

**NORTH CAROLINA GENERAL ASSEMBLY**

**LEGISLATIVE FISCAL NOTE**

**BILL NUMBER:** House Bill 1158 (2<sup>nd</sup> Edition)

**SHORT TITLE:** Ban Certain Waste from Landfills

**SPONSOR(S):** Rep. Hackney, Luebke and Weiss

**FISCAL IMPACT**

Yes ( )      No (X) for State and No Estimate Available (X) for Local

FY 2001-02   FY 2002-03   FY 2003-04   FY 2004-05   FY 2005-06

**REVENUES:**

**EXPENDITURES:**

Department of Correction---No Impact State  
Judicial Branch---No Impact State  
Local Jails---Potential Minor Impact  
Department of Environment and Natural Resources---No Impact State  
Local Governments---Yes, No Estimate Available

**POSITIONS:**

**PRINCIPAL DEPARTMENT(S) &**

**PROGRAM(S) AFFECTED:** Department of Environment and Natural Resources, Local Government (Landfills), Judicial Branch, Department of Correction, County Jails

**EFFECTIVE DATE:** October 1, 2004

**BILL SUMMARY:** HB 1158 would ban corrugated cardboard, wooden pallets and clean wood waste from landfills. Local governments could petition the Department of Environment and Natural Resources (DENR) for waivers on these prohibitions. Anyone knowingly disposing of these prohibited items would be guilty of a Class 1 Misdemeanor.

**ASSUMPTIONS AND METHODOLOGY:**

**Background:** The disposal of solid waste in North Carolina is handled at the local level either by a private company operating a private landfill or by a local government operating a public landfill. Both private companies and local governments that operate landfills charge a tipping fee to dispose of solid waste in their landfills. The amount of this tipping fee varies by county and by the type of waste being disposed. Local governments that do not

operate their own landfill operate transfer stations that either 1) transfer solid waste out of their county to be disposed of in either a private a public landfill, or 2) transfer waste to a private landfill located within their county. Disposal contracts are negotiated based upon the tons disposed. As an incentive to locate a private landfill in a specific county, private landfill companies will typically offer the host local governments one or more of the following perks: 1) a discount on waste disposal, 2) free waste disposal, or 3) a small portion of the tipping fee it charges.

**Local Governments:** This bill would ban corrugated cardboard, wooden pallets and clean wood waste from landfills. By keeping this solid waste from going into the landfill, the fiscal impact on local governments varies depending on whether a particular local government owns its own landfill or transfers its solid waste outside of the county.

Local governments that transfer their solid waste outside their counties would realize a savings if this ban went into effect because they would have less waste to dispose of and consequently fewer tons of waste on which to pay a tipping fee. For the same reason, local governments that operate their own landfills would realize a lost of revenue because material that is not disposed does not incur the cost of disposal.

The Division of Waste Management estimates that banning these materials would reduce waste disposed statewide by approximately 800,000 tons a year. Although the tipping fees vary, the average of all tipping fees is \$30.00 per ton. If each ton costs \$30.00 to dispose of, then removing these materials from disposal would save approximately \$24,000,000 annually (800,000 tons x \$30/ton = \$24,000,000). This cost avoidance is a financial loss to landfills, but a financial gain to those governments that transfer their waste.

Currently, local government landfills receive approximately 62 percent of all state waste. This fiscal note assumes that local government landfills receive the same proportion of the three types of waste being banned by this bill. Consequently, local government landfills would receive 496,000 fewer tons of waste from corrugated cardboard, wooden pallets and clean wood waste (800,000 tons x 62% = 496,000 tons). This decrease would result in a gross loss of revenues of approximately \$14,880,000 (496,000 tons x \$30/ton = \$14,880,000). The net loss in revenues is unknown, but presumably it would be less than \$14,880,000 because these public landfills would also have fewer expenses as a result of handling less waste.

Counties that have host agreements with private landfills may also lose some revenue as a result of the ban if they share a portion of the tip fee. Based on the Division of Waste Management's knowledge of these agreements, a \$1.00 per ton appears to be the typical local government share of the private landfill's tip fee. If you assume all local governments have tip fee sharing host agreements at \$1.00 per ton, then the host counties would lose approximately \$304,000 in revenue (800,000 tons x 38% private landfills x \$1.00/ton = \$304,000).

**Recycling Efforts:** According to the Department of Environment and Natural Resources, the three materials that are banned from landfill disposal by this bill have historically been recycled in large quantities for many years. Cardboard has been successfully recycled by

many businesses and industries for years. Pallet recycling has developed recently with the growth in the use of chipped wood for mulch and boiler fuel.

These recycling efforts divert material from being deposited in landfills. This diversion helps the to extend the life of the landfill by reducing the volume of waste it receives.

***Cardboard:*** Some local governments will have no impact from the cardboard element of the bill as cardboard is already banned by local ordinances from disposal and consequently, infrastructure and services to manage it are already in place and operational. Thirty-one counties currently have cardboard bans in place.

Other local governments provide existing services for cardboard so this fiscal note assumes the incremental cost associated with an increase in the volume of cardboard would be small. The potential in savings from tip fee avoidance associated with less waste could be used to offset the incremental operational costs of managing cardboard. Eighty-four counties already have public infrastructure in place to manage cardboard.

***Wood Pallets:*** Thirty-one counties already include wood pallets in their yard waste program so these local governments will have no costs with the wood pallet element of the bill. Local governments that do not offer a service of pallet management could rely on the private market since most of the wood pallets are used by private business.

***Clean Wood Waste:*** Little information was available on the recycling efforts for clean wood waste and the existing markets for this material. The Department suggested that some local governments that choose to offer clean wood recycling can do so by adding it to their yard waste-processing center. There may be an incremental cost associated with the increased volume of these recycled materials. Local governments may be able to offset this incremental cost with the sale of the shredded clean wood for boiler fuel or mulch.

**Waivers to Proposed Legislation:** This bill also provides local governments the option to petition the Department for a waiver from the prohibition of disposal of the banned materials if that local government can show that it would constitute an economic hardship based on the absence of markets for such materials. Effectively, this section of bill provides local governments with a mechanism to opt out of participation. It is unknown at this time the number of local governments likely to take advantage of this waiver.

**Department of Environment and Natural Resources:** The Division of Waste Management within the Department of the Environment and Natural Resources is responsible for permitting all landfills, conducting on-site inspections and enforcing the State's solid waste management laws. Because the Division already conducts on-site inspections as part of their regulatory responsibilities, the Division does need additional resources to implement the provisions of this bill.

**Department of Correction and County Jails:** Section 2 of the bill amends 130A-309.10 to add 3 items to the 8 existing category of items that are prohibited from landfills. Violation

is a Class 1 Misdemeanor. AOC data show 42 defendants in CY 2000 for the broad category of disposing of prohibited items. The addition of these new categories is not expected to significantly increase the number of cases in the court system.

Violations of this act are unlikely to impact the Department of Correction because Class 1 Misdemeanors rarely go to prison. In 1999-2000, approximately 15% of individuals convicted of class 1 misdemeanors received active sentences. The average sentence length imposed was 45 days. Sentences less than 90 days are served in county jails. While this bill could affect county jail beds, there is no data to indicate a substantial impact.

**TECHNICAL CONSIDERATIONS:** None

**FISCAL RESEARCH DIVISION 733-4910**

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**DATE:** April 25, 2001



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