

Summary

INTRODUCTION

The general problem addressed in this study is:

What influence do the tasks assigned by central government have on municipal environmental policy and the financing for that policy, and are there shortcomings as regards the funding?

This matter was studied on the basis of the following sub-questions:

1. How has the financial relationship between central government and the municipalities developed over the course of time?
2. What environmental tasks arise for municipalities from the various Environmental Programmes, and is funding for those tasks properly arranged?
3. How have the costs for collecting and processing household waste developed over a period for individual municipalities?
4. What specifically targeted levies are available to municipalities in order to fund environmental tasks, and what issues and problems arise as regards the taxation aspects of funding the environmental tasks of municipalities?
5. What developments have an impact on the taxation aspects of funding environmental tasks, and to what extent are changes desirable and possible in the current system (i.e. – ‘greening’ – favourable tax treatment for green behaviour as regards municipal tax levies)?
6. What changes will result from the Framework Directive on Water and the legislative amendments proposed on the basis of that directive?

SUMMARY

The administrative freedom of the Dutch municipalities has been consistently reduced over time, and has now progressed from the zero level of ‘ambition’ to the third level (complete equalisation of services capacity) and partly to the fourth level (complete equalisation of the level of services) (see Goethart). Central government and the municipalities have become ever more interwoven with one another. There is a tension between municipal freedom on the one hand and the desire for an equal level of basic facilities. The Council for Public Administration [*Raad voor het openbaar bestuur – Rob*] and the Financial Relations Council [*Raad voor de financiële verhoudingen – Rfv*] conclude that municipalities – partly in the light of financial independence – have too little independent scope for creating policy; the Council for Public Administration also concludes that it must be possible for there to be differences between municipalities. In addition, a contrary development is perceptible based on the European Charter of Local Autonomy, at least that would seem to be the case. On the basis of the Charter, when assigning powers to municipalities central government must allow them as much freedom of action as possible in adapting policy to local circumstances, and powers must be exercised as close to the citizen as possible. That freedom of action can also be expressed, however, in shared administration tasks. With the limitation of the property tax tariffs [OZB] with effect from 2006, the freedom of municipalities has implicitly been severely restricted because of a lack of funding

to pursue their own policy. In this connection, it is therefore a positive matter that that limitation has been reversed with effect from 2008.

The setting of environmental tasks for the municipalities by central government was studied. In order to do this, the various national Environmental Plans were first discussed generally, followed by the Environmental Plans for the period 1997–2000 to 2002–2005. The first National Environmental Plan, in the late 1980s, led to environmental policy for the medium-long term, based on the principle of sustainable development. The inheritance of the past needed to be cleared up. Local authorities were assigned an important role in implementation, with strategy being determined by central government. Shortly after this, the National Environmental Policy Plan Plus was published; this provided that implementation of environmental policy by municipalities had to consist primarily of issuing permits and enforcement, collecting waste, and regulating and managing the land making up the municipality. It was already pointed out at the time that more use would need to be made of financial instruments in order to change people's behaviour and also that environmental costs could be allowed for in prices. It was, however, stated that the results of financial incentives as regards the environment would be difficult to measure and that there might be a risk of this leading to the piecemeal deployment of various types of instrument. According to the authors, the solution would be to deploy financial incentives in combination with physical regulation – for example tradable emission rights – partly in the light of efficiency. The authors assume that financial incentives will allow for a considerable measure of certainty regarding achieving environmental objectives.

The Environmental Programmes include lists regarding the legislation situation, from which one can derive the tasks to be performed by the municipalities. All the legislative amendments in the legislation lists with the various different Environmental Programmes have been investigated, on the basis of each Explanatory Memorandum, to determine whether they require tasks to be allocated to municipalities. In a (restricted) number of cases, that turned out to be so. Generally, any tasks to be allocated are dealt with only briefly, if at all. In fact, it turned out that a number of amendments actually led to a reduction in the environmental tasks to be carried out by municipalities (for example the simplification of the issuing of permits in the context of the Environmental Protection Act [*Wet milieubeheer*]). Most amendments relate to changes in the issuing of permits. In many cases, reference is made to 'the competent authority' without it being clear at first reading just which authority that actually is. Things would be clearer if the tasks to be performed were made more explicit and quantified from the financial perspective. It should be noted that the latter can in fact be problematical: how can one, for example, quantify the amount of work involved in setting extra conditions in the permit application? It will not be possible to do this very precisely, but it can in any case be done broadly. The report *Analysis of Range of Municipal Levy Options* [*Doorlichting gemeentelijk heffingsinstrumentarium*] produced by EIM and the Erasmus Study Centre for Local Government Taxation on behalf of the Ministry of Finance shows, for example, that the implementation costs for certain taxation work (in this case) can be fairly well quantified, even according to certain types of municipality. Basically, this ought also to be possible for environmental tasks. The table below indicates cumulatively on the basis of the various Environmental Programmes whether the financial consequences of the various legislative amendments have been provided for and how.

Cumulative (36 legislative amendments)

Funding arrangements (if any)	Number of legislative amendments
No arrangements for funding but explicit recovery option	2
No arrangements for funding	13
Reduction in implementation costs, with quantification	1

Reduction in implementation costs, without quantification	8
Funding arrangements, with quantification	3
Funding arrangements, without quantification	4
No change in implementation costs	5

The above shows that amendments to legislation are not generally accompanied by arrangements for funding, and if they are they are not generally quantified. It should be noted that the same also applies in the reverse situation when implementation charges are reduced as a result of amendments to legislation. If municipalities incur extra implementation costs, these can, under certain circumstances, be funded via environmental taxation – with the most obvious taxation being the waste collection levy, cleaning and sewerage levies, or perhaps specifically targeted levies [*bestemmingsheffingen*] for sewerage – and also the betterment levy in respect of property if the costs are related to these levies (services or betterment). Given that the tax remit that can be freely allocated has been crumbling of late (demise of the user property tax on homes), I believe that funding by municipalities needs to be arranged for more explicitly when the relevant tasks are being defined. This would be a different matter if municipalities were given a more substantial tax remit.

The Government Budgets for the years to which the Environmental Programmes relate include overviews of revenue for municipal income, setting out the various levies according to categories. The revenues generated by the municipal environmental levies are divided into two categories in the Government Budgets, namely cleaning charges and sewerage levies. One can expect that in future the increase in sewerage levies in particular in the form of specifically targeted levies for sewerage as a result of tasks allocated – in particular the introduction of separate sewage systems etc. – will continue. An attempt has been made to clarify the developments in costs for the period from 1995 to 2005 at the level of individual municipalities. In order to do this, a number of municipalities were selected and asked to fill in a questionnaire for the period concerned (giving separate cost components with explanation). None of the municipalities filled in the questionnaire completely and this component was therefore not pursued.

It was then concluded on the basis of various reports by SenterNovem/Waste Consultative Body that the average increase in the amount of the annual municipal waste collection levy in the period since 1995 has been restricted when compared to the preceding years, when something like 20% was not unusual.

The development of the financial relationship between central government and the municipalities was investigated. This showed that until 1851, the financial position of municipalities was fairly independent (zero ambition level). In the period up to 1929, municipalities could to a large extent provide for their own funding, given that municipal activities were relatively limited. In the course of time, however, municipalities became increasingly dependent on central government (first ambition level). The 1929 Financial Relationship Act [*Financiële-verhoudingswet*] was intended to bring about a more equal level of facilities and taxation between municipalities (second ambition level). Municipalities became more dependent on central government because central government paid money into the Municipalities Fund. The economic situation at the time meant that the Municipalities Fund was not sufficiently funded when compared to the necessary expenditure incurred by municipalities. The 1960 Financial Relationship Act amended the payment and income system because the existing system was unable to take account of altered circumstances. A major extension of the municipal tax remit was brought about in 1970 when municipalities were empowered to levy property taxes, although a number of other municipal levies were simultaneously abolished. The 1984 Financial Relationship Act again amended the system because the distribution system was no longer effective. The 1997 Financial Relationship Act again amended the system because by then the fourth ambition level had

been achieved, with the principle being that of an equal level of services and an equal burden of taxation. The tax capacity was incorporated into the distribution system. Ultimately, municipalities have moved from a relatively autonomous financial position to a situation in which the financial position is almost entirely determined by central government.

All this shows that the financial relationship between central government and the municipalities has always needed to be altered to take account of changing circumstances. Such alteration needed to operate through central government because it is central government that determines the great majority of municipal income. It might perhaps be better if municipalities were given a more substantial independent source of income. Alterations in the financial relationship between central government and the municipalities are effectuated when problems have arisen. If municipalities have a more substantial independent source of income, they can determine their income to a greater extent and those problems can probably be avoided. There will then be differences in the burden of taxation from one municipality to another, but the question is whether the existence of municipal autonomy in this regard can prevent this and indeed whether it is desirable to prevent it. The differences follow from the choice of municipal autonomy. If such a system providing for greater autonomy for municipalities were to be introduced, funding for tasks allocated by central government would less quickly need to be arranged at national level. If municipalities are not given a more substantial independent source of income, the financial relationship between central government and the municipalities will need to constantly be adapted in the light of changing circumstances.

In the course of time, the financial position of municipalities has frequently been the subject of investigation, leading to a variety of results, partly depending on the financial situations at the municipalities. The first report was that produced by the Oud Committee in the mid-1950s, with the most recent one being that by the Steering Committee to Explore the Decentralised Tax Remit. The trend shown by the above where the financial relationship between central government and the municipalities is concerned is for the relatively autonomous position of municipalities to gradually evolve towards a dependent position. The majority of the various reports suggest a preference for a somewhat more extensive municipal tax remit. Assuming municipal autonomy, that is also an obvious step.

The amendments to tax legislation that have been dealt with have generally been material changes. In a number of cases, they related to the power to levy taxes or municipal freedom to create policy. A number of amendments meant that municipalities were unable to manage as regards their tax remit, and their freedom to create policy needed to be increased (particularly the new freedom). The introduction of tax relief at local level showed that there had been an intensification of environmental policy and that compensation needed to be provided for the associated charges. This tax break has since been done away with, while intensification of environmental policy has continued (as have the associated charges). The demise of this local tax relief in fact meant € 325 million being taken from the Municipalities Fund. Moreover, environmental administrative charges have also been abolished because they had a counterproductive effect on environmental policy. This shows that one needs to be cautious about applying the principle that 'the polluter pays'. The most fundamental change has been the limitation of property tax tariffs, which were done away with with effect from 2008. This was intended to lead for all municipalities to a level of services and a burden of taxation permitted by the Financial Relationship Act (comparable level) and would also have had a drastic effect on municipal autonomy. This applies less to the abolition of the user property tax on homes because without limitation of the other tariffs, an autonomous policy could still have been pursued by means of the other types of property tax. The other municipal levies are less suitable for implementing municipal policy (level of services) because the proceeds are either not substantial enough or are not earmarked for particular expenditure.

Municipalities have a number of types of taxation available with which to fund expenditure on environmental policy. These have been analysed, as have the options that they provide. The first of them is the betterment levy [*baatbelasting*], which is suitable (to a restricted extent) for funding environmental facilities – for example laying new sewers – which benefit certain properties within the municipality concerned. If all the properties within the municipality benefit, then no betterment levy can be raised. The second type of taxation are the cleaning charges (refuse collection charges and the waste collection levy) used to fund the cost of collecting and processing waste. The third type involves sewerage levies, which will be compulsorily replaced in 2010 by specifically targeted levies for sewerage. The latter will make it possible to recover the costs for municipal sewerage facilities in the broad sense. The proceeds of these levies are intended to cover environmental costs associated with services (for example benefiting from an environmental facility or using the sewage system). For other environmental costs, for example the issuing of environmental permits, there is no specific levy. Funding is then via general funds unless the environmental costs concerned produce a type of service for which charges can be levied other than cleaning and sewerage levies. One remark needs to be made regarding funding by means of levies. If such a levy is used, there is a chance that potential tax subjects may attempt to avoid the taxable activity concerned. In the past, for example, when people were required to pay to dispose of asbestos, a great deal of asbestos was dumped illegally. In that light, one therefore needs to deal carefully with funding by means of levies; environmental levies are not a panacea for all environmental costs. In other words, the principle that ‘the polluter pays’ should not be implemented under all circumstances. It is also important in the case of funding by means of levies that the costs recovered by municipalities in that way can be sufficiently quantified. The study of cost trends for the collection and processing of household waste in Section 4.9 shows that none of the municipalities that were approached supplied full details. If municipalities are unable to clarify the costs involved, one may wonder what expenditure is recovered by means of funding by levies. Such levies are intended for funding purposes, and clarification is then necessary of just what is being funded.

One frequently hears talk of the ‘greening’ of the tax system in the sense that taxes also serve an environmental purpose. On the one hand, there are supposed to be tax revenues that allow work-related taxation to be reduced and on the other taxation that serves the environment by changing people’s behaviour (tax avoidance). An investigation was carried out to see whether this phenomenon can actually be effective in practice. In my opinion, these are two contradictory objectives. It is a matter of either generating revenues or regulation, but not both. If regulation is the aim, the basis disappears and there are no revenues. These objectives are often confused. I would refer here to the tax levies on an environmental basis where the separate levies and also the levies taken together are based on these contradictory objectives.

When the intention is to generate revenues, the principle that ‘the polluter pays’ is applied. One in fact needs to be cautious about applying that principle. After all, unintended regulation can take place in the form of legal or illegal tax avoidance. If that happens, then the principle that ‘the polluter pays’ is counterproductive. I would refer here to the abolition of environmental administrative charges because the existence of those charges meant that permits were less frequently applied for and also to the ‘drop-out problem’ affecting the water boards, i.e. the fact that companies did not purify their water themselves as intended (i.e. more cheaply). I would therefore like to add this element to the list of exceptions drawn up by those who drafted the National Environmental Policy Plan Plus. When the principle that ‘the polluter pays’ is applied, there is ultimately a case of cost allocation, which as such does not serve an environmental purpose but does serve a funding purpose. The most there may be is awareness of environmental costs. Moreover, applying the principle that “the polluter pays” ultimately incorporates environmental

costs into prices, meaning that there will be a clearer decision-making process (benefits and sacrifices) as regards the costs.

Can municipal levies for funding purposes regulate matters or increase awareness of environmental costs? If that is considered desirable, then it is necessary to determine whether this is contrary to the principle of equality and proportionality. If a distinction is made according to environmental features, one must assess whether an environmental distinction is a 'relevant distinguishing criterion' for the environmental levy concerned.

Municipalities could also perhaps recover environmental costs under private law. A study was carried out of whether they are empowered to do so. Where public law is the way to go, there are a number of restrictions, for example the maximum standard for the charges; in addition, not all of the costs can be recovered (for example investment in extension). Recovery of costs under public and private law has developed from a strict distinction made at the time of Prime Minister Thorbecke in the mid-nineteenth century towards somewhat freer powers in the 1960s, if there is no abuse of powers. In the 1990s, this freedom was restricted by the requirement that if a piece of legislation includes exhaustive arrangements for recovering costs, then recovering them through private law is not an option. If the legislation does not include arrangements for recovering costs, then they can only be recovered under private law if this does not thwart the public-law arrangements unacceptably, bearing in mind the content and object of the arrangements in connection with the nature of the interest that must be served. If recovering the costs under public law is excluded, then that indicates that doing so under private law is not possible. If there is a taxation option, then that option must basically be utilised unless the law offers an option under private law (for example the betterment levy). In the case of costs recovered under public law, municipal levies are basically subject to the maximum costs standard at bye-law level which does not apply in principle in the case of recovery under private law (if that option exists).

The Municipalities Act makes a distinction (until 2010) between utilisation charges (for the sewerage system and enjoyment charges; one may question whether that distinction still actually exists. Given that the Dutch Supreme Court has permitted the levying of sewerage utilisation charges from owners (i.e. parties who are not users), that distinction would seem to have become blurred. That is all the more so because charges for utilisation and enjoyment of sewerage facilities make it possible to recover all the costs for the municipal sewerage system. Those costs cannot, after all, be allocated to the separate sewerage charges. Municipalities are consequently free to allocate the costs to the separate categories of sewerage charges. There is, nevertheless, a difference because if a sewerage utilisation charge is levied on the owner there are restrictions as regards the levy criterion. In such a case, the levy cannot be in accordance with the extent of the use made of the sewerage system. One can then wonder whether a utilisation charge is in fact being levied. One can also argue in this connection that although the Supreme Court permitted sewerage utilisation charges to be recovered from the owner, that owner cannot also be required to pay enjoyment charges. It would seem that the Supreme Court is being rather imprecise with the terms used.

As far as environmental administrative charges are concerned, one may wonder whether this means application of the principle that 'the polluter pays'. Does processing a permit application have anything to do with pollution as such? Working on the basis of the principle that 'the polluter pays', levying environmental administrative charges was in practice counter-productive. It led, after all, to people being less ready to request an environmental permit. This shows that applying the principle does not always have the effect that we want. It was for this reason that environmental administrative charges were, rightly, abolished, but not because they differed from one municipality to the other (a point complained about by businesses). This comes under municipal freedom to create policy. I con-

sider that it would be useful to apply a test when introducing the principle that 'the polluter pays' in the sense that one would determine beforehand whether doing so might be counterproductive where the levy is concerned.

Where application of the 'water footprint' [*waterspoor*] is concerned (i.e. linking sewerage charges to someone's water bill and making the size of the levy dependent on water consumption), one may also wonder what the intended regulation is meant to achieve. The objective of the 'water footprint' is to save water but it is questionable whether – given the efforts needed to apply it – it has enough of an environmental effect. Firstly, one can question whether the Netherlands in fact has a water shortage. In some parts of the country, there is a problem with groundwater depletion but not in others. Moreover, evaluation of the water footprint (both narrow and broad) shows that it has led to hardly any water being saved. If one can doubt the necessity of it and if it does not in fact save water, then the efforts involved in introducing the water footprint might have been deployed otherwise for the benefit of the environment. Section 11 investigates trends in the management of water (including wastewater); it appears that application of the water footprint plays an important role.

The legal possibilities and impossibilities were considered as regards 'greening' of the municipal tax system. The report *Greening of the Tax and Financial System* [*Vergroening van het fiscale en financiële stelsel*] presents three tax options (without conditions) for municipalities: differential tariffs for parking taxes, paid parking as such, and the existing differentiated tariffs method for cleaning charges. Ultimately, tariff differentiation for parking taxes according to the vehicle's environmental features is something new. In my opinion, owners of vehicles with certain environmental features will take account to only a very limited extent of the higher tariffs for parking when purchasing a vehicle. Such arrangements need to be introduced in a broader context. One needs to look not merely at a single particular measure but to determine what measures are possible in the broad sense. In this connection, one might consider, for example, further differentiation in motor vehicle tax and taxes relating to passenger vehicles and motorcycles etc., or the road pricing, kilometre levies, or congestion levies that are likely to be introduced in some form or other in the near future. This will, however, need to be combined with some type of evaluation or environmental behaviour monitor (i.e. the extent of changes in behaviour combined with the extent of the loss of tax revenues). The report *Greening of the Tax System; an Exploration of the Tax Possibilities for Reducing the Burden on the Environment* [*Fiscale Vergroening; Een verkenning van de fiscale mogelijkheden om het milieu te ontlasten*] sets out a number of requirements that such evaluation needs to meet: time, completeness, and the size of the sample.

Where the tax law options for 'greening' the municipal tax system are concerned, only a few types of levy are appropriate. Fiscal measures must here be combined as far as possible with some type of environmental behaviour monitor, i.e. not merely with municipal levies. Where I refer below to options for greening, I assume that this will be done in combination with other measures.

The first thing to be studied was whether a municipal levy can be used to fund environmental expenditure. Secondly, consideration was given to whether it could be used to regulate matters. This can be taken in two different ways: promoting environmental features of the object of the levy or changing the behaviour of tax subjects, i.e. not changing the features of the object of the levy.

Where funding environmental expenditure is concerned, the property tax is not appropriate given that the proceeds of that tax are not earmarked and because it is too extensive to be labelled. This might be relevant in the case of tariff increases but the property tax can then in fact be levied in the normal manner. As far as the betterment levy is concerned, the proceeds generated can only be used for environmental expenditure if they

serve to fund environmental facilities that benefit certain properties within the municipality concerned. In that case, the betterment levy is levied in the normal manner. Amending the betterment levy in this regard would seem to me to be too fundamental a change that would in fact create a different type of tax. The taxes applying to second homes, tourists, parking, dogs, advertising, and frontages that encroach on public land could be used by municipalities (earmarked proceeds) to fund environmental expenditure. In the case of the charges and the waste collection levy, the proceeds go by definition to fund the relevant service (utilisation or enjoyment). If the service concerned consists of environmental tasks, the charges and the waste collection levy are appropriate and are levied in the normal manner.

Where proposed changes to features of the object of the levy are concerned, the property tax can basically be involved by introducing tariff differentiation according to environmental features (based on an environmental label) or via the current power to exempt certain properties (or parts of properties). The latter option is not appropriate from the point of view of actual implementation given that municipalities could then decide for themselves what did and did not come within such an arrangement and it is questionable whether the municipalities have sufficient know-how at their disposal to be able to assess those features. The betterment levy is basically not appropriate because the environmental features of the object of the levy are separate to the facilities which are intended to benefit the objects of the levy. Amending the betterment levy in this regard would seem to me to be too fundamental a change that would in fact create a different type of tax. This is also a difficult matter as regards second-home and tourist taxes because those who ultimately pay the tax are not always in a position to make changes to the environmental features of the properties concerned. Changing these taxes is therefore not possible in this regard either. Parking taxes are an appropriate way of influencing the environmental features of vehicles by means of tariff differentiation. Influencing features of the object of the levy in the case of the dog-licence fee would not be expedient. The tax on advertising can already take account of the environmental features of publically visible advertising (i.e. its size, whether or not it is illuminated, etc.). The same applies to the tax on frontages that encroach on public land. In the case of the utilisation and enjoyment charges, it is not expedient because the municipality owns or manages that which is used, or provides the service concerned. In the case of the latter and if a choice of services is available – for example whether or not to make use of an ecological quality mark – it is possible to apply differentiation; take, for example, the provision of ‘green’ electricity by utility companies. The same applies in the case of the waste collection levy. Where entertainment charges are concerned, the levy involves facilities provided by the municipality over which the tax subjects can exercise no influence; this is different to what has been said about enjoyment charges.

Where changing the behaviour of tax subjects is concerned, the property tax is not appropriate because of its impersonal and objective character. Subjective exemptions are contrary to that objective character. Altering the property tax in order to differentiate according to behaviour seems to me to be too fundamental a change; the same applies to the betterment tax. In the case of the tourist and second-home taxes, it is difficult to measure changes in behaviour. Where parking taxes are concerned, one might differentiate between short-term and long-term parking. The same applies to the dog-licence fee, the tax on advertising, and the tax on frontages that encroach on public land as applies to the property tax. Utilisation, enjoyment, and entertainment charges and the waste collection levy might theoretically be considered relevant if the distinction is a relevant distinguishing criterion for that specific charge.

Specifically in the area of waste water, there have been developments as regards tax since the early 1990s which are now being laid down in legislation. In addition to the water companies, various authorities are active in this field, namely municipalities, water

boards, provinces, and central government. It is the first two of these authorities that carry out most of the service delivery tasks. The developments referred to were studied. For municipalities, the most important development is that they are assigned certain tasks to do with water (i.e. processing rainwater and groundwater). Ultimately, where sewerage is concerned, more or less separate systems need to be set up for waste water and for rainwater/groundwater. To that end, two specifically targeted levies for sewerage will be introduced, comparable to the present municipal waste collection levy. For the present, the two different levies can be combined into one. The authors assume that the present system for levying charges for sewerage can continue, although it is not certain that that will be possible. Section 228(a) of the Municipalities Act refers to 'a levy', and it is therefore unclear whether that can take the form of various different levies, as is now possible in the case of the charges levied for sewerage. That is definitely the case if both specifically targeted levies are combined into one because there are not yet separate sewerage systems. In addition, the Framework Directive on Water requires that incentives for more economical use of water be incorporated into the system for obligatory recovery of costs. If there is a levy on the owner, those incentives cannot be applied if one takes the levy system for sewerage charges as one's basis. A levy according to usage is not permitted. It would therefore seem that the specifically targeted levy for sewerage for waste water will need to be levied from users. The incentives naturally do not apply to the specifically targeted levy for sewerage that will eventually be introduced by municipalities for processing rainwater and groundwater. This could eventually – in the distant future – be levied on the owner. The current one-off connection charge for actual connection to the sewerage system – and according to the authors also the individual treatment of waste water – based on Section 229(b) of the Municipalities Act will continue to apply.

In addition, the water boards structure will be modernised by converting the current system of complicated apportionments into a single – but still complicated – water system levy in which the triple principles of 'interest, payment and control' would remain largely intact. In addition, the pollution levy would be incorporated into the Water Boards Act, in a slimmed-down form, for the water boards due to the fact that we now have all-in water boards. A number of tasks that are currently funded by the pollution levy will be funded via the water system levy. Where the latter is concerned, I consider that a much more far-reaching simplification is in fact desirable. Those tasks can perhaps in future be funded – by means of surcharges or something of the sort – via the specifically targeted levy for sewerage for processing rainwater and groundwater. The proposed water system levy by the water boards already means that households will contribute more (i.e. a higher 'WOZ value' (i.e. the *WOZ-waarde*, the value for the purposes of the Valuation of Immovable Property Act); one might link up with this where the water system levy by the water boards is concerned. Allocation according to categories could then be dispensed with.

CONCLUSIONS

I therefore wish to provide the following answers:

1. The financial relationship between central government and the municipalities has varied in different ways in the course of time. Since the 1997 Financial Relationship Act took effect, that relationship has been in part at the third ambition level – a costs-oriented general payment combined with the need to take account of tax capacity – and, due to the large number of specific payments, also at the fourth level.
2. The various Environmental Programmes have ultimately led to 36 amendments to environmental legislation that affect the tasks allocated to the municipalities. Of those amendments, 13 were without arrangements for funding, 4 did involve such arrangements but without quantification, and only 3 quantified the costs. In the case of the other amendments, there was either a reduction – whether or not with quantification – of the workload or there were no funding arrangements but there was an explicit

recovery option. This shows that where environmental tasks are concerned, central government has definitely not always regulated funding effectively.

3. It has not been possible to clarify the development of the costs for collecting and processing household waste. The municipalities that were approached either failed to reply or were unable to specify the costs (categorised) with an explanation. One can, nevertheless, conclude on the basis of various reports that the increase in the municipal waste collection levy since 1996 has been levelling out compared to before that date.
4. Municipalities have a number of specifically targeted levies at their disposal – sewerage and cleaning charges, the waste collection levy, the betterment levy, and since 2008 the specifically targeted levies for sewerage – which relate to specific costs. In the light of funding, these levies are sufficient. In the case of the assignment of environmental tasks by central government for which the costs can be recovered through these levies, the tariffs will increase. This was particularly the case recently as regards sewerage charges and this trend will increase, in the form of specifically targeted levies for sewerage. If the municipalities are given environmental tasks that are not related to these levies – in the absence of funding arrangements – the expenditure arising from those tasks will need to be funded from general funds.
5. It follows from the above that central government – whether or not as a result of Community law – has exercised a significant influence on the environmental tasks allocated to municipalities and continues to do so. As a result – in the absence of proper funding arrangements – the tariffs of the municipal funding levies increased and will increase further in future as a result of the tasks allocated to municipalities as regards water. Specifically, it is unnecessary to introduce a separate levy for municipal water system tasks (promoting the general interest). It is not clear to me what purpose this would serve. It is more correct from the tax point of view to no longer (until 2010) collect those costs by means of the current sewerage charges because, in my opinion, individual services are not provided in this regard, comparable, for example, to road maintenance.

I believe that the options for ‘greening’ municipal taxes are restricted to earmarking certain levies for certain environmental expenditure (i.e. funding). Municipal taxes are not suitable for further ‘greening’ with a view to a regulatory effect – in the sense that there will be changes in the object of the levy – except for, in principle, parking taxes, the property tax, and the charges (if the requirement of a relevant distinguishing criterion is met), on the understanding that I believe that this should be combined with other regulations and/or taxes (by central government) and also linked to a behaviour monitor. The parking taxes, the property tax, and the charges as such will not bring about any change in behaviour due to the limited financial interest involved.

6. The EU Framework Directive on Water and the legislative amendments proposed in the light of that directive will lead to an approach to the water system that is different to the current Dutch system based on a division of functions. It is therefore obvious that the various parties – municipalities, water boards, and water companies – within the ‘water chain’ will need to cooperate. Funding is currently via the various different parties and – due to the embedding of municipal water system tasks and the changes in the Water Boards Act – will remain so in future. The funding system will comply with the EU principle of cost recovery. However, the obligation (from 2010 on) based on the Framework Directive on Water for funding to provide incentives for more economical use of water is missing from the Municipalities Act and also from the proposed specifically targeted levies for sewerage. Municipalities are required to comply with Community law and from 2010 will therefore be obliged to incorporate the incentive – a specifically targeted levy for sewerage levied according to the volume of water utilised – and consequently impose the levy on the user of a property. A number of municipalities are already implementing their levies on the basis of this system. A large number of those municipalities, however, are applying a system whereby those res-

possible for small-scale discharges (primarily private individuals) are not covered by the levy. The system will need to be altered to ensure that the levy does in fact apply to such persons.

RECOMMENDATIONS

1. In the majority of the legislative amendments studied in which environmental tasks are altered, no arrangements for funding are included; if that is in fact the case, these are not quantified. When environmental tasks are assigned to municipalities, there is a need for more effective arrangements for funding of those tasks by indicating more specifically for each amendment to a municipal environmental task just how funding is intended to operate and what the financial extent is of the amended municipal environmental task.
2. Environmental water system tasks should be funded from general funds by increasing the general payment from the Municipalities Fund. This is not directed towards the costs of sewerage in the case of a non-mixed discharge system because in that case the costs cannot be allocated separately to the water system and water chain tasks. This will, however, be possible if there are in fact separate systems, i.e. if rainwater and groundwater are dealt with separately from waste water.
3. Any 'greening' of municipal tax levies must be combined with other 'greening' measures (at central government level) in order to reinforce their effect.
4. Any 'greening' of municipal tax levies – with recommendation 3 being taken into account – should be linked to some type of monitor.
5. In the case of the specifically targeted levy for sewerage that is intended to recover costs for water chain tasks, there should be a compulsory levy from 2010 on the user of a property according to the volume of water utilised; those responsible for small-scale discharges should also be covered by the levy.
6. Given that the costs for municipal water chain tasks must be recovered from users, it is an obvious step to recover the costs of water system tasks from the owner of the property, assuming that such tasks can be separated out. If the costs cannot be separated out, allocation will only be possible on the basis of the system of sewerage connection and sewerage utilisation charges in the form of specifically targeted levies for sewerage.

