



## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #590

### **State Solid Waste Tipping Fees Overview (DNR – Air, Waste, and Contaminated Land)**

[LFB 2009-11 Budget Summary: Page 483, #1]

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#### **CURRENT LAW**

Solid and hazardous waste disposal facilities (landfills) pay state tipping fees for each ton of solid waste disposed of in the landfill. The main state tipping fees provide revenues to the segregated recycling and renewable energy fund, environmental management account, and nonpoint account. Current state tipping fees total \$5.897 per ton for most waste effective November 1, 2007. Prior to that date, state tipping fees totaled \$3.797 per ton. Wastes subject to these tipping fees include municipal solid waste, commercial, construction and demolition, and industrial waste that is not high-volume.

High-volume industrial wastes are subject to lower tipping fees than other waste, totaling \$0.497 per ton. High-volume industrial waste includes paper mill sludge, bottom ash, foundry process waste and fly ash. Certain wastes are exempt from the state fees, including materials used for lining, daily cover, capping or constructing berms, dikes or roads within the landfill. Certain paper company and PCB contaminated sediment dredgings are exempt from the recycling fee, but are subject to the environmental management and nonpoint fees.

#### **GOVERNOR**

The Governor proposed solid waste tipping fee increases totaling \$4.40 per ton for the three accounts. Table 1 shows the amount of each state tipping fee under current law and the bill. Table 1 also shows the tipping fees that would not change under the bill.

**TABLE 1**

**State Solid Waste Tipping Fees - Non- High-Volume Industrial Waste**

<u>Fund, Fee</u>	<u>Type</u>	<u>Prior to Nov. 1, 2007</u>	<u>Current Law</u>	<u>AB 75</u>	<u>AB 75 Change to Current Law</u>
Recycling	SEG	\$3.00	\$4.00	\$5.00	\$1.00
Environmental management account - environmental repair	SEG	0.50	0.85	3.95	3.10
Environmental management account - groundwater	SEG	0.10	0.10	0.10	--
Environmental management account - well compensation	SEG	0.04	0.04	0.04	--
Nonpoint account	SEG	0.00	0.75	1.05	0.30
DNR Solid waste landfill administration	PR	0.15	0.15	0.15	--
DOA Solid Waste Facility Siting Board	PR	<u>0.007</u>	<u>0.007</u>	<u>0.007</u>	<u>--</u>
		\$3.797	\$5.897	\$10.297	\$4.40

The environmental management account (\$3.10) and nonpoint account (\$0.30) tipping fees would increase for waste disposed of in Wisconsin landfills on or after July 1, 2009. The fee is assessed in May for wastes disposed of during the previous calendar year. DNR would first assess landfills for these two fee increases in May, 2010, for solid waste disposed of during the six months of July 1, 2009, through December 31, 2009. The recycling tipping fee would increase by \$1.00 per ton for waste disposed of in Wisconsin landfills on or after October 1, 2009. The fee is assessed quarterly for wastes disposed of during the previous three months. DNR would first assess landfills for the recycling fee increase in February, 2010, for solid waste disposed of during the three months of October 1, 2009, through December 31, 2009.

Table 2 shows the estimated revenues that would be received by each of the three accounts from the tipping fee increases in each of 2009-10 and 2010-11. The revenues shown in the table are based on current revenue estimates, which are lower than the administration's earlier estimates. The revenue from the tipping fee increases would total an estimated \$43.3 million over the biennium. Table 2 also lists the expenditure changes in the three accounts. The estimated changes in the three accounts total \$57.9 million over the biennium. Approximately 55% of expenditure changes during the 2009-11 biennium relate to the conversion of several debt service appropriations from GPR to SEG or a reestimate of existing debt service appropriations. An additional 29% of expenditure changes relate to transfers to the general fund, and the remaining 16% relates to other programs.

Separate budget papers discuss the recycling and renewable energy fund, environmental management account, and nonpoint account. Each of the three separate papers discuss the condition, estimated balance, and effect of lower tipping fee revenue estimates on the account balance.

**TABLE 2****Revenue and Expenditure Changes from Solid Waste Tipping Fees, AB 75**

Tipping Fee Revenue Changes:	<u>2009-10</u>	<u>2010-11</u>	<u>2009-11 Total</u>
Recycling	\$2,830,000	\$5,420,000	\$8,250,000
Environmental Management	10,815,000	21,450,000	32,265,000
Nonpoint	<u>950,000</u>	<u>1,860,000</u>	<u>2,810,000</u>
Total Revenue Increase	\$14,595,000	\$28,730,000	\$43,325,000
Expenditure Changes:			
Debt Service			
DATCP Soil and Water Resource Management	\$1,577,900	\$1,715,600	\$3,293,500
DNR Rural and Priority Watershed	7,695,300	7,981,100	15,676,400
DNR Targeted Runoff Management	0	806,600	806,600
DNR Urban Nonpoint	0	2,557,900	2,557,900
DNR Wastewater Pollution Abatement	0	8,000,000	8,000,000
DNR Reestimate - Administrative Facilities	59,700	163,700	223,400
DNR Reestimate - Remedial Action	-9,000	266,700	257,700
DNR Reestimate - Contaminated Sediment	<u>464,000</u>	<u>635,200</u>	<u>1,099,200</u>
Subtotal Debt Service	\$9,787,900	\$22,126,800	\$31,914,700
Other Programs:			
UW System Bioenergy Center	\$4,000,000	\$4,000,000	\$8,000,000
DNR Transfer to Wildlife Damage Program	0	350,000	350,000
DNR Convert Funding for 5.0 Hazardous Waste Positions from PR	502,400	502,400	1,004,800
DNR Operations Reductions - Delete 1.0 Solid Waste and 1.0 Remediation and Redevelopment Position	<u>-102,400</u>	<u>-204,800</u>	<u>-307,200</u>
Subtotal Other Programs	\$4,400,000	\$4,647,600	\$9,047,600
Intended Transfer to General Fund:			
DATCP Repeal Clean Sweep Program	\$1,000,000	\$1,000,000	\$2,000,000
DNR Repeal Waste Reduction and Recycling Demonstration Grant Program	1,500,000	1,500,000	3,000,000
DNR Repeal Recycling Efficiency Incentive Grant Program	1,900,000	1,900,000	3,800,000
DNR Operations Deletion of 2.0 positions	102,400	204,800	307,200
Across the Board 1% Reductions from Each Account	917,900	917,900	1,835,800
DNR PCB-Contaminated Sediment Transport	<u>3,000,000</u>	<u>3,000,000</u>	<u>6,000,000</u>
Subtotal Transfers to General Fund	\$8,420,300	\$8,522,700	\$16,943,000
Total Expenditures	\$22,608,200	\$35,297,100	\$57,905,300

Several budget papers have been prepared by this office related to proposed tipping fee increases and expenditures from the major accounts funded from the fees. Although each of the budget papers, other than this overview paper, includes alternatives for the Committee's consideration, the choices available to the Committee are interrelated. The Committee may wish to consider a range of alternatives for revenue and expenditures for each of the three accounts.

The papers in this group include the following:

<u>Paper #</u>	<u>Title</u>
590	State Solid Waste Tipping Fees Overview
591	Recycling Tipping Fee Increase
592	Repeal Recycling Efficiency Incentive Grant Program
593	Repeal Demonstration and Business Recycling Grant Programs
594	Clean Sweep Repeal
595	Reimbursement for Disposal of PCB Contaminated Sediment
596	Environmental Management Tipping Fee Increase and Conversion of Debt Service from GPR to SEG
597	Permanent Vehicle Environmental Impact Fee
598	Hazardous Waste Fees and Staff
599	Nonpoint Account Revenues and Expenditures

## **DISCUSSION**

The number of tons of solid waste disposed of in Wisconsin and subject to state tipping fees remained relatively constant at 9.2 million tons in each of 2004 through 2007. Preliminary landfill tonnage reports submitted to the Department of Natural Resources (DNR) for calendar year 2008 show a decrease of approximately 9% from 2007, to 8.4 million tons. The decrease is spread among municipal solid waste (300,000 tons), other non-household waste (such as commercial, construction, and industrial that is not high-volume) (287,000 tons), and high-volume industrial waste (269,000 tons). The decrease in municipal solid waste is primarily due to the decrease in waste from other states being landfilled in Wisconsin. The decreases in other waste and high-volume industrial waste are due, in large part, to the effect the downturn in the economy had on commercial and industrial waste generation.

Table 3 shows the amount of solid waste disposed of in the state, by category, from 2004 through 2008. Table 4 shows the amount of out-of-state waste landfilled in Wisconsin. It appears that the 55% increase in the tipping fee in the fall of 2007, combined with a slowing economy and record fuel prices in the summer of 2008 may have contributed to a 10% reduction in out-of-state waste disposed of in Wisconsin in 2008.

**TABLE 3****Tons of Solid Waste Landfilled in Wisconsin, by Category**

<u>Type of Waste</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008 (preliminary)</u>
Municipal solid waste	6,734,457	6,685,042	6,565,763	6,516,037	6,217,142
Other non-household waste *	921,509	1,064,159	1,134,526	898,821	612,405
Wastewater treatment plant sludge and energy recovery incinerator ash	123,670	179,043	147,633	121,679	122,497
High-volume industrial waste **	1,474,839	1,246,935	1,387,249	1,667,526	1,398,870
Unusable paper making materials	<u>0</u>	<u>3,264</u>	<u>14,528</u>	<u>29,241</u>	<u>28,744</u>
Subtotal, Wastes Subject to State Fees	9,254,475	9,178,443	9,249,699	9,233,304	8,379,658
Wastes Exempt from State Tipping Fees ***	<u>1,843,640</u>	<u>1,844,039</u>	<u>2,008,530</u>	<u>1,662,951</u>	<u>1,801,137</u>
Total Waste Landfilled in Wisconsin	11,098,115	11,022,482	11,258,229	10,896,255	10,180,795

\* A subset of this category is contaminated sediment dredgings which are exempt from the recycling tipping fee but are subject to the environmental management and nonpoint tipping fees.

\*\* Includes utility power plant ashes and sludges, pulp and papermill waste, and foundry manufacturing waste.

\*\*\* Wastes used at landfills for daily cover, lining, capping, or constructing berms, dikes or roads.

Source: DNR compilation of annual reports submitted by landfills

**TABLE 4****Tons of Out-of-State Waste Landfilled in Wisconsin**

<u>State</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008 (preliminary)</u>
Illinois	1,407,945	1,412,153	1,224,077	1,261,654	1,097,131
Iowa	557	37	4,768	8,436	12,577
Minnesota	737,782	729,264	683,106	641,443	583,837
Michigan	9,081	1,676	2,142	3,546	28,336
Other	<u>-</u>	<u>3</u>	<u>5</u>	<u>23</u>	<u>45</u>
Total	2,155,365	2,143,133	1,914,098	1,915,102	1,721,926

Source: DNR compilation of annual reports submitted by landfills

The current estimates of tipping fee revenues are lower than the estimates contained in AB 75. Tipping fee revenue estimates are based on preliminary reports by landfills to DNR of tons deposited in state landfills in 2008. Further, it is estimated that the total number of tons of

solid waste disposed of in the state would decrease somewhat as tipping fees increase. Table 5 shows the estimated number of tons of solid waste subject to the tipping fee increases.

**TABLE 5**

**Estimated Solid Waste Tons Subject to Solid Waste Tipping Fees  
(Millions)**

Tons	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>
<b>Recycling Fee</b>			
Current Law and AB 75	7.30	7.30	7.30
Current Law - Reestimate	6.91	6.90	6.95
Bill - Reestimate	6.91	6.76	6.64
<b>Environmental Management and Nonpoint Fees - Non- High-Volume</b>			
Current Law and AB 75	7.50	7.50	7.50
Current Law - Reestimate	6.98	7.20	7.33
Bill - Reestimate	6.98	7.06	7.01

While it is difficult to determine the actual change in the number of tons that would be subject to the tipping fee, it is anticipated that the total amount of assessed wastes may decrease by approximately 1% for each \$1 increase in tipping fees. Thus, the number of tons assessed the fee are anticipated to decrease approximately 4.4% under the bill. Further, it could be expected that substantially larger tipping fee increases may have the effect of greater reductions in disposal of waste subject to the fee (beyond the 1% per dollar used here).

The tipping fees are imposed on waste generators. The owner or operator of the landfill is required to collect the fees from the generator or the person that hauls the waste to the landfill, and to pay the required tipping fees to DNR. State tipping fees become part of a landfill operator's cost of doing business, and, to the extent possible, the operator would generally build the cost of the state assessment into the fees they charge to persons who dispose of waste at the landfill. The solid waste tipping fee increase would apply equally to all waste disposed of in Wisconsin (except for high-volume industrial waste and exempt waste), whether it originates in Wisconsin or other states.

Proponents of increased tipping fees point out that a portion of the fee would be paid by waste generators in other states. Out-of-state waste has generally comprised between about one-fifth to one-quarter of the waste subject to the tipping fee. Advocates of tipping fee increases also believe it could potentially decrease the amount of out-of-state waste disposed of in Wisconsin if the fee is increased enough for it to make more economic sense to dispose of waste in other states. In 2008, approximately two-thirds of the 1.7 million tons of out-of-state waste disposed of in Wisconsin came from Illinois to three landfills in Kenosha, Racine, and Walworth

Counties, and the other one-third came from Minnesota to three landfills in Douglas, Eau Claire, and Washburn Counties.

There are many factors other than the state tipping fee that would affect the amount of waste brought from out-of-state for disposal in Wisconsin, such as transportation costs, the provisions of contracts between waste haulers and municipalities, the provisions of contracts between waste haulers and landfill operators, the landfill tipping fee charged by the landfill operator as its cost and profit related to operating the landfill, and landfill and government tipping fees in adjacent states. For example, during the portion of 2008 when diesel fuel prices exceeded \$4.00 per gallon, it is possible waste haulers may have tried to find landfills closer to the location the waste was generated in order to reduce transportation costs.

Table 6 shows the landfill tipping fees in Wisconsin and adjacent states in 2004, 2006, and 2008, and was compiled by the DNR through surveys of landfill operators. The fees include the landfill disposal tipping fees charged by landfill operators to customers, fees paid by landfill operators to local governments, and state-assessed tipping fees.

**TABLE 6**

**Landfill Tipping Fee Per Ton in Wisconsin and Adjacent States**

<u>State</u>	<u>Statewide Average Tipping Fee*</u>		<u>Average Tipping Fee at Landfills Near the Wisconsin Border</u>		
	<u>2004</u>	<u>2008</u>	<u>2004</u>	<u>2006</u>	<u>2008</u>
Illinois	\$36	\$35	\$44	\$42	\$48
Iowa	32	40	37	37	48
Michigan	35	\$30 to \$40	60	60	66
Minnesota	51	51	51	50	44
Wisconsin	38	42	39	40	44

\* Fee amount is the average posted gate fee charged by the landfill operator, and includes any state fee.

Source: Wisconsin Department of Natural Resources, Waste and Materials Management Program, February, 2009

The landfill tipping fee data shown in Table 6 illustrates a narrowing of the difference between Wisconsin tipping fees and fees in adjacent states between 2004 and 2008. An additional \$4.40 in Wisconsin tipping fees could potentially eliminate much of the fee difference near the Wisconsin border. In particular, the combination of an increased Wisconsin tipping fee, and declining landfill fees near the Minnesota border appears to have erased a considerable difference in prior years. However, it is difficult to anticipate future pricing in neighboring states and is, therefore, uncertain whether the tipping fee increase in the bill would be sufficient to

substantially reduce the amount of waste coming from Illinois to southeastern Wisconsin, or to significantly reduce the amount of Minnesota waste coming to northwest Wisconsin.

DNR has estimated that the average Wisconsin household generates approximately one ton of waste per year. Based on this estimate, the fee increases in the bill would be expected to cost each household, on average, approximately \$4.40 per year for waste generated by the household.

The \$10.297 per ton total state tipping fee under the bill would represent a 75% increase from the \$5.897 per ton fee imposed as of November 1, 2007. Further, the fee increase under the bill would be in addition to a 55% increase that took effect in November 2007.

Several municipalities testified at 2009-11 biennial budget public hearings held by the Joint Committee on Finance that the tipping fee increases in the bill would place a burden on already stressed local government budgets that support the costs of disposal of municipal solid waste. Local property tax revenues would likely be relied on by most municipalities to pay the state tipping fee increases. Local governments also noted it would be difficult to begin paying the state tipping fee increases in the current calendar year (July 1, 2009, for the environmental management and nonpoint fees, and October 1, 2009, for the recycling tipping fee) since local budgets have already been set for the year. Finally, some have argued that if the tipping fee is increased, it should primarily be used to support local programs, such as through increased recycling grants.

Representatives of businesses have expressed opposition to state tipping fee increases, stating it will place a financial burden on Wisconsin businesses and consumers, will primarily be used to support the state's general fund, and may not be effective in keeping out-of-state waste out of Wisconsin landfills.

Others argue that a state solid waste tipping fee increase is appropriate since it: (a) could be an effective way to limit out-of-state waste disposal in Wisconsin; (b) would preserve landfill space in Wisconsin and delay the siting or expansion of additional landfills; (c) would encourage waste reduction, beneficial reuse and recycling; and (d) may allow some environmental and recycling programs to be restored when economic conditions improve. In addition, it could be argued that, in difficult budgetary times, any possible sources of revenues must be considered to address lagging general fund revenues, and solid waste tipping fees are paid by a broad base of municipalities, residents, and businesses.

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