

## **Economic Analysis for Colorado Senate Bill 19-192**

### **Legislative introduction**

Colorado Senate Bill 19-192 *Front Range Waste Diversion Enterprise Grant Program* if passed will create a state-owned enterprise within the Department of Public Health and Environment. The enterprise will collect user's fees at Front Range landfills proportional to the amount of solid waste disposed. The revenue from fees will be managed by the enterprise and allocated as grants to waste management projects intended to increase recycling, composting, and other means of diverting waste from landfills.

### **Economic Introduction**

The main intention of the bill appears to be to address negative environmental externalities associated with disposing of waste at landfills. This paper finds those externalities can be substantial. It also finds that increasing the user's fee on landfills will both reduce the externalities and can provide means for the

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One favorable tool for this is taxation. By imposing a fee for disposal at landfills, disposers will compensate society for the externalities created. The fee will increase the price of disposal at landfills, which will decrease the use of landfills. That decreases the negative externalities created by landfills. Additionally, it could discourage consumption, reducing the environmental externalities from the initial production of goods (Acuff p.15). The higher price will also increase demand for alternative waste management methods.

The higher price of disposal can have one negative effect which needs to be considered. That is if the price of disposal is too high people may resort to illegal dumping. The externalities associated with illegal dumping can very high (Palmer p.194). The bill plans to mitigate this by increasing the fee for littering.

The bill's proposed fee will reduce the use of landfills to a more efficient quantity but it does not fix the damage done by landfills alone. To extract even more social benefit from this market inefficiency, the revenue from the tax could be used to further clean up and mitigate the groundwater and atmospheric pollution from landfills. Unfortunately, the bill does not propose to use the revenue in this way. The flaws with its plan will be discussed in the next section.

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It may seem intuitive to reduce landfill use by increasing recycling and other waste diversion.

Recycling reduces the environmental impact from producing new goods. This is a positive effect. Lower recycling prices have the opposite effect. That is

In conclusion, SB19-192 intends to address externalities created by landfill use. Those externalities are substantial and increasing and thus should be addressed. The bill will be mostly successful at reducing the externalities by increasing the use tax on landfills. It could be much

## Reference

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