

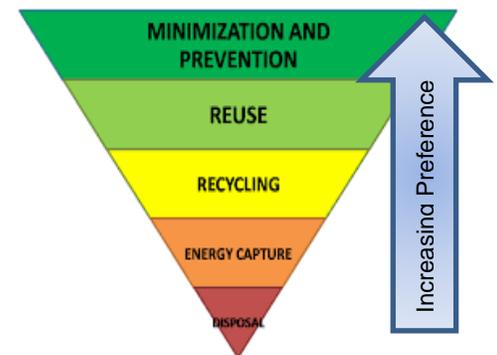
Using Disposal Surcharges as a Funding Mechanism to Support Recycling Programs

Recycling programs have faced many challenges in recent years, including:

- Increased contamination rates;
- Decreased demand and lower pricing for some materials; and
- Lightweighting of packaging, resulting in increased workload on MRFs to process each ton of material into marketable bales.

Additional funding into the system could help improve:

- Access to convenient recycling programs;
- Materials sorting capabilities;
- Education and outreach;
- Recycling system innovation, including collection, processing, and end market development for recovered materials.



Many states (and some local governments) charge **disposal surcharges (sometimes referred to as disposal fees)** to help fund recycling and solid waste management programs.

What is a disposal surcharge?

A disposal surcharge is a fee (usually charged on a per-ton basis) charged on disposed waste above and beyond the disposal facility's tip fee that covers the cost of facility operations. A separate surcharge may be assessed on different types of waste (e.g., MSW, construction and demolition (C&D) debris, sewage sludge).

Some states, like Minnesota, Washington, charge an excise tax on solid waste collection and disposal services, rather than a per-ton surcharge on disposed waste. This has the benefit of mitigating the revenue impacts of waste minimization, as costs charged to customers are not likely to decline. It also enables the fee to be charged at the point of generation, which allows for fee collection regardless of the disposal facility used – even if waste is transported out of state. Another advantage is that the customer is aware that the fee is charged on trash services but not recycling, and therefore may be motivated to reduce the amount of trash they generate. However, a drawback of this method is that it requires collecting fees from many more entities (haulers) versus per-ton disposal surcharges (levied at disposal and transfer facilities). Iowa has both types of fees in place.

Solid waste disposal surcharges can help fund recycling and can be relatively simple to administer. For example:

- North Carolina's disposal surcharge of \$2 per ton results in \$17 to \$19 million per year.
- Iowa's surcharge of \$3.25 to \$4.75 per ton (FY 2021 average was \$3.61 per ton) results in revenues of \$14.1 million per year. Funds help with solid waste management and reduction, recycling, and other environmental protection activities at the state and local levels.
- Wisconsin's total surcharge of \$13 per ton on MSW results in revenues of \$58 to \$60 million per year.

Disposal Surcharges Assessed by State Governments

How many states have surcharges in place?

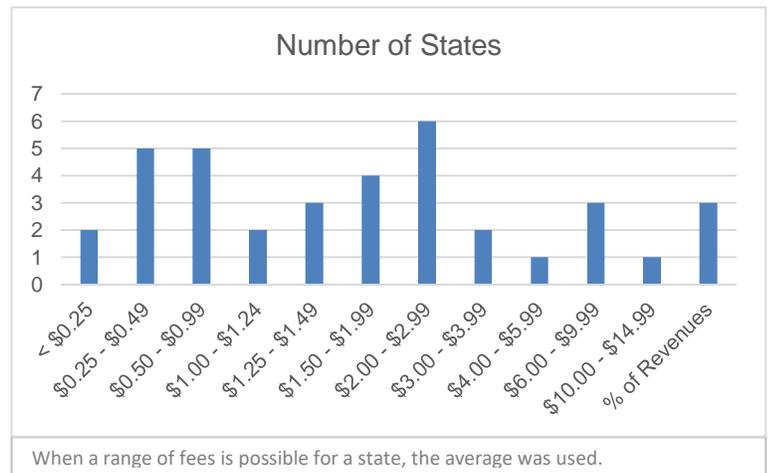
Thirty-six states are known to have disposal surcharges of some type in place. Most are charged on a per-ton basis and, as described above, three states charge taxes based on the amount paid for garbage collection and disposal services.

What are “typical” disposal surcharges?

Disposal surcharges vary widely, from \$0.15 per ton (Virginia) to \$13 per ton (Wisconsin). Most states allocate a portion of the revenues (at least) to recycling, but a handful of states do not – the revenues were never intended to support recycling. In many cases several separate fees are charged. The figure to the right shows the number of states with disposal surcharges, by range of disposal fees.

Disposal Surcharges Assessed at the Local Level

Some local governments/solid waste districts also levy surcharges on waste disposed. Local governments are often restricted by state law regarding the types and amounts of solid waste management fees they can charge. In Ohio, for example, [state law](#) not only describes the amount and allocation of state per-ton disposal fees, but also dictates the types and amounts (in ranges) of fees solid waste districts can levy and describes how those funds can be allocated. While such a law might appear restrictive, it can also help to protect funds, ensuring they are used for their intended purpose.



How are such surcharges administered?

Typically, disposal facilities remit payments to the state or local government’s department of revenue on a monthly, quarterly or annual basis.

Benefits

- Can provide much-needed funding to recycling and other waste management programs.
- Can serve as a disincentive to dispose of waste, especially if fees are made known to generators/customers.
- Generally less administratively burdensome relative to fees paid by haulers.

Drawbacks

- Revenues decline when generators successfully reduce the amount of waste they dispose, if charged on a per-ton basis.
- Implementing or increasing a disposal surcharge can be politically challenging.
- Revenues collected can potentially be diverted to cover general fund or other non-system-related costs.
- Surcharges may render some landfills close to other states’ borders less competitive.
- Raising revenues based on tons disposed can conflict with waste minimization and recycling goals.

How can these issues be avoided?

- Set up enabling legislation so that funds are dedicated and managed through an enterprise fund, if possible.

- Manage funds responsibly so they are used for their intended purpose.
- Inform legislators of the benefits of recycling in language and metrics that matter to them. This could include highlighting greenhouse gas emissions avoided, water and resources conserved, jobs created, or tax revenues for the state.

What are some other best practices in implementing disposal surcharges?

- Charge surcharges at transfer stations (where waste is being delivered to out-of-area landfills) as well as where waste is direct-hauled.
- Include the right to audit records of submitting disposal/transfer station facilities/haulers and conduct audits on a regular basis.
- Include proper remittance of disposal surcharges as a provision of the hauler's or facility's operating permit.
- Include a mechanism for reviewing and adjusting the disposal surcharge on a regular basis.
- Ensure generators are aware of surcharges so that they are incentivized to reduce disposal. This is more likely to have an impact in communities with volume-based pricing, where the generator has direct control of what they must pay.

Disposal surcharges, when implemented using best practices, are a tried-and-true means of funding recycling and other sustainable materials management programs, which can help strengthen recycling program success.