

Summary of Solid Waste Service Fee

I. What is a Solid Waste Service Fee? The Solid Waste Service Fee is a sales tax on solid waste services (including trash, recycling, and organics), which would replace the state franchise fee of \$6/ton of trash. This recommendation was made by the [Solid Waste Infrastructure Advisory Committee Report](#) as a way to fund the necessary infrastructure to implement Vermont's [Universal Recycling](#) law (Act 148 of 2012) and create more sustainable solid waste funding source.

II. What is the Solid Waste Infrastructure Advisory Committee? The Solid Waste Infrastructure Advisory Committee (SWIAC) was created by the legislature in 2014 to review and report on the needed infrastructure, costs and potential revenue connected to the implementation of the Universal Recycling law. A [report](#) was submitted to the Vermont Legislature on February 4, 2015. The nine member Committee voted eight to one in support of the Solid Waste Service Fee.

III. Why? The Service Fee was proposed by SWIAC to replace the existing franchise fee for following reasons:

1. It is more sustainable. Over time a sales tax would adjust for inflation. The collection of solid waste, recyclables and organics would be covered versus only solid waste today.
2. It is easy for the Vermont Department of Taxes to track and collect the sales tax. The system is already in place.
3. It would level the playing field for haulers operating in state and out-of-state.

IV. How? Minnesota (Pollution Control Agency) passed a [Solid Waste Management Tax](#) on trash services in 1997, to fund the closure of landfills and help recycling efforts. The major highlights include:

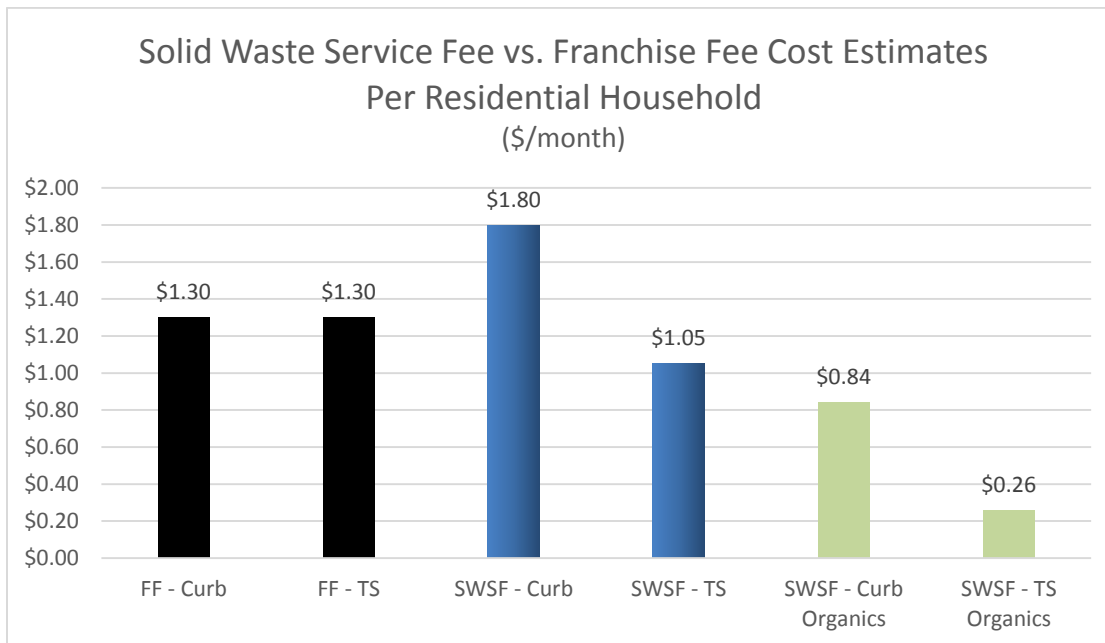
- Tax only applies to trash removal/disposal services. Not assessed on recycling or organics.
- Residential curbside collection is taxed at 9.75%; Commercial collection and drop-off services are taxed at 17%
- Haulers and facilities track, report and pay the taxes annually to the MN Department of Revenue.
 - The MN Department of Revenue receives \$200,000 per year from the tax to cover administration of it.
- Pollution Control Agency is guaranteed a minimum of 70% or \$34M (whichever is greater) annually of this tax revenue to maintain state solid waste/environmental staff and solid waste funds for local governments.
- Construction & demolition and industrial wastes are taxed at \$0.60 per ton; alternative daily cover has no fees.
- As trash disposal costs have increased, Minnesota's tax revenue has gradually increased over time.
- Washington also taxes solid waste trash services, but not recycling or organics.

V. Revenue Projections

- Assumptions:
 - The Solid Waste Service Fee would need to generate ~\$3.5M annually in order to provide the same amount of revenue as the state franchise fee. Current fee revenue is decreasing as recycling increases.
 - Vermont Department of Taxes would require \$50K annually to administer the new program.
 - Difference in revenue would be used for a loan/grant program for infrastructure needs related to the implementation of the Universal Recycling law.
 - Haulers and facilities would need to track taxes applied to all sales and must report on a quarterly basis.
- Trash only.
 - Sales tax at 6% = \$3M-\$3.3M in revenue (using 2014 numbers)
 - National solid waste data used, prorated for Vermont.
 - National data was "tested" by the Tax Dept. by comparing it to figures from Washington, and found to be a good correlation.
 - Residential and commercial trash were taxed at the same rate, unlike in Minnesota.
 - Revenue would decrease over time as recycling and waste reduction activities increase.
- Recycling & Organics
 - Sales tax at 6% = \$1.2M-\$1.5M (using 2014 numbers)
 - Data pulled from *Systems Analysis Report*, by DSM.
 - Revenue would increase over time as recycling and waste reduction activities increase.

VII. Solid Waste Service Fee v. Solid Waste Franchise Fee

The Agency of Natural Resources, DEC Solid Waste Program recommends a more thorough evaluation of the total economic costs for solid waste services in Vermont, if the Vermont Legislature decides to move forward this approach. A thorough evaluation will ensure that solid waste revenues and services are maintained by the state and local governments (solid waste districts, alliances and towns) and not underfunded at a time when they are needed most.



Key:

- FF – Curb = Franchise Fee at \$6.00 per ton of trash, collected curbside
- FF – TS = Franchise Fee at \$6.00 per ton of trash, collected at a Transfer Station
- SWSF – Curb = Solid Waste Service Fee at 6% of trash and recycling, collected curbside
- SWSF – TS = Solid Waste Service Fee at 6% of trash and recycling, collected at a Transfer Station
- SWSF – Curb Organics = Solid Waste Service Fee at 6% of organics, collected curbside
- SWSF – TS Organics = Solid Waste Service Fee at 6% of organics, collected at a Transfer Station

Calculations:

FF – Curb (residential curbside collection of trash only under franchise fee):

- 25* pounds/resident/week x 4 residents x 4.34 weeks/month divided by 2,000 pounds = 22% x \$6.00 per ton = \$1.30 per residential household per month.
- According to 2012 ANR Diversion and Disposal Report data, Vermont Residents dispose of about 20-30 pounds of MSW (trash) per week (based on 3.62 pounds/person/day).

FF – TS (residential collection of trash only at transfer stations under franchise fee):

- Cost assumptions are the same as for curbside because the franchise fee is applied to the amount (tonnage) of trash and not the transportation costs.

SWSF – Curb (residential curbside collection of trash and recycling under solid waste service fee):

- Assumes \$30 per month with every other week trash and recycling collection.
- Many residential households with every other week curbside trash and recycling services pay about \$30 per month (Chittenden County, Washington County and elsewhere).
- 6% of \$30 is \$1.80 per month.

SWSF – TS (residential collection of trash and recycling at transfer stations under solid waste service fee):

- Assumes \$3.50 per 32-gallon bag and assumes 5 bags per month.

SWSF – Curb Organics (residential curbside collection of organics under solid waste service fee):

- Assumes weekly collection of organics at \$14 per month (average between \$7 and \$20).

SWSF – TS Organics

- Assumes \$1 per 1 gallon bucket per week and that a household generates 1 gallon of organics per week