives include setting mandatory content standards for newspapers, allowing minimum recycled and post-consumer content levels to be increased for state procurement programs, and using waste tires in highway improvement projects. One million dollars in grant money for market development will be available during FY 1992-1997.

New Mexico. Signed by the governor on March 6, 1990, S.B. 2 relies on detailed planning to establish a new "environmentally safe" waste management system. The plan must set a goal of diverting 25 percent of the waste stream from disposal facilities by July 1, 1995, and 50 percent by July 1, 2000. Other components include a waste characterization study, landfill capacity assessments, provisions for siting disposal facilities, and a public education program. The state regulatory board must adopt regulations to establish source reduction and recycling programs to meet the state recycling goal. The law gives municipalities the authority to impose environmental taxes on businesses to help finance programs.

Oklahoma. H.B. 1905 directs the State Department of Health to prepare a detailed integrated waste management plan by July 1, 1993. The plan will set 5-, 10- and 20-year waste reduction and recycling goals. Other department responsibilities include providing technical assistance for recycling, creating a secondary materials market database, conducting public education programs, and providing an agenda for studies. An annual fee of up to \$3.00 per waste generator and a \$1.50 per ton surcharge

at disposal facilities will help fund new programs. The fee will be reduced in communities that substantially reduce their waste streams.

Source Reduction: The First Step

The first priority of the U.S. Environmental Protection Agency's recommended national waste management strategy is reducing the amount and toxicity of the waste stream. While this goal sounds straightforward, creating new policies to implement it has proved to be a challenge because source reduction involves changes in the manufacturing process. States have tried bans on the sale and disposal of products, and taxes on products that are not recycled, which mostly impact products after they are part of the waste stream.

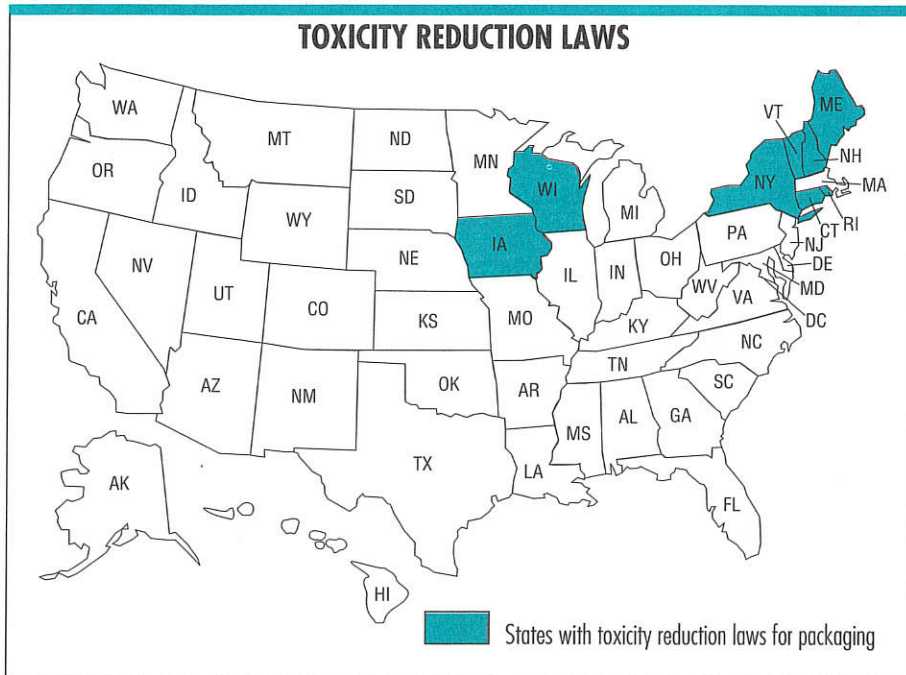
Outright, unconditional bans on the sale of certain manufactured products were among the earliest legislative attempts to implement waste reduction. A few states have enacted bans against such products as plastic bags, polystyrene food packaging, aseptic beverage containers and plastic bags with metal components.

Recently, more state legislatures have begun using the *threat* of a ban as leverage to force either reduction or recycling of wastes. The threats have been used to try to limit the sale of products that contain certain toxins and to require stronger proof of environmental claims.

The first true "source reduction" laws were enacted in 1990 by eight states (**Connecticut, Iowa, Maine, New Hampshire, New York, Rhode Island, Vermont, and Wisconsin**) that set limits for certain toxins in packaging and banned the sale of products that exceed those limits. Packaging in these states cannot be sold if it contains more than 600 parts per million by weight of lead, cadmium, mercury or hexavalent chromium, which are used in red

and yellow pigments and in plastic as stabilizers. Permissible concentration levels decline to 100 parts per million by weight by the mid-1990s. After 1992, these metals cannot be intentionally added to a product or packaging. Packaging that contains recycled material may have longer to comply.

Some states have considered placing a disposal tax or fee on products to create incentives for people to reduce waste and to buy recyclable materials. The product taxes and fees that have been enacted to date, however, function more as sources of revenue for state waste management programs than as mechanisms for changing consumer behavior. **Florida** passed a law in 1988 that imposes a one cent per container retail tax on



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containers made from glass, aluminum, metal, plastic, and plastic-coated paper if recycling rates for the products do not exceed 50 percent by 1992 and two cents if the 50 percent rate is not achieved by 1992. The tax is refundable if the containers are brought to a drop-off center for recycling.

A study required by a 1989 **California** law recommends levying a fee on all products at the point of first sale in California (when the finished product is sold to a distributor or retailer). The amount of the fee would be based on the monetary and environmental costs of solid waste management for the product. (Legislation based on these findings was introduced in 1991.)

Problem wastes, such as tires and batteries, are more likely to be subject to a disposal tax or fee than is packaging¹. In **Wisconsin**, retailers may place a \$5.00 deposit on new lead-acid batteries, although that fee will be refunded if the consumer brings in a used battery. Consumers bringing in used batteries without making a purchase must pay retailers a \$3.00 handling charge. **Utah** and **Kansas** both place fees on new tire sales to fund tire recycling programs.

Supply Side Mandates

Of the 33 states with comprehensive recycling laws, 21 and the District of Columbia have "supply side" mandates, i.e., they essentially require separation of recyclables. The other 12 states require state and/or local governments to prepare recycling plans. Separation requirements generally take one of four forms:

- Opportunity to recycle — municipalities must offer all citizens the opportunity to recycle, by supplying either curbside collection or drop-off centers. **Wisconsin** and **Oregon** first adopted these laws in the early 1980s.

- Community separation — municipalities may choose whether to implement a curbside collection program or to have the materials separated from other trash at a central location. Municipalities are often required to meet a recycling goal as well.

- Mandatory goals — the state sets a mandatory recycling goal, but imposes no particular requirement on how a municipality meets it.

- Source separation — generators (residences and/or businesses and institutions) must separate recyclables from their other trash. These laws are usually carried out through curbside collection.

Separation mandates create a large supply of secondary material, which helps to show manufacturers that they can count on secure supplies for producing goods with recycled content. Many municipalities require source separation; however, only **Connecticut**, **Rhode Island**, **New Jersey**, **New York**, and **Pennsylvania**, plus the **District of Columbia** have state-wide source separation laws. **Maine** has a limited source separation law that applies only to offices. Most separation mandates will take effect over the next four years. If statutory deadlines are

TYPES OF RECYCLING LAWS

State	Year Enacted	Type of Plan
Arizona	1990	Opportunity to recycle only
Arkansas	1989	Recycling plans only
California	1989	Mandatory goals*
Connecticut	1990	Source separation
Delaware	1990	Opportunity to recycle only
District of Columbia	1989	Source separation
Florida	1988	Mandatory goals*; community separation
Georgia	1990	Community separation
Hawaii	1988	Opportunity to recycle only
Illinois	1988	Community separation
Indiana	1990	Recycling plans only
Iowa	1989	Recycling plans only
Maine	1989	Source separation**
Maryland	1988	Mandatory goals*; community separation
Massachusetts	1987	Recycling plans only
Michigan	1988	Recycling plans only
Minnesota	1989	Mandatory goals*; community separation
Missouri	1990	Recycling plans only
New Hampshire	1988	Recycling plans only
New Jersey	1987	Mandatory goals*; source separation
New Mexico	1990	Recycling plans only
New York	1988	Source separation
North Carolina	1989	Community separation
Ohio	1988	Mandatory goals*; community separation
Oklahoma	1990	Recycling plans only
Oregon	1983	Opportunity to recycle only
Pennsylvania	1988	Source separation
Rhode Island	1986	Mandatory goals*; source separation
Tennessee	1989	Recycling plans only
Vermont	1987	Recycling plans only
Virginia	1989	Mandatory goals*
Washington	1989	Community separation
West Virginia	1989	Recycling plans only
Wisconsin	1990	Community separation

*Note: "Mandatory" can be subject to different interpretations.

**For offices only

1. This report does not cover bottle bills, which place a deposit on beverage containers and refund the money to customers that return the containers to retailers. Between 1972 and 1983, bottle bills took effect in nine states. While the laws were enacted to reduce roadside litter, they are now being promoted as a method of encouraging recycling. California enacted a modified bottle bill in 1987 that requires manufacturers to pay a processing fee for containers which are brought back to recycling centers across the state.

SOURCE SEPARATION REQUIREMENTS

State	Who Must Separate	Materials
District of Columbia	Residences, businesses	Glass containers, metal cans, newspapers, yard waste ¹ , paper ²
Connecticut	All generators	Glass and metal food containers, newspaper, cardboard, office paper, used oil, car batteries, nickel cadmium batteries, leaves, scrap metal
Maine	Businesses	Office paper, corrugated cardboard
New Jersey	Residences, businesses, institutions	Three materials ³ + leaves
New York	Residences, businesses, institutions	Paper, glass, metal cans, plastic containers, yard waste ⁴
Pennsylvania	Residences	Three materials + leaves
	Businesses, institutions	High-grade office paper, corrugated cardboard, aluminum cans ⁵
Rhode Island	Residences, businesses	Glass food & beverage containers, newspaper, tin & steel cans, aluminum, some plastics, large appliances
	Businesses	Cardboard, office paper

Note: This chart does not include separation requirements that only apply to state government agencies and institutions.

1. Residential separation only.
2. Separation by offices only.
3. Municipalities choose three materials to be recycled from a state list.
4. If "economically feasible."
5. Municipalities may require businesses to separate additional recyclables.

met, programs in **New Jersey, Connecticut and Pennsylvania** should be fully implemented by the end of 1991.

As comprehensive laws have spread inland from the East and West Coasts, states have been more likely to require plans and to ban selected materials from disposal facilities than to require communities to implement source separation programs. Reasons for the fall-off in separation mandates may include:

- A reaction to flooded markets and low prices for newspaper and colored glass — two staples of curbside programs.

- Less opportunity to recycle as a result of lower population densities and distant markets, which make source separation programs more expensive.

- Less pressure to recycle as a result of less severe landfill capacity shortages.

- Less economic incentive to recycle as a result of low disposal costs.

Disposal Bans

Disposal bans are becoming increasingly common as a method of preventing bulky or toxic products from entering landfills and incinerators and of increasing the recycling of such products. The burden of complying with a ban is usually placed on the disposal facility and the hauler, even though neither one has any control over what is put in the trash. For some products (lead-acid batteries, tires, etc.), retailers may be required to accept and recycle banned products. Separation laws, on the other hand, place responsibilities on the generators and communities to do the recycling. Since disposal is usually the last resort for

products that can't be recycled, care must be taken to ensure that a well-publicized and well-enforced alternative for handling the restricted wastes exists, or illegal dumping may result.

In 1990, 45 product disposal bans were enacted by 12 states (**Georgia, Kansas, Kentucky, Massachusetts, Michigan, Minnesota, Missouri, New Hampshire, New York, Vermont, Virginia, and Wisconsin**). To date, at least 100 product disposal bans have been enacted by 29 states and the District of Columbia. Ten of the bans took effect in 1989, 26 took effect in 1990, and 22 bans are scheduled to take effect in 1991. Many of the disposal bans are on products coming from automobiles: 27 states ban lead-acid batteries; 14 states ban tires; 12 states and D.C. ban used oil. Product retailers are usually required to accept these items from customers when replacements are purchased, although tires may often be landfilled if they are shredded. Other banned materials include yard waste (13 states)² and large appliances (8 states). Yard waste is likely to be collected separately at curbside in the Northeast (because of source separation laws for other materials), but people living in the Midwest and the South may have to transport the material to central compost facilities themselves or else start backyard compost piles.

The large number of product disposal bans enacted in 1990 is due in part to a new **Wisconsin** law and a new **Massachusetts** regulation that target common recyclables, such as glass, plastic and metal containers, and many paper products, in addition to problem wastes. The Wisconsin bans take effect between 1991 and 1995, but

2. In addition, New York and the District of Columbia require yard waste to be source separated.

communities can be exempted from the law if they implement source separation programs approved by the state. The Massachusetts ban takes effect in 1992 for all but undefined "de minimis" quantities of aluminum, glass and metal containers and in 1994 for plastics and paper. Disposal facilities must file plans for complying with the restrictions. The state is scheduled to provide more information about how to comply with the bans six months before they take effect.

Capturing the Commercial Waste Stream

The nation's attention has been focused on recycling programs for residential waste. But about half of a municipality's waste comes from businesses, schools and government agencies. For a locality to reach a high recycling goal, the commercial sector will have to recycle its waste as well.

At least seven states (**Connecticut, Maine, New Jersey, New York, Pennsylvania, Rhode Island, and Wisconsin**) plus the **District of Columbia** already have laws that will require commercial businesses to separate recyclables. Businesses may also be required to recycle in 11 other states that either ban most recyclables from landfills or require municipalities to set up programs or to meet a recycling goal.

Many businesses have been recycling for years because it saved them money and markets were readily available. More than half of the 23 million tons of material recycled in 1988 was corrugated boxes, office paper and lead-acid batteries recovered from businesses. Now, legislation will require more businesses to begin separating and more materials to be separated. Since new manufacturing capacity for recycled printing and writing

DISPOSAL BANS

State	Lead-acid Batteries	Yard Waste	Unprocessed Tires	Used Oil	Large Appliances	Other
California	■					
Connecticut	■	■ ¹		■		A
D.C.				■		
Florida	■	■ ²	■	■	■	B
Georgia	■					
Hawaii	■					
Illinois	■	■	■			
Iowa	■	■	■	■		C
Kansas	■		■			
Kentucky	■					
Louisiana	■		■	■	■	
Maine	■					
Massachusetts	■	■	■	■	■	D
Michigan	■	■		■		
Minnesota	■	■	■	■	■	E
Missouri	■	■	■	■	■	
New Hampshire	■					
New Jersey		■ ¹				
New York	■					
North Carolina	■	■ ²	■	■	■	
Ohio	■	■	■			
Oregon	■		■			F
Pennsylvania	■	■ ¹				
Rhode Island			■ ³			G
Tennessee	■					
Vermont	■		■	■	■	
Virginia	■					
Washington	■					
Wisconsin	■	■	■ ⁴	■ ⁴	■	H
Wyoming	■					

Notes: 1. Yard waste disposal bans only apply to leaves.
 2. Ban applies to lined landfills only.
 3. Banned only from incinerators.
 4. Can be incinerated with energy recovery.

Other: A. Nickel-cadmium batteries.
 B. Construction & demolition debris.
 C. Non-degradable grocery bags; beverage containers returned to wholesalers through the state's mandatory deposit law.
 D. Aluminum, glass, and metal containers, single polymer plastics, and recyclable paper.
 E. Dry cell batteries that contain mercuric oxide or silver oxide electrodes, nickel-cadmium, or sealed lead-acid. Mixed unprocessed waste in metro area.
 F. Recyclable material that has already been separated.
 G. Loads of commercial waste containing more than 20 percent recyclables.
 H. Non-degradable yard waste bags plus aluminum, plastic, steel and glass containers, cardboard, foam polystyrene packaging, magazines, newspaper and office paper are banned from disposal unless municipalities are certified as having an "effective" source separation program.

PRODUCTS RECYCLED 1988

Product	Millions of Tons Recycled	% of Product Generated
Corrugated boxes	10.5	45.4
Newspapers	4.4	33.3
Office paper	1.6	22.5
Lead-acid batteries	1.5	90.0
Glass beer & soda bottles	1.1	20.0
Aluminum cans	0.8	55.0
Books & magazines	0.7	13.2
Junk mail	0.6	14.6
Compost	0.5	1.6
Steel food & beverage cans	0.4	13.8
Glass food containers	0.3	8.1
Folding cartons	0.3	7.7
Paper bags & sacks	0.2	7.0
Major appliances	0.2	7.0
Glass wine & spirits bottles	0.1	5.0
Plastic soft drink bottles	0.1	21.0
Rubber tires	0.1	4.8
Other	0.1	—
TOTAL	23.5	

Source: *Characterization of Municipal Solid Waste in the United States: 1990 Update*. Prepared for the U.S. Environmental Protection Agency by Franklin Associates, Prairie Village, Kansas, June 1990.

paper is not expected to come on-line for at least three to four years, the increased collections will likely flood the markets for office waste paper, just as the residential programs glutted the old newspaper market. In addition, many smaller companies are likely to face higher waste disposal bills because the cost of additional collection service for recyclables will be much greater than the revenue from materials sales and avoided disposal costs.

Two 1990 laws go beyond requirements for business to recycle their own waste: **Connecticut** and **Rhode Island** require telephone book distributors to make their product recyclable and also hold them responsible for both *collecting* and recycling the used books. Previous such laws for beverage can redemption and problem wastes like tires, lead-acid batteries and used oil only required retailers to *accept* the used items from their customers.

Creating an Infrastructure

In the mid-1980s it was not clear whether the American public would accept recycling. The first laws and mandates focused on public participation. Many parts of this country have fervently embraced recycling, so

states increasingly face the problem of figuring out what to do with all of the material being collected. Recycling has become a major component of the waste management system, and it requires new facilities, processes, machinery and markets. Developing this infrastructure is a costly process. On the collection and sorting level, trucks, containers, balers, materials recovery facilities (MRFs) for processing, demonstration projects and market studies all take capital. Using collected material will require new manufacturing capacity (e.g., deinking plants for newsprint) but businesses are unlikely to make the investment unless people demand products with recycled content.

Grants and Loans

Most states provide grant money to local governments to help them contract for or establish recycling programs. Low-interest loans are less common, and directed primarily to businesses. State grant and loan programs may be financed through federal oil overcharge funds, surcharges on disposal facilities, taxes on problem wastes, taxes on businesses or a combination of such sources.

At least 40 states provide grant money for recycling. Most of the funds are earmarked for municipalities to help them prepare plans, conduct market studies, buy equipment and create public education programs. The total amount of money available in FY 1990 ranged from approximately \$.03 per person in **Nevada** to \$5.80 per capita in **Maine**. The median expenditure was 50 cents per capita. At least 11 states (**Arizona, Illinois, Iowa, Michigan, Minnesota, New Jersey, New Mexico, New**

WHY ARE THESE PROBLEM WASTES?

- About 180 million gallons of used motor oil and 390 million gallons of oil from businesses are thrown in the trash or poured down sewers each year (an amount 57 times greater than the Exxon Valdez spill). Cheap oil prices and liability concerns have resulted in only a 10 percent recycling rate for used motor oil in recent years.

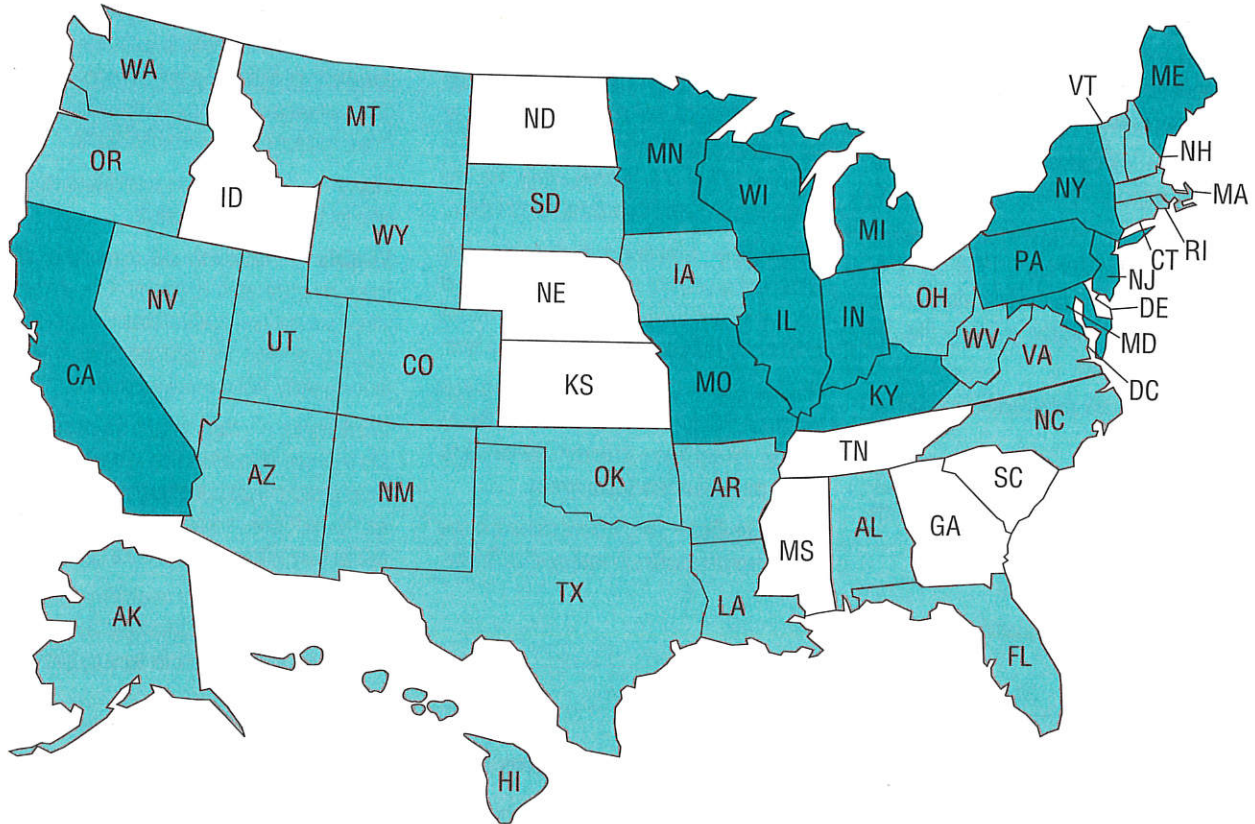
- Only 14 percent of the 234 million vehicle tires discarded each year are recycled or incinerated with energy recovery. An additional 44.5 million tires are reused. The remainder, about 200 million tires a year, are thrown in stockpiles, joining the estimated two to three billion tires already there. Such stockpiles can be breeding grounds for disease-carrying mosquitoes. Another hazard is tire pile fires, which send noxious gases into the air and can take months to extinguish.

- Even though about 90 percent of the lead acid batteries sold in the U.S. are recycled each year, a recent EPA report found that the discarded ones are still a major source of lead in municipal waste. New laws aim to capture the remaining 10 percent for recycling.

- Only seven percent of the three million tons of large appliances, e.g., stoves, washing machines and refrigerators, discarded each year are recycled. Scrap dealers are often reluctant to accept appliances because some older models contain PCBs, which make them too expensive to handle.

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GRANTS AND LOANS



States that provide grants and loans for recycling
 States that provide grants for recycling

PROFILES: GRANT AND LOAN PROGRAMS

California — Eight communities will win recycling market development zone status from the state. To qualify, the municipality must have an adequate supply of secondary materials, suitable land and infrastructure, and must provide tax and regulatory incentives to attract manufacturers. Businesses within these zones are eligible for up to \$1 million in low-interest loans from the state and are given preference for R&D money. Revenues from the Beverage Redemption Act fund \$8 million in grants to local conservation groups and \$10 million worth of incentive payments to glass manufacturers that use recycled content.

New Jersey — Municipalities receive up to \$10 per recycled ton in rebates from the state. Recycling processors and manufacturers are eligible for \$50,000 to \$3 million in low-interest loans depending on the type of material processed. Processors and manufacturers of post-consumer plastics, tires and low grade paper are eligible for the higher amounts.

Michigan — A Quality of Life bond issue provides businesses in Michigan with \$100,000 to \$5 million in low-interest loans for processing and manufacturing equipment, research and development and product marketing. Some matching funds are required.

Utah — The state will pay tire recyclers \$21 per ton for tires that are made into new products or incinerated with energy recovery.

Vermont — Municipalities that adopt source separation ordinances before July 1993 are eligible for grants to reimburse some of the capital costs of implementing collection and processing systems. If the law is adopted before July 1991 and contains enforcement provisions, up to 80 percent of costs may be reimbursed.

Wisconsin — Manufacturers that use waste as a raw material are eligible for rebates up to \$300,000 per facility. Separate grants up to \$75,000 are available to demonstrate the feasibility of an innovative technique for waste recycling (50% matches are required).

TAX INCENTIVES FOR RECYCLING

California — Banks and corporations may take a 40 percent tax credit for the cost of equipment used to manufacture recycled products. Development bonds for manufacturing products with recycled materials.

Colorado — Individual and corporate income tax credits for investments in plastics recycling technology.

Florida — Sales tax exemption on recycling machinery purchased after July 1, 1988. Tax incentives to encourage affordable transportation of recycled goods from collection points to sites for processing and disposal.

Illinois — Sales tax exemptions for manufacturing equipment.

Indiana — Property tax exemptions for buildings, equipment and land involved in converting waste into new products.

Iowa — Sales tax exemptions.

Kentucky — Property tax exemptions to encourage recycling industries.

Maine — Business tax credits equal to 30 percent of cost of recycling equipment and machinery. Subsidies to municipalities for scrap metal transportation costs. Taxpayers are also allowed a credit equal to \$5.00 per ton of wood waste from lumber production that is incinerated for fuel or to generate energy. The total credit may not exceed 50 percent of the tax liability.

Maryland — From their state income taxes, individuals and corporations can deduct 100 percent of expenses incurred to convert a furnace to burn used oil or to buy and install equipment to recycle used freon.

New Jersey — Businesses may take a 50 percent investment credit for recycling vehicles and machinery. They are also eligible for a six percent sales-tax exemption on purchases of recycling equipment.

North Carolina — Industrial and corporate income tax credits and exemptions for equipment and facilities.

Oregon — Individuals and corporations receive income tax credits for capital investment in recycling equipment and facilities. Special tax credits are available for equipment, property or machinery necessary to collect, transport or process reclaimed plastic.

Texas — Sludge recycling corporations are eligible for franchise tax exemptions.

Virginia — Individuals and corporations may take a tax credit worth 10 percent of the purchase price of any machinery and equipment for processing recyclable materials. The credit also applies to manufacturing plants that use recycled products.

Washington — Motor vehicles are exempt from rate regulation when transporting recovered materials from collection to reprocessing facilities and manufacturers. Tires and certain other hard-to-dispose materials are exempt from portions of sales and use taxes.

Wisconsin — Sales tax exemptions for waste reduction and recycling equipment and facilities; business property tax exemptions for some equipment.

York, Pennsylvania, Vermont, Wisconsin) give grants to the waste services industry as well as manufacturers, but not all types of companies are eligible in all states. For example, **Utah, Minnesota** and **Rhode Island** give grants to businesses that can recycle problem wastes.

Twelve states (**California, Illinois, Indiana, Kentucky, Maine, Maryland, Michigan, Minnesota, New Jersey, New York, Pennsylvania, Wisconsin**) make recycling loans available — mostly to businesses — for research and development, equipment purchases and market studies.

Grant and loan money for recycling in FY 1991 is contingent on favorable resolution of the current budget crises in many states. By recent estimates, 30 states had revenue shortfalls or accumulated deficits for fiscal 1991, and state budgets were projected to be even tighter during 1992. Several states cut recycling program staff early in 1991. Without state subsidies, communities will have to focus on how much recycling they want to pay for, and recovery goals may be re-evaluated.

Tax Incentives

Some states provide tax incentives — reductions in sales, income and property taxes — to encourage new private sector investment in recycling. In 1990, **Virginia** created tax credits for manufacturers that use secondary materials, while **Maine** and **Maryland** provided tax credits for businesses that recycle problem wastes.

States Demand Recycled

The recent glut of old newspapers in many parts of the country illustrated the dangers of collecting recyclables before finding markets for them. New state laws are addressing the demand side of the equation with a variety of market-stimulating measures.

Seven states now require manufacturers to use recycled materials. **Connecticut** and **California** were the first states to enact these laws with mandates that responded to the glut of old newspapers in 1989. In 1990, mandates spread to five other states and four other products. Now, **Arizona, California, Connecticut, Illinois, Maryland, Missouri** and **Wisconsin** all require newspaper publishers to use specific amounts of recycled newsprint; **California** also requires recycled content in trash bags and in glass food and beverage containers. Telephone books in **Connecticut** and plastic containers in **Wisconsin** are also required to have recycled content.

Forty states plus the District of Columbia have now passed laws (and the rest have other, non-legislative provisions) to stimulate markets by encouraging state agencies to purchase products with recycled content. (State and local expenditures account for about 12 percent of our country's GNP.) **Arizona, Hawaii, Kansas, Kentucky, Georgia, Nebraska, New Mexico** and **Utah** passed such laws for the first time in 1990. New procurement laws are much stronger than their predecessors from the 1970s, which simply encouraged state agencies to buy recycled products whenever feasible. Twenty-three states now allow agencies to spend from 5 percent to 10 percent

more for products with recycled content; however, in almost half of these states, the price preference applies only to paper and/or paper products. Sixteen states have set goals for the amount of recycled products (usually paper) that must be purchased. In **California, Louisiana, and Vermont**, the procurement goals apply to all products purchased by the state. In **Oregon**, state agencies may only purchase recyclable and/or degradable products.

In the rush to inform consumers about products that contain recycled content or are otherwise "environmentally friendly," some companies ran afoul of regulators. Eleven states (**Arizona, California, Connecticut, Illinois, Iowa, New Hampshire, New York, North Carolina, Rhode Island, Washington, Wisconsin**) have passed laws that affect the type of environmental claims that can be used on product labels. The laws typically allow or require the state to develop definitions and logos. Only three states have developed any final standards. **New York** is the first state to develop logos for recycled, reusable and recyclable products as well as conditions for their use. The terms "degradable," "biodegradable," "photodegradable," "environmentally safe," and their equivalents can't be used on retail packaging in **Rhode Island** after September 1, 1990. **California** requires manufacturers claiming that products are "green," "earth friendly," "environmentally safe," etc., to document any significant environmental impacts created during the product's life cycle and any measures taken by the company to reduce those impacts. The information must be available to the public upon request. Claims such as

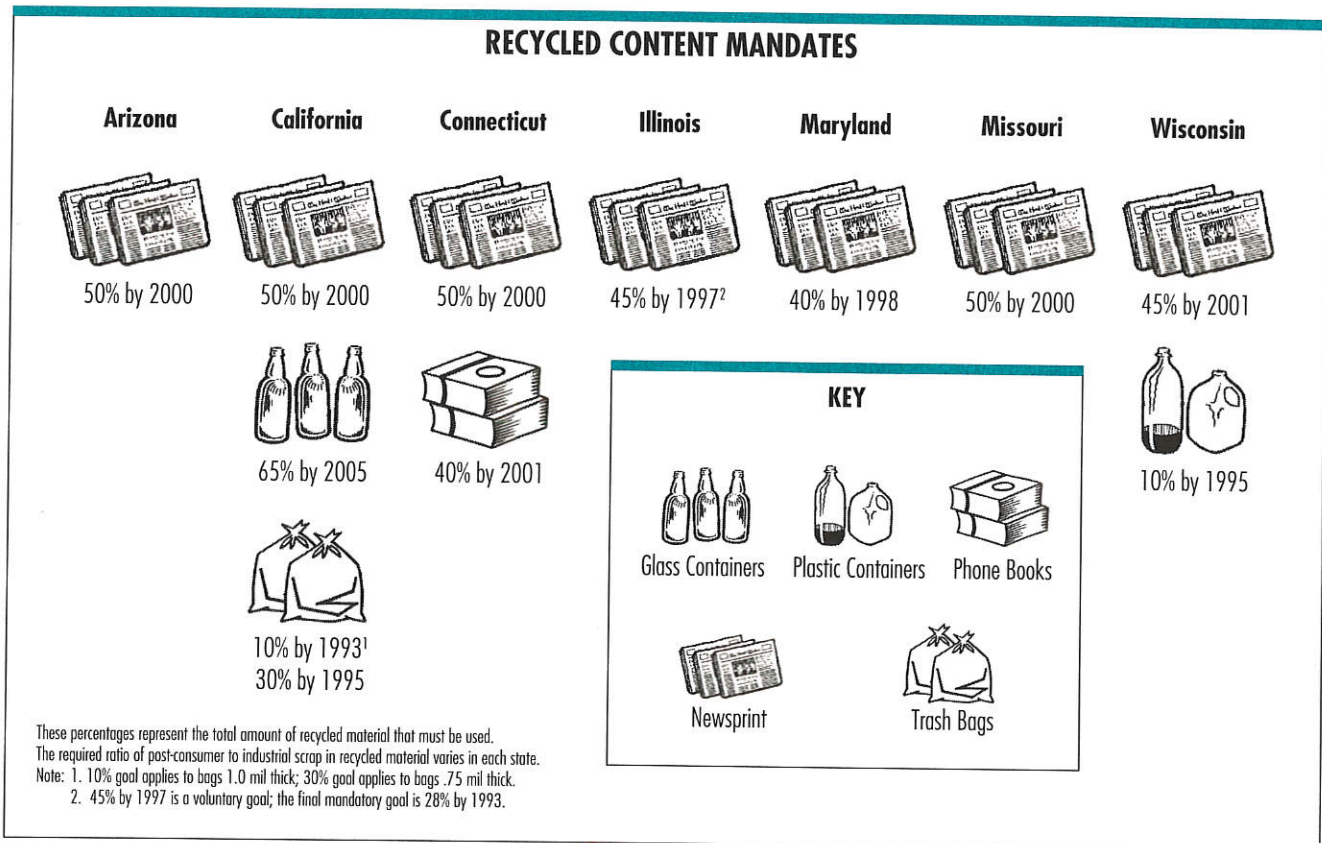
"ozone friendly," "bio- and photo-degradable," "recyclable" and "recycled" must also meet state definitions.

One impediment to adding plastics to the recycling infrastructure has been the many types of resins used to make plastic products. At least 27 states now require codes on plastic containers to identify the types of resin they are made from so that consumers and industry can readily sort them for recycling. Ten states (**Alaska, Arizona, Georgia, Hawaii, New Hampshire, New Jersey, Oklahoma, Rhode Island, Tennessee, Virginia**) enacted such laws in 1990. The deadlines for coding range from January 1990 to July 1992.

Are Recycling Goals Being Reached?

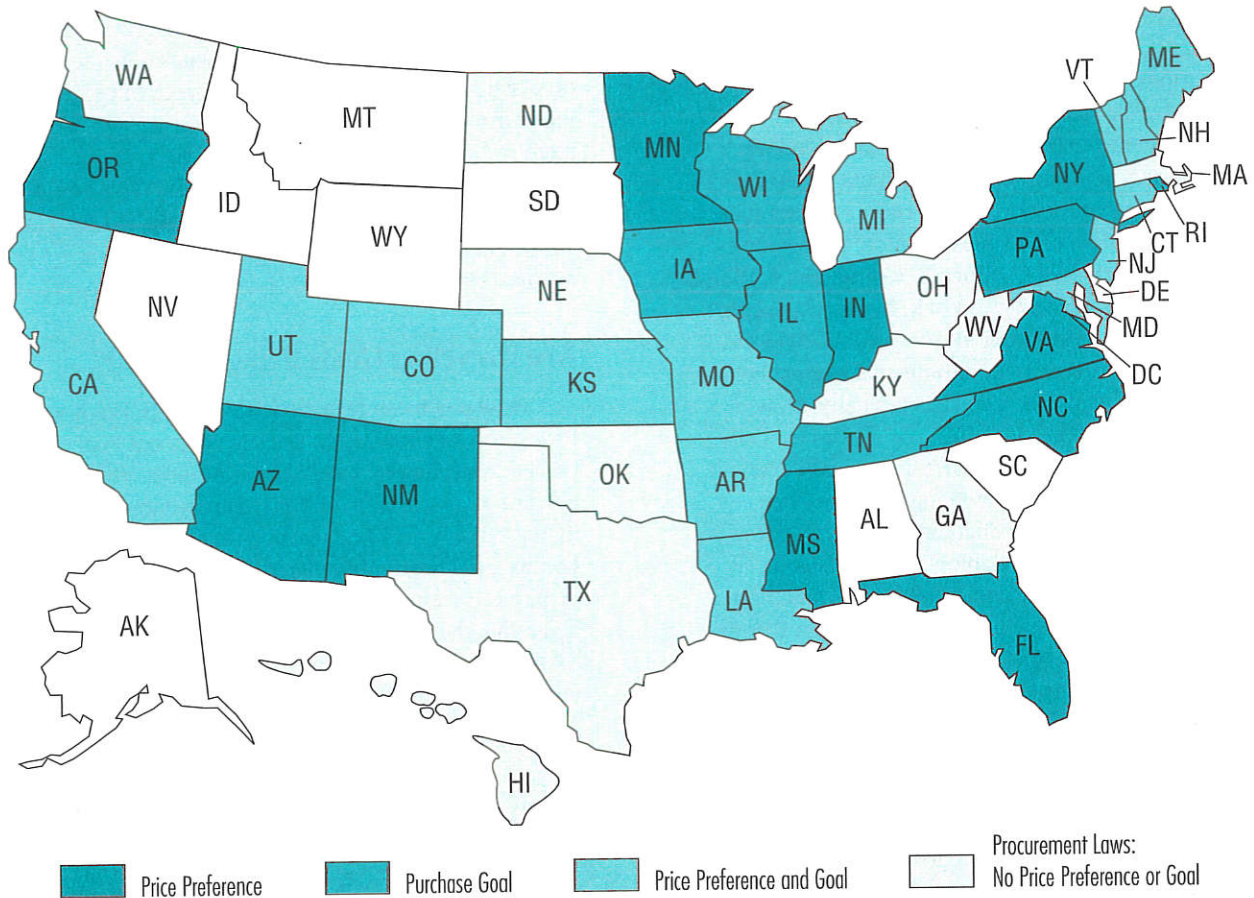
How much can be recycled? The U.S. Environmental Protection Agency (EPA) has set a national goal of 25 percent recycling by 1992. The U.S. recovered about 13 percent of its waste in 1988.³ This recycling rate has increased only slowly over the last ten years, partly because, although more material has been recycled each year, more waste has also been generated. Between 1980 and 1988, the amount of waste we recycled increased by more than 60 percent from 14.5 million tons to 23.5 million tons, but the amount of waste we produced rose by 20 percent, from 150 million tons to 180 million tons per

3. The term "recovery" is used interchangeably with "recycling" throughout this report. Statistics for recycling actually report the amount of material recovered from the waste stream for recycling, not the amount of material made into new products, which would be a lower figure.

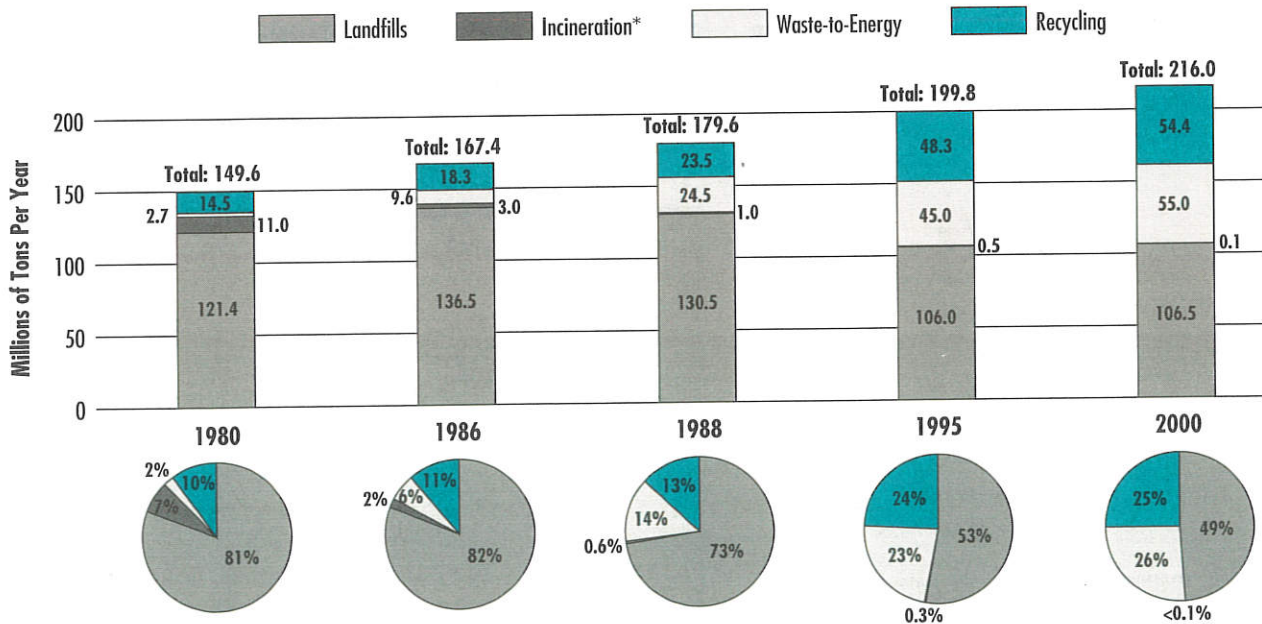


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STATE PROCUREMENT LAWS



HOW OUR WASTE IS MANAGED



*Incineration without energy recovery
 Source: "Characteristics of Municipal Solid Waste in the United States: 1990 Update." Prepared for the Environmental Protection Agency by Franklin Associates, Prairie Village, Kansas. Adapted for publication by NSWMA.

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year. To reach our national recycling goal, waste generation rates must be stabilized or the amount of waste we recycle dramatically increased.

States Set More Ambitious Goals

Twenty-nine states and D.C. have laws that set recycling goals, many of which exceed the national target (e.g., Maine requires 50 percent by 1994 and Washington 50 percent by 1995). Most of these goals were established without any data on state recycling activities. According to a January 1991 *Recycling Times* survey, 24 states reported recycling rates ranging from 5 percent to 41 percent, but just 14 of these states based their recycling rates on quantified data. Only six states have compiled data from municipalities to show tonnages of each material recycled.

Lack of uniform standards and definitions for municipal waste and recycling make very difficult any comparisons between states, or between state and national data. State waste generation rates are usually greater than the national average of four pounds per person per day because sewage sludge, construction and demolition debris, non-hazardous industrial waste and scrap metal are accepted at some municipal waste landfills. States also count different materials when calculating recycling rates. Some items, like junked cars, can boost averages because they are very heavy and have such traditionally high recycling rates that many people don't consider them part of the "waste stream."⁴ Thus, recycling percentages may not reflect material diverted from disposal facilities.

The six states that could provide detailed breakouts by material recycled were **California, Florida, Minnesota, New Jersey, Pennsylvania** and **Washington**. All except California and Pennsylvania reported recycling rates higher than the national average. These high rates are due to a combination of factors: all six states report that at least 30 percent of their population receives curbside collection service for recycling; most of the data is more recent than the national figures, and most of the states count at least some non-municipal waste (as measured against the EPA definition) such as food processing waste, C&D material, junked cars and other

4. Junked cars usually go to dismantlers and scrap yards, where usable parts are reclaimed and the remainder is shredded so that metals can be collected for recycling. (About 80% of the average 3,200 lb. car is recyclable metal.)

HOW ARE WE DOING?

State	Goal	Percent Recycled	Millions of Tons Recycled
California	50% by 2000	11% in 1990	5.486
Connecticut	25% by 1991		
District of Columbia	45% by 1994	8% in 1989/90	0.064
Florida	30% by 1994	15% in 1990	2.8
Georgia	25% by 1996 ¹		
Illinois	25% by 2001 ²	5% in 1989/90	0.717
Indiana	50% by 2001		
Iowa	50% by 2000		
Louisiana	25% by 1992		
Maine	50% by 1994	17% in 1988	0.227
Maryland	20% by 1994 ³		
Massachusetts	56% by 2000 ⁴		
Michigan	40-60% by 2005		
Minnesota	25% by 1993 ⁵	23% in 1989/90	0.985
Mississippi	25% by 1996		
Missouri	40% by 1998	7% in 1987	0.347
Nebraska	25%		
New Hampshire	40% by 2000		
New Jersey	25% ⁶	39% in 1990	5.485
New Mexico	50% by 2000		
New York	50% by 1997 ⁷	15% in 1989	3.0
North Carolina	25% by 1993		
Ohio	25% by 1994	1% in 1989	0.144
Pennsylvania	25% by 1997	4% in 1989	0.378
Rhode Island	15%	12% in 1990	0.043
South Dakota	20% by 1995		
Vermont	40% by 2000	18% in 1990	0.070
Virginia	25% by 1995		
Washington	50% by 1995	28% in 1990	1.574
West Virginia	30% by 2000		
Wisconsin	—	41% in 1988 ⁸	2.0

This chart only lists final recycling goals; many states have interim goals as well. Most states do not have separate targets for source reduction or composting; exceptions are noted below. Recycling rates are listed for states that could provide actual tonnage figures.

Notes: 1. 25% of 1992 per capita waste generation.

2. This goal only applies to counties with populations less than 100,000. For counties with populations greater than 100,000 and metro areas with populations greater than one million, the goal is 25% by 1997.

3. 20% recycling is the optimum goal. Counties with populations greater than 150,000 must recycle at least 15% of their waste. Counties with populations under 150,000 must recycle at least 5% of their waste.

4. The goal calls for a 46% recycling rate and a 10% reduction in 1990 per capita waste generation rates by 2000.

5. Metro area counties must recycle 35% by 1993. Tons recycled in 1989/90 were projected to one year totals based on data collected over a nine month period.

6. A law is pending that will change the goal to 60% recycling of the entire waste stream within five years. The 39% recycling rate is projected for 1990 based on 1988 data and includes the "entire" waste stream. The DEP has also reported that 6.3 million tons of waste were recycled in 1989 (a 42 percent recycling rate), but tonnage breakouts by materials were not available at time of publication.

7. The goal combines a 10% source reduction target and a 40% recycling target. Amount recycled includes 1 million tons of ferrous scrap and auto bodies.

8. Tonnage includes auto bodies.

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MATERIALS RECYCLED: SELECTED STATES

Material	California		Florida		Minnesota		New Jersey		Pennsylvania		Washington	
	tons	%	tons	%	tons	%	tons	%	tons	%	tons	%
Yard Waste	219,616	0.4	247,000	1.3	124,304	3.9	439,000	3.1	49,169	0.5	64,090	1.1
Food Waste	98,259	0.2	4,000	<.1	*		43,000	0.3				
Wood Waste	20,854	<.1			*		162,000	1.1			1,320	<.1
Total Organics	338,729	0.7	251,000	1.3	124,304	3.9	644,000	4.5	49,169	0.5	65,410	1.2
Newsprint	843,526	1.7	376,000	1.9			389,000	2.8	94,765	1.0	160,600	2.9
Corrugated	982,723	2.0	282,000	1.5			316,000	2.2	81,694	8.9	272,820	4.8
Office Paper	177,418	0.4	77,000	0.4			149,000	1.1	12,086	1.3	53,670	0.1
Mixed Paper	418,518	0.8	28,000	0.1			0	0			64,100	1.1
Total Paper	2,422,185	4.8	763,000	3.9	162,272	3.7	854,000	6.1	188,545	2.0	551,190	8.9
Glass Containers	236,237	0.5					131,000	0.9	27,222	0.3	60,820	1.1
Other Glass	39,760	0.1					0	0			0	0
Total Glass	275,997	0.6	88,000	0.5	28,786	0.9	131,000	0.9	27,222	0.3	60,820	1.1
Plastic Containers	3,884	<.1	9,000	<.1			2,000	<.1	7,944	0.1	410	<.1
Other Plastic	1,040	<.1	6,000	<.1			0	0	925	<.1	180	<.1
Total Plastic	4,925	<.1	15,000	<.1	1,468	<.1	2,000	<.1	8,869	0.1	590	<.1
Aluminum Cans	114,236	0.2	69,000	0.4			12,000	0.1	8,252	0.1	18,100	0.3
Steel/Bi-metal Cans							17,000	0.1	18,644	0.2	5,700	0.1
Major Appliances	3,360	<.1	82,000	0.4	*						26,720	0.5
Other Metal Scrap	1,121,917	2.4	704,000	3.6			1,899,000	13.5	*		740,670	13.2
Total Metal	1,239,513	2.4	855,000	4.4	64,218	4.8	1,928,000	13.7	26,896	0.3	791,190	14.1
C&D Debris	606,733	1.2	683,000	3.5			1,884,000	13.4	0	0	0	0
Tires	48,858	0.1	60,000	0.3			5,000	<.1	*		13,400	0.2
Car Batteries							37,000	0.3	*		33,280	0.6
Used Oil									0	0	51,360	0.9
Total Special Wastes	655,591	1.3	743,000	3.8	*		1,926,000	13.7	*		98,040	1.7
Other	549,929	1.1	111,000	0.6	604,199	14.0	0	0	77,551	0.8	6,821	0.1
Total Recycled	5,486,869	10.9	2,826,000	14.5	985,247	27.3	5,485,000	38.9	381,292	4.0	1,574,061	27.1

Percent of population served by curbside collection

31%

40%

51%

60%+

50%

30%

* = Amount recycled is included in general "other" category.

0 = Although this material may be recycled, it is not included in the state recycling rate calculations.

Source: Interviews with state recycling officials and state recycling reports.

TRASH TOTALS: WHO COUNTS WHAT

	CA	FL	MN	NJ	PA	WA
Total Waste Generated*	50.0	19.4	4.4	14.1	9.2	5.6
Per Capita (lbs/person/day)	7.0	8.0	5.5	10.2	4.2	6.6
Residential	●	●	●	●	●	●
Commercial	●	●	●	●	●	●
Auto Bodies	◐	○	○	●	○	●
White Goods	●	●	●	●	◐	●
Other Metal Scrap	◐	◐	◐	●	◐	●
Auto Batteries	●	●	●	●	○	●
Used Oil	●	●	●	○	○	●
Tires	●	●	●	●	◐	●
C&D Debris	●	●	◐	●	○	●
MSW Ash	●	●	○	●	●	○
Agricultural	○	○	○	●	○	●
Municipal Sludge	○	○	○	○	○	○
Industrial Non-Hazardous Sludge	○	○	○	●	●	**

* In millions of tons per year

● = All the waste generated included in tonnage figure

◐ = Some of the waste generated included in tonnage figure

○ = None counted

** = Information not available

industrial metal scrap. Communities in these states also surveyed recycling in the commercial sector, which may account for the inclusion of non-municipal material. As states develop more detailed guidelines for reporting recycling figures, the quality of the data should improve. Of course, data from different states are not likely to be comparable until national guidelines for measuring recycling are agreed upon.

Here are the results from the states that could provide detailed breakouts on the material they recycle.

■ States documenting the most tons recycled are **California** (5,486,868 tons) **New Jersey** (5,485,000 tons) and **Florida** (2,826,000 tons).

■ States with the highest documented percentages of their waste recycled are **New Jersey** (38.9 percent) **Washington** (28 percent) and **Minnesota** (22.6 percent).

■ Scrap metal contributes 14 percent of the total tons recycled in **New Jersey** and 13 percent of the total in **Washington** (both of which count junked cars). **California** also includes some scrapped autos in its recycling tonnage.

■ **New Jersey** recycles almost three times more C&D waste than the other two states that report recycling the material. The 1.9 million tons of material recycled represent 13 percent of the total waste stream recycled.

■ Amounts of common recyclables recovered vary greatly. **California** recovers almost three times as much paper (2.4 million tons) and more than twice as much glass (275,997 tons) as other states. **Florida** recycles twice

as much plastic (15,000 tons) as the next leading state and **New Jersey** composts twice as much yard waste (439,000 tons) as the other states.

■ The amount and type of material reclaimed will be far more important to market development than the recycling percentage reported by the states. **California**, which reports only a 10.9 percent recycling rate, recovers the most material (5.5 million tons). **Pennsylvania**, whose accounting most resembles EPA's, had the lowest documented recycling rate among the six states profiled, but recovered the most steel cans.

Conclusion

State legislators showed continued strong interest in recycling in 1990, as laws from previous years were revised and new statutes were enacted. The 1990 legislation illustrated diverging approaches to building a waste reduction and recycling infrastructure.

■ The growth of disposal bans symbolizes the "supply side" approach — a belief that markets will develop to reclaim recyclables that have nowhere else to go. These laws typically do not rely on community involvement through separation mandates, and they may spur illegal dumping if suitable disposal alternatives are not found.

■ On the demand side, states are paying more attention to markets by providing grants, loans and tax incentives for processing and manufacturing facilities, enacting mandatory recycled content laws and strengthening their procurement policies.

Finally, if 1990 trends continue, businesses will be held increasingly responsible for reducing the impact of their products and services on waste management systems. So far, the relative successfulness of different states' recycling laws has been difficult to measure due to inconsistency in how recycling has been counted. And by including material that does not normally go to municipal disposal facilities in recycling statistics, states may give an exaggerated impression of accomplishment which indirectly helps to perpetuate shortages of disposal capacity. Nevertheless, the nineties are likely to represent a new era in waste management, where responsibilities for reducing the amount and toxicity of our trash, and safely disposing of the remainder, are shared among many groups — manufacturers, retailers, consumers, local governments, and the waste industry.

For more information, contact:

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September, 1991

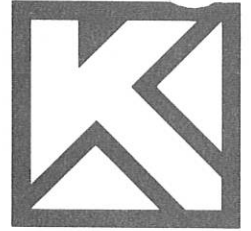
National Solid Wastes Management Association
1730 Rhode Island Avenue, NW
Suite 1000
Washington, DC 20036
(202) 659-4613



LEGISLATIVE TESTIMONY

Kansas Chamber of Commerce and Industry

500 Bank IV Tower One Townsite Plaza Topeka, KS 66603-3460 (913) 357-6321



A consolidation of the
Kansas State Chamber
of Commerce,
Associated Industries
of Kansas,
Kansas Retail Council

HB 2938

March 30, 1992

KANSAS CHAMBER OF COMMERCE AND INDUSTRY
Testimony Before the
Senate Committee on Assessment and Taxation

by

Terry Leatherman
Executive Director
Kansas Industrial Council

Mr. Chairman and members of the Committee:

I am Terry Leatherman. I am the Executive Director of the Kansas Industrial Council, a division of the Kansas Chamber of Commerce and Industry. Thank you for the opportunity to explain why the Kansas Chamber supports passage of HB 2938.

The Kansas Chamber of Commerce and Industry (KCCI) is a statewide organization dedicated to the promotion of economic growth and job creation within Kansas, and to the protection and support of the private competitive enterprise system.

KCCI is comprised of more than 3,000 businesses which includes 200 local and regional chambers of commerce and trade organizations which represent over 161,000 business men and women. The organization represents both large and small employers in Kansas, with 55% of KCCI's members having less than 25 employees, and 86% having less than 100 employees. KCCI receives no government funding.

The KCCI Board of Directors establishes policies through the work of hundreds of the organization's members who make up its various committees. These policies are the guiding principles of the organization and translate into views such as those expressed here.

It is the policy of the Kansas Chamber to support efforts of business and government to cooperate in providing workable solutions to the problems of solid waste control and

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disposal. Further, KCCI supports initiatives to encourage industry to seek alternatives to ground disposal when the alternatives are cost effective, including providing tax incentives to encourage industry to convert to alternative technologies. By providing business with a tax incentive which could make a recycling endeavor more cost effective, HB 2938 is an excellent example of government/industry cooperation which should benefit all Kansans.

Last fall, KCCI surveyed its members about their efforts to reduce waste and recycle. The responses showed the business community is developing innovative approaches to reducing and reusing waste. Still, the same survey produced several examples where deterrents existed which kept recycling initiatives from occurring. Passage of HB 2938 could help tip the scale by making it more attractive for a business to purchase equipment needed to produce a product utilizing post-consumer waste, which in turn would stimulate recycling collection efforts.

Thank you for the opportunity to urge approval of HB 2938. I would be happy to attempt to answer any questions.



GRADIENT FORCE INC.

DESIGNERS & BUILDERS OF GRADIENT
FORCE COMMUNITER / DEHYDRATOR SYSTEMS
PATENT PENDING

SWANA

Land Fill - Solid Waste 1990 Data

Average Tipping per couple - -	Northeast	\$64.76
	Mid Atlantic	\$40.75
	South	\$16.92
	Midwest	\$23.15
	West Central	\$11.06
	West	\$25.63

*****20% of landfill is composed of yard waste

*****43% of landfill is composed of paper

*****37% of land fill is composed of other

SWANA PHONE NUMBER IS 301-585-2898

*PRESENTED BY:
FRANK ROWLEY, JR.*

Marketing contact:
112 S.W. 6th, Suite 408, Topeka, KS 66603 -- 913-233-3356

*SENATE ASSES. & TAX
3-30-92 AT. 8-1*

Turning point

Engineers studying why industrial machine works

By Frank Garofalo

The Wichita Eagle

The machine — called a comminuter/dehydrator — looks and sounds like a machine in the crazy scientist's workshop in the science-fiction movie "Back to the Future."

Sitting on a flatbed trailer, it stands about 20 feet tall. At one end is a 40-horsepower electric motor. At the other, a large metal cone that looks like the tornado it is intended to simulate.

The motor and cone are linked by a long duct. Halfway between is a large receptacle into which materials are poured and then pushed through the duct into the

cone.

Monday, Frank Rowley Jr., a Valley Center farmer, stood on a platform atop the machine he invented to grind or pulverize various materials. Potential users of the device are the agriculture, mining, food processing and waste disposal industries.

Below the platform on the Wichita State University campus were about 50 people who had come to witness the first public showing of the machine.

With their eyes fixed on him and his machine, Rowley flipped a switch. The motor revved to a

See **INVENTION**, Page 3A

INVENTION

From Page 1A

roaring, whining noise, sounding much like a giant vacuum cleaner.

Rowley poured a sack of charcoal into the receptacle. Within seconds, fine, dry black powder poured out of the bottom of the cone into a bucket held by Rowley's partner, Rose Hill farmer Pete Nusz. Nusz helped Rowley build the machine in a shed on Nusz's farm.

Rowley followed with sugar cubes, which were pulverized into fine white ground sugar; corn kernels became corn meal; soybean became meal; old newspapers were shredded to look like insulation; compost became a powder that looked like fertilizer.

Finally, Rowley tossed in rocks about the size of a man's fist and larger. A powder poured out of the cone.

Instead of grinding or pounding, the machine pulverizes material with gradient air currents. Rowley says it is done with tornadic-pressure air currents.

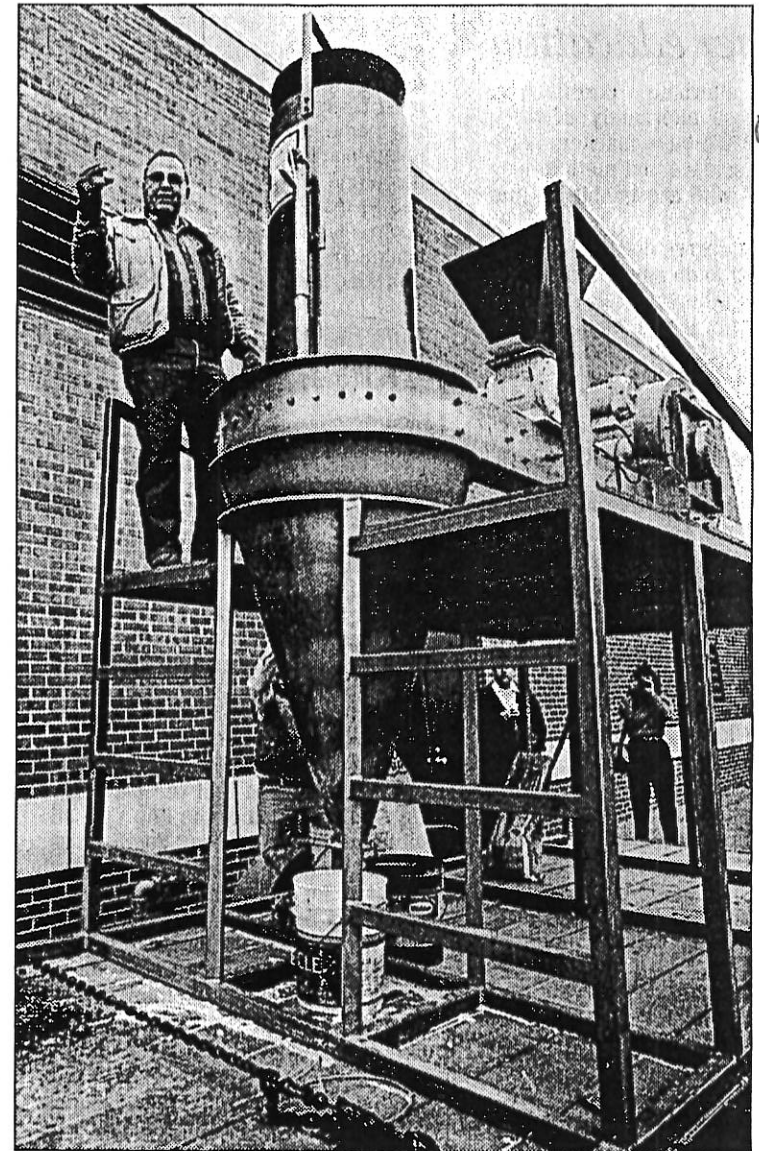
He talks of positive and negative forces and the materials exploding within the cone, although he doesn't know exactly how it works.

The how and why, hopefully, will be discovered through a study by WSU's Department of Engineering. A state agency set up to work with Kansas inventors, Innovative Technology Enterprise Corp., is funding the research.

ITEC is an arm of the Kansas Technology Enterprise Corp. KTEC uses state lottery revenues to invest in potential economic development projects.

"This is a classic example in which a Kansas citizen has invented a Kansas product," said Clyde Engert, president of ITEC. "It is a simple machine, yet a very complicated machine."

Rowley said he had been working on the machine for the past 17



Dave Williams/The Wichita Eagle

Frank Rowley Jr. demonstrates a machine he invented that pulverizes rocks and other things into a fine powder.

years. A patent is pending.

"The idea was conceived while I was watching a film on a tornado," Rowley said. "Being a farmer, I figured that if I could develop a tornado, I'd have one heck of a grinder."

Rowley and Nusz formed a company called Gradient Force. They hope the machine will be in production this year. Engert said a

manufacturing plant will be opened somewhere in the Wichita area, establishing 40 manufacturing and support jobs this year and about 300 jobs within three years.

Engert and Rowley said the machine is more efficient, cleaner, probably cheaper to operate and has fewer parts that can wear out than conventional grinding machines.

M E M O R A N D U M

TO: Ms. Gloria M. Timmer, Director
Division of Budget

DATE: March 30, 1992

FROM: Kansas Department of Revenue

RE: House Bill 2938
as Amended by
House Committee
of the Whole

BRIEF OF BILL:

Section 1 of House Bill 2938 as amended by House Committee of the Whole is an independent act that creates a credit against income tax liability of 20% of the cost of purchase or lease of qualified equipment to manufacture products that contain at least 25% postconsumer waste. To qualify: the total capacity of the equipment must be greater on the last day of the tax year claimed than it was on the last day of the "base year," (defined as the year preceding the tax year); at least 70% of the total production capacity of the equipment must be used; and the equipment must have a least an estimated three-year useful life. The credit is effective for tax years beginning after December 31, 1991 but prior to January 1, 1996.

If the credit exceeds the liability, the balance can be carried forward as a deduction from liability for successive years, through the seventh tax year succeeding the tax year of the claim. If qualified equipment is disposed of or ceases to be qualified within three years of the year for which credit is allowed, the taxpayer will repay: 100% of the credit the first year; 67% the second year; and 33% the third year.

The Department will prepare a report on the effectiveness of the tax credit, to be submitted to the Legislature no later than January 1, 1994 (prior to sunset). The report will include:

1. number of taxpayers allowed credit and dollar amount of allowable credits
2. volume of postconsumer waste utilized by equipment for which the credit was allowed and the percent that the volume of waste constitutes of the total volume of materials used in the manufacture of products
3. number of new employees resulting from the use of qualified equipment
4. amount of property tax revenues attributable to qualified equipment
5. types and quantity of products produced from qualified equipment

Taxpayers receiving the credit must make available, upon request by the Department, the information necessary to prepare the mandated report.

Definitions are provided, including: base year; capacity; collection; cost; energy conservation; postconsumer waste; product; purchase; and qualified equipment.

Section 2 amends an individual income tax statute to provide that for tax years beginning after December 31, 1991, unemployment compensation benefits will be subtracted from federal adjusted gross income.

The bill amends K.S.A. 1991 Supp. 79-32,117 and is effective on publication in the statute book.

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3-30-92
ATT. 9-1

FISCAL IMPACT:

It is estimated that passage of this bill would reduce General Fund revenues by about \$7.4 million for Fiscal Year 1993, with \$0.1 million for the credit and \$7.3 million for the subtraction.

Section 1: Credit:

The effect of the credit on the State General Fund for Fiscal Year 1993 is indeterminable, but it is estimated that it should not exceed \$100,000 per year. The number of taxpayers who would purchase qualifying equipment after January 1, 1991 and the cost of such equipment is not known.

Section 2: Subtraction:

It is estimated that the subtraction of unemployment benefit amounts from the federal adjusted gross income would decrease the State General Fund by about \$7.3 million in Fiscal Year 1993. The Department's simulation model shows that in calendar year 1992, the unemployment benefit amount included in Kansas adjusted gross income is estimated to be \$140.8 million.

ADMINISTRATIVE IMPACT:

The total cost is estimated to be \$19,400 in Fiscal Year 1993 and \$26,000 in Fiscal Year 1994. These costs are for the credit.

Section 1: Credit:

For six months of Fiscal Year 1993, the annual cost for the credit is estimated at \$13,000 and the one-time cost is estimated at \$6,400, for a total Fiscal Year 1993 cost estimate of \$19,400. For Fiscal Year 1994, the annual cost is estimated at \$26,000. The credit is effective beginning with tax year 1992, which is filed in Fiscal Year 1993. A detailed cost sheet is attached.

For cost purposes, it is assumed that the credit would be entered on the back of the form, thus not entered onto the mainframe computer. Otherwise, costs would be incurred by the Bureau of Information Services. Forms and instructions must be designed and a space must be made available on income tax forms to claim the credit, at an estimated cost of \$100 to the Taxpayer Assistance Bureau. The one line for credit on the forms would need to be captured by Quality Control; but because it is estimated to affect a small number of returns, the cost could be absorbed. The Business Tax Bureau would need one Tax Examiner III position to handle the phone calls, examinations, letters, report to the legislature, etc. related to this credit. This position would need a terminal, telephone and personal computer for the research and reporting of this credit.

Section 2: Subtraction:

The modification subtraction for unemployment benefits would require a change in the income tax instruction booklet. Because this booklet is updated yearly, there would be no additional costs to the Taxpayer Assistance Bureau. The Joint Electronic Filing project would require minor modification to the specifications currently under development, but this would have an insignificant cost impact on the Bureau of Information Systems.

ADMINISTRATIVE PROBLEMS AND COMMENTS:

Section 1: Credit:

Audit of this tax credit would need to be close and could be difficult. Rules would need to be established, because the bill requires reporting on various facets relating to the credit.

Section 2: Subtraction:

It is respectfully suggested that language be inserted at K.S.A. 1991 Supp. 79-32,117(c):

(xiv) For taxable years beginning after December 31, 1991, amounts received as unemployment compensation benefits *to the extent included in gross income for federal income tax purposes.*

This would match the language of K.S.A. 79-32,117 (c)(v).

LEGAL IMPACT:

Section 1: Credit:

Because the credit is complex, the principal legal ramification will be the additional administrative proceedings needed to determine eligibility for the credit.

APPROVED BY:

Mark Beshears
Secretary of Revenue

Kansas Department of Revenue

House Bill 2938

Annual Expenses

		FY 1993	FY 1994
A. Operating Expenses: Business Tax			
1 Salaries and Wages: 6 months, FY 1993			
(1) Tax Examiner III, R-18	\$25,536 year	\$12,768	\$25,536
Total Salaries and Wages		\$12,768	\$25,536
Total Operating Expenses		\$12,768	\$25,536
B. Other Operating Expenses: Business Tax			
1 Contractual Services: 6 months, FY 1993			
Telephone Line	\$31.00 month	\$186	\$372
Total Other Operating Expenses		\$186	\$372
Total Annual Expenses		\$12,954	\$25,908

One-Time Expenses

A. Other Operating Expenses			
1 Contractual Services: Business Tax			
Telephone Set: Single Line	\$28 each	\$28	
Telephone Installation	\$168 each	\$168	
Electrical Outlet	\$78 each	\$78	
Electrical Outlet, dedicated	\$87 each	\$87	
Computer Cable Installation	\$275 each	\$275	
Total Contractual Services		\$636	
2 Commodities: Taxpayer Assistance			
Forms: Printing and distribution		\$100	
3 Capital Outlay: Business Tax			
Microcomputer (CPU, keyboard, software)	\$3,261 each	\$3,261	
Terminal, Telex	\$1,020 each	\$1,020	
Herman Miller Work Station	\$1,000 each	\$1,000	
Chair, Steno, ergonomic	\$150 each	\$150	
Calculator, 12 column	\$88 each	\$88	
Terminal Cable	\$125 each	\$125	
Total Capital Outlay		\$5,644	
Total Other Operating Expenses		\$6,380	
Total One-Time Expenses		\$6,380	
Total Annual and One-Time Expenses		\$19,334	\$25,908



TOPEKA

HOUSE OF REPRESENTATIVES

TESTIMONY ON HB 2938

JOAN ADAM
REPRESENTATIVE, FORTY-EIGHTH DISTRICT
305 NORTH TERRACE
ATCHISON, KANSAS 66002-2526

COMMITTEE ASSIGNMENTS
CHAIRMAN: LEGISLATIVE JUDICIAL AND CONGRESSIONAL APPOINTMENT
MEMBER: APPROPRIATIONS TAXATION COMMERCIAL & FINANCIAL INSTITUTIONS

Chairman Thiessen and Members of the Senate Taxation Committee:

Thank you for allowing a hearing on HB 2938, a bill intended to promote the development of markets for recycled products.

The bill would initiate a 20% corporation income tax credit against the purchase or lease of qualified machinery used to manufacture recycled products. The recycled products must be composed of at least 25% post-consumer waste. To qualify for the credit, total capacity of the qualified equipment must be greater on the last day of the tax year claimed than it was on the last day of the "base year" immediately preceeding the tax year and at least 70% of the total capacity of the equipment must have been used. The credit is not refundable but may be carried forward for seven years. Income tax years covered are on and after July 1, 1991 through December 31, 1995. If the taxpayer disposes of the qualified equipment the taxpayer would refund the following amount of credit:

- 1st year - 100% of the credit
- 2nd year - 67% of the credit
- 3rd year - 33% of the credit

The Department of Revenue would prepare reports on the effectiveness of the tax credit no later than July 1, 1994. Some of the information that the Department of Revenue should provide is listed on page two, lines two through twenty five.

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WRITTEN ONLY*

The remainder of the bill contains definition of terms used in the bill.

Anyone familiar with recycling activity in recent years knows that the number one difficulty has been the creation of markets. Although citizens seem surprisingly anxious to collect disposables for recycling, not enough markets exist to turn the collected materials into recycled products. HB 2938 is intended to offer an incentive for purchasers of machinery which will manufacture such products.

Let me add in closing that proposals for providing incentives to stimulate the demand for waste paper and other recycled material was a part of the special committee on Energy and Natural Resources in 1989, a recommendation of the Commission on Recycling, Waste Reduction and Development. With the passage of HB 2938, Kansas will join a number of other states which are far ahead of Kansas in the initiatives they offer recycling businesses.

I urge the Committees' favorable consideration and would stand for questions.