

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 materials, in large part due to China's National Sword; and
- Lightweighting of materials placing increased workload on MRFs to process each ton of materials into marketable bales.

Additional funding into the system could help improve:

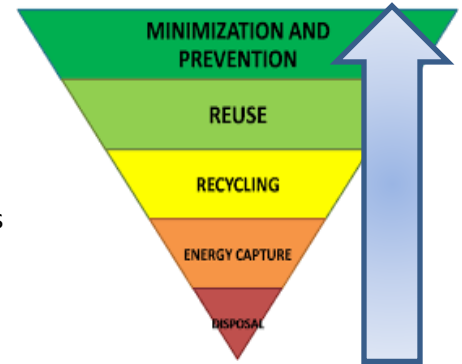
- Access to convenient recycling programs;
- Materials sorting capabilities;
- Education and outreach;
- Recycling system innovation, including collection, processing, and end market development for recovered materials.

Many states and 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 on municipal solid waste disposed) that is charged 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., construction and demolition (C&D) debris, sewage sludge).

Some states, like Minnesota and Washington, charge an excise tax on solid waste collection and disposal services, rather than a per-ton surcharge on waste disposed. 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. Another advantage is that the customer is aware that the fee is charged on trash services, not recycling, and therefore will 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-



Solid waste disposal surcharges can help fund recycling, and can be relatively simple to administer.

Examples of revenues raised by disposal surcharges include:

- 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 results in revenues of \$10.8 million per year. A portion is remitted to the state, and the remainder helps fund planning and environmental protection activities locally.
- Wisconsin's total surcharge of \$13 per ton results in revenues of \$58 to \$78 million per year.
- Los Angeles County's disposal surcharge of \$1.50 per ton on waste disposed at in-county facilities amounts to \$16 million annually for SMM programs. Additional per-ton surcharges fund other programs.



ton disposal surcharges (levied at disposal and transfer facilities). Iowa has both of these types of fees in place.

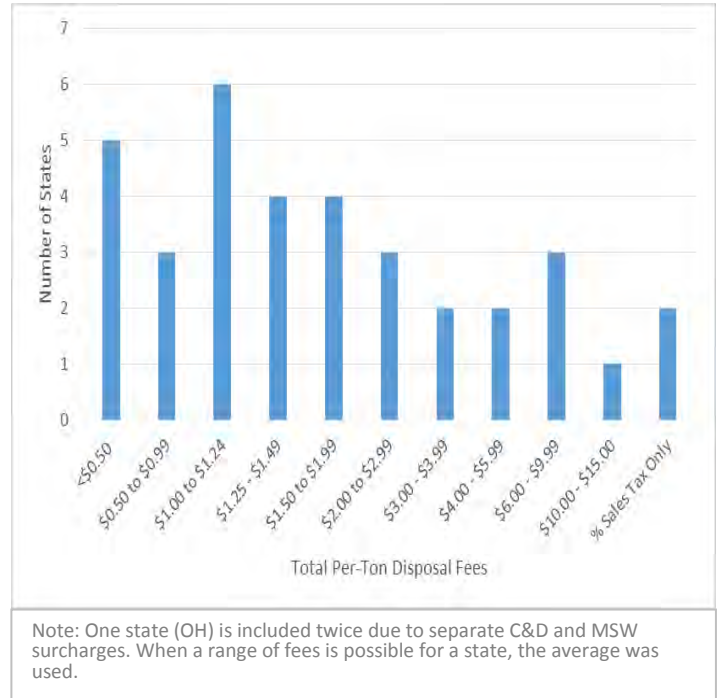
Disposal Surcharges Assessed by State Governments

How many states have surcharges in place?

Thirty-four states are known to have disposal surcharges of some type in place. Most are charged on a per-ton basis. Three states charge taxes based on the amount paid for garbage collection and disposal services, one of which also has a per-ton disposal fee in place.

What are “typical” disposal surcharges?

Disposal surcharges vary widely, from \$0.13 per ton (Utah) 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 below shows the number of states with disposal surcharges, by total surcharge range.



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 how state fees are to be allocated, 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?

Usually, the disposal facilities remit payments to the states’ department of revenue on a monthly or quarterly basis.

What are the benefits of disposal surcharges?

- Disposal surcharges can provide much-needed funding to recycling and other waste management programs.
- Disposal surcharges can serve as a disincentive to dispose of waste, especially if fees are made known to generators/customers.

- Usually disposal facilities pay the surcharges, which is less administratively burdensome relative to fees paid by haulers.

What are the drawbacks of disposal surcharges?

- 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 are often 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 both transfer stations (where waste is being delivered to out-of-area landfills) and 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 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 serve to disincentivize disposal.