

Recycling Program Funding Options for Local Governments

Local governments have historically been primarily responsible for funding community recycling programs in the U.S. With operational costs increasing and recycling revenues declining, many communities as well as other stakeholders are seeking additional funding to support recycling programs. Some are looking to producers (i.e., brands offering consumer packaged goods in the marketplace) to take responsibility for funding recycling programs through extended producer responsibility (EPR) programs. To date, three states – Oregon, Maine, and Colorado – have passed EPR legislation for packaging. However, history indicates that many states will not be passing such legislation for a long time coming, hence other funding mechanisms will be needed. And even with passage of EPR legislation, some costs may not be covered with producer-generated funding, hence additional funding mechanisms may be needed.

Ideally funding mechanisms would be: 1) reliable; 2) efficient and effective; and 3) equitable/fair. As such they need to be sufficient to cover the costs they are intended to cover, transparent, sustainable over time (as necessary), and unlikely to be diverted to other uses. They should also incentivize desired behaviors such as source reduction and recycling.

Funding mechanisms are often best used in combination and paired with efficient programs that adopt good management practices including robust education, outreach and enforcement, and policies that support the program goals. Another best practice is to provide recycling service to residents as part of a “bundled” level of solid waste management services, rather than have residents “opt in” to the program and/or pay extra for recycling services.

State legislation can enable local governments’ ability to charge fees and taxes, but also can limit this ability as well as dictate how funds can be used, so it’s important for local governments to obtain attorney guidance when contemplating new funding mechanisms.

Described below are a variety of local mechanisms used to fund recycling programs, often along with other solid waste services, in communities across the U.S. Local funding is most effective at covering service-related capital and operating costs and can be less effective (unless pooled with other jurisdictions’ funding) in covering system improvements extending beyond the jurisdiction such as regional promotion campaigns, harmonization within a MRF shed, or funding of hub-and-spoke systems. Funding from state and federal grants, or financial assistance from organizations such as The Recycling Partnership or other trade associations, can be more effective for such purposes.

Local Government Funding Mechanisms to Support Recycling

Mechanism	Description Examples	Strengths	Drawbacks
Service Fees Paid Directly to Hauler (Private or Local Government)	<p>Fees paid to service provider by customer/generator to cover the cost of services provided by the hauler. Fees can be charged through utility bill, bag/tag purchases, or as a separate line item on the tax bill (if municipal service).</p> <ul style="list-style-type: none"> In Narragansett, RI, customers hire their own hauler and pay for recycling and trash collection directly or deliver trash and recyclables to the local transfer station. Commercial haulers must be licensed and must provide collection of recyclables as an integral part of waste collection services. 	<ul style="list-style-type: none"> Rates can be set to incentivize recycling/waste minimization, e.g., pay-as-you-throw user fee system. Rates can be set based on level of service, which may be perceived as equitable. Cost of service is transparent to resident 	<ul style="list-style-type: none"> Risk of nonpayment, which is borne by hauler and can affect rates. Does not provide revenues for local government to enhance recycling system or plan for sustainable materials management. Due to pressures to keep costs low, can result in service gaps and little or no education and outreach if sole source of revenue.

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<p>Additional Fees Paid to Local Government</p>	<ul style="list-style-type: none"> In Grand Rapids, MI, residents pay a variable rate for each “tip” of the cart depending on the cart size (\$3.15 to \$7.35 per set-out). Recycling is included at no extra cost. <p>Additional fees beyond direct service fees can be charged through utility bill or as a separate line item on the tax bill. May cover additional services that benefit the community, such as planning and oversight costs, household hazardous waste (HHW) management, litter prevention, waste tire management, drop-off centers, public space recycling, and bulky waste management. Can be considered an “availability fee” to ensure service is available to all, for the public good.</p> <ul style="list-style-type: none"> In Cheboygan County, MI, a \$36-per-household recycling fee is assessed for all households in participating municipalities to cover the cost of the County’s drop-off recycling and HHW programs. The fee is assessed annually as a separate line item on property taxes. State law dictates the maximum fee a local government can charge without requiring a vote. In Wake County, NC, a \$20 annual fee is charged per property parcel to pay for recycling and waste reduction activities. The fee is on the property tax bill. 	<ul style="list-style-type: none"> Costs are relatively transparent. Funds are generally protected from being diverted to other uses. Can be easier to change service fees than tax rates. 	<ul style="list-style-type: none"> Risk of nonpayment if not collected through tax bill, unless charged in advance. Fees may be seen as “an additional tax,” especially where service has previously been provided through the general fund tax base.
<p>Generation Fees</p>	<p>A fee paid to local government based on the amount of waste generated (or expected to be generated) by businesses or households regardless of who the service provider is. Essentially an availability fee to ensure service is available to all, which benefits the public at large.</p> <ul style="list-style-type: none"> Montgomery County, MD charges residential and commercial property owners a series of system benefit fees based on services provided, and amount of waste (broadly) expected to be generated. For commercial entities, the fee takes into consideration business type and square footage. Disposal is included; therefore, haulers serving in-county businesses and households do not pay a tip fee if waste is delivered to County facility. 	<ul style="list-style-type: none"> Can be used to help fund programs even if landfill is private or out of jurisdiction. Does not put facilities near state lines at a competitive disadvantage as fee is assessed on all generating properties. Can be structured to create economic flow control – essentially directing waste to publicly owned facilities. Can be structured to take into consideration certain levels of service as well as amount of waste expected to be generated by households or businesses by type/size. Can be assessed on tax bill – low risk of nonpayment. 	<ul style="list-style-type: none"> Setting fees initially can be burdensome. Risk of nonpayment if not collected through tax bill, unless charged in advance. Fees may be seen as “an additional tax,” especially where service has previously been provided through the general fund tax base. Can be burdensome to administer and may require an appeals process. If sole source of funding, may not incentivize waste reduction.
<p>Waste Collection Service/Disposal Surcharges</p>	<p>Per-ton fee charged on disposed waste at disposal facilities or % tax on waste collection and disposal services. This fee is paid by the hauler and passed along to the generator/customer.</p> <ul style="list-style-type: none"> Los Angeles County’s Sanitation District’s disposal surcharge of \$1.50 per ton on waste disposed at in-county facilities funds about \$16 million annually. An additional \$0.41 per-ton is charged by the County to fund health code enforcement, and \$1.40 per ton, the integrated waste management fee, is charged by the state. In Wake County, NC, there is a disposal ban on corrugated cardboard. Loads to be disposed are assessed a per-ton surcharge of nearly double the standard tipping fee if they contain more than 10% cardboard. 	<ul style="list-style-type: none"> Can be used to incentivize, reward, or support specific policies or programs. Disposal facilities/haulers incentivized to report and pay properly to retain permit. Can be assessed on certain types of waste to encourage recovery. % tax is less likely to be impacted by waste reduction. 	<ul style="list-style-type: none"> Can put local disposal facilities at a competitive disadvantage. Total revenues can decline as waste minimization and recycling behaviors increase with per-ton fees. % tax usually paid by haulers, which can be administratively burdensome and requires audits. Per-ton disposal discharge may not incentivize waste reduction, unless volume-based user fee also used as funding mechanism.

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Host Fees	<p>Per-ton fee charged on disposed waste at private disposal facility located in jurisdiction often as a condition of siting a landfill in a particular location.</p> <ul style="list-style-type: none"> The Pine Bend Landfill (Allied Waste) pays voluntary host fees to City of Inver Grove Heights and Dakota County, MN. The County averages \$2.8 million in host fee revenues annually, which is all deposited into the Environmental Legacy Fund and helps fund recycling and solid waste management programs. In Pennsylvania Act 101, Chapter 13, mandates that landfills pay a \$1-per-ton “host municipality benefit fee” to the municipality; however, counties can assess per-ton fees as well, and municipalities may negotiate a higher host fee. 	<ul style="list-style-type: none"> Reliable source of funds. Funding level can be significant. Relatively easy to implement and manage. Can be structured to have both a fixed and volume-based portion. 	<ul style="list-style-type: none"> Does not encourage waste reduction. Revenues may provide a disincentive to local governments to promote recycling/waste reduction. Funds may be used for other uses, depending on how structured. Funds may decline over time if waste reduction/recycling increase. Generally only implemented where private landfills exist.
Franchise/Contract Fees	<p>Contracts and franchise agreements can be structured so that fees are paid to the local government.</p> <ul style="list-style-type: none"> Several cities include educational fees in their recyclables processing contracts. The City of Houston’s contract with FCC includes a payment of \$100,000 for the City for recycling education/outreach. The City of Portland has franchise agreements with nine haulers, who each serve one or more residential zones. The haulers remit a franchise fee of 5% of net revenues to the City. This totals approximately \$3.7 million annually. Commercial haulers pay the City \$14.60 per ton for solid waste collected in the City along with an annual permit fee of \$350. This raises approximately \$4 million annually. These fees go into the SWM Fund. 	<ul style="list-style-type: none"> Can ensure funds are protected from being diverted to other uses. Can help keep user fees or other funding mechanisms low. Can help fund both residential and commercial programs. 	<ul style="list-style-type: none"> Some may see as a “pass- through” to local government Can make total solid waste management costs less clear/transparent to customer.
Sale of Recyclable Materials	<p>Net revenues from the sale of recyclable materials.</p> <p>Due to the decline in commodity prices in recent years, many processing contracts have been changed to share in market risk, and even allow the processor to dispose of materials if they lack markets.</p> <ul style="list-style-type: none"> Ocean County, NJ, has remitted over \$17 million back to towns since the recycling program began in 1996 and recently funded a \$5 million MRF upgrade. 	<ul style="list-style-type: none"> When markets are strong, can be a considerable amount of revenue. Can provide an incentive for communities to maximize recycling tons and quality. The City of Houston’s processing contract reflects this strategy, sharing revenues, paying a processing fee, and capping costs at \$19 per ton. 	<ul style="list-style-type: none"> Revenues are volatile, making it difficult to rely on revenues. Revenues can be relatively low, depending on market factors.
Property Taxes	<p>Millage on property tax allocated to recycling and other solid waste management services.</p> <ul style="list-style-type: none"> In Kalamazoo, Michigan, a refuse millage of 1.8 mills is considered a special revenue fund and supports the solid waste and recycling programs, generating approximately \$3.1 million annually. 	<ul style="list-style-type: none"> Low nonpayment rate. Reliable and significant funding source. Tax deductible for taxpayer. Minimal administrative burden. Level of revenues is consistent – not likely to be reduced when the amount of waste disposed declines. 	<ul style="list-style-type: none"> Not tied directly to level of service – may be seen as inequitable. Does not incentivize waste, minimization/recycling. Funds compete with other needs – may be at risk from year to year. No transparency regarding costs of services. Can be politically challenging to increase rates. Some properties that receive service may be exempt (equity issue).

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Special Assessments	<p>A charge against real property for an improvement or service. Often used for one-time capital expenditures.</p> <p>(Note: May require public hearing. Property exempt from taxes (e.g., schools, churches) may not be exempt from special assessments.)</p> <ul style="list-style-type: none"> • Carver County, MN, charges a special assessment on annual tax bills. Residential properties are charged \$33 per year; commercial properties are charged based on a percentage of property value. These revenues help fund recycling and other environmental efforts. 	<ul style="list-style-type: none"> • Secure from being diverted to another purpose. • Levied in advance of project or service, so no risk of nonpayment. • More transparent than allocation of taxes. • Minimal administrative burden. • Level of revenues is consistent – not likely to be reduced when amount of waste disposed declines. • Can be used as a short-term mechanism to secure funding for a special project. 	<ul style="list-style-type: none"> • Not tax deductible for generator. • May or may not be tied directly to level of service – may be seen as inequitable. • May not incentivize waste reduction. • Can be politically challenging to implement.
Sales Tax	<p>A local sales tax charged on specified goods sold within the jurisdiction.</p> <ul style="list-style-type: none"> • Delaware County, NY, charges a 4% local sales tax on certain goods (on top of 4% state sales tax) to help fund the solid waste management complex. 	<ul style="list-style-type: none"> • Relatively consistent source of revenues. • Administrative system in place if sales tax already established. 	<ul style="list-style-type: none"> • Funds are at risk of being reallocated if not managed in a special fund. • At times what is taxable changes, impacting revenues. • Little transparency, no incentive to reduce waste. • Can be politically challenging to implement.

Steps for Funding Success

