May 31, 2007

The Honorable Olympia J. Snowe
The Honorable Tom Carper
United States Senate
Washington, DC 20510

Dear Senators Snowe and Carper,

On behalf of the Solid Waste Association of North America (SWANA), I would like to thank you for your time and effort to support recycling through legislation. SWANA is a not-for-profit association that represents over 7,600 solid waste professionals. Our membership is made up of approximately two thirds public sector and one third private sector individuals. One of the most important tools in an integrated solid waste management system is the ability to invest in a recycling program. As you are aware, often recycling is seen as an expendable program when budgets run thin. SWANA believes that there is significant opportunity to increase reduction and recovery levels of municipal solid waste by working across the board to incorporate a broad range of source reduction and encouraging recovery in many forms. We do not think the Recycling Investments Saves Energy (RISE) Act of 2007 as drafted adequately addresses the needs of our members pertaining to increasing recycling rates and encouraging recovery. In order for SWANA to be in a position to offer our support for the RISE Act, the following amendments are necessary:

- Revision of the definition of recycling to include composting
- The option of a tax credit as an alternative to accelerated depreciation
- A mechanism for the public sector to directly benefit from the financial incentives

Including Composting in the Definition of Recycling

Compostable materials, such as food waste, yard and garden waste, and mixed, soiled packaging paper, make up almost a third of our waste stream. However, the recycling rate for these materials, which is under 10 percent, is strikingly low as compared to the recycling rate for other materials that would be eligible for financial incentives under the RISE bill. For example the recycling rate for ferrous and nonferrous metals exceeds 70 percent.

Composting is a very successful strategy for recycling of organic materials from the residential (food, paper, lawn and garden waste), commercial/institutional (food and paper froms supermarkets, restaurants, and food processing industries), and agricultural (grown or harvested...
crop waste, animal carcasses and manure) waste streams. Composting converts these materials into a high quality soil amendment that can be used in agriculture, forestry and landscaping applications. The RISE Act must include composting if it is to have a substantial impact on recycling rates.

Option of a Tax Credit

A tax credit as a form of financial incentive is necessary to provide flexibility for the types of recycling equipment purchased. Depending on the type and cost of certain equipment, the accelerated depreciation option does not provide substantial cost savings for our members. The 2005 RISE Provisions, which included the tax credit option, were offered as an amendment by former Senator Jeffords to the Energy Policy Act of 2005, H.R. 6. The amendment was passed by the Senate and incorporated into H.R. 6 as section 1545. Given its precedence, we question why this approach, which included the tax credit, was abandoned this year. The RISE Act should take into account the needs of a broad range of recyclers, recycling activities, and equipment, and thus must include the option of a tax credit as an alternative to accelerated depreciation.

Direct Benefit to the Public Sector

One of SWANA’s guiding principles states that local and state governments are responsible for the management of municipal solid waste. In order to fulfill this role, municipalities must have the tools and financial resources to manage waste responsibly. As the RISE Bill is currently drafted, non-taxpayers, such as municipalities, cannot take advantage of the financial incentives. Not only does this bill not assist our public sector members in purchasing recycling equipment, it makes them less competitive in the industry due to the new cost savings provided to the private sector. There is no evidence that savings provided to the private sector will be passed on to the public sector. Thus, there must be some mechanism for the public sector to directly benefit from the tax savings. SWANA identifies three viable options:

- Assignability of tax savings
- Provide tax savings to the supplier and not the purchaser
- A Governmental bonds program

Assignability

Making the tax savings assignable through written contract would allow the public sector to assign their tax savings to the seller of the equipment and thus use the tax savings as leverage in contracts. The RISE Act should be amended to include an assignability clause which allows for the transfer of the tax savings through binding written contract.

Supplier Tax Savings

One way for governmental entities to benefit from such incentives would be for the supplier of the equipment to receive the tax credit or accelerated depreciation. Then, purchasers of the
equipment, whether public or private sector, could benefit by lower equipment prices. This method would provide a more equal playing field for all recyclers.

**Governmental Bonds Program**

A bonds program solely for governmental bodies would provide an equivalent cost savings for the public sector as an alternative to the accelerated depreciation or tax credit. Such a program could be modeled after the Clean Renewable Energy Bonds (CREBs) Program, which was authorized in the Energy Policy Act of 2005. The CREBs program provides a financial incentive for governmental bodies who cannot take advantage of the renewable energy production tax credit. In the RISE Act, such a program would serve as a companion to the accelerated depreciation or tax credit part of the Act and would allow governmental bodies to borrow money for purchasing recycling equipment without paying interest. Please see SWANA’s attached CREBS Fact Sheet for more information on how the CREBs program works.

SWANA is disappointed that more effort has not been put into finding a way for the public sector to directly benefit from this bill. In addition, the omission of composting in the bill’s definition of recycling and the lack of a tax credits option make this bill ineffective in helping our members boost their recycling rates. We hope you will consider our recommendations and look forward to seeing future, positive changes in the bill. Amendments to the bill that add composting, a tax credits option, and direct, financial benefits to the public sector will put SWANA in a position to offer our full support for the RISE Act.

Thank you again for your commitment to recycling, and please do not hesitate to contact us if we can provide any further input.

Sincerely,

John H. Skinner, Ph.D.
Executive Director and CEO
SWANA