CARTON COUNCIL
recyclecartons.com

Recycling Program Funding Options for Local Governments

Local governments bear primary responsibility for funding community recycling programs. With operational costs increasing and recycling revenues declining, many communities are seeking additional funding for their programs.

Described below are a variety of mechanisms used to fund recycling programs – often along with other solid waste services – in communities across the U.S. Ideally, funding mechanisms are reliable, adequate, transparent, sustainable over time (as necessary), and unlikely to be diverted to other uses, and 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 for no separate, optional cost (i.e., recycling service is automatically provided and is "bundled" with a basic level of trash collection for which one fee is charged). The trend is toward making costs of materials management known to generators and charging visible (often variable) fees, rather than the cost of service being hidden in the tax base.

State legislation can enable but also limit the types and amounts of fees or taxes local governments can charge, and how funds are used, so it's important for local governments to obtain attorney guidance when contemplating new funding mechanisms.

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 an MRF shed, or funding of hub-and-spoke systems.

Funding from state or public/private grants and assistance such as that made available by The Recycling Partnership may be more effective for such purposes.

Local Government Recycling/Sustainable Materials Management Funding Mechanisms

Mechanism	Description Examples	Strengths	Drawbacks
Service Fees Paid Directly to Hauler (Private or Local Government)	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). • 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. • In Grand Rapids, MI, residents pay a variable rate for each "tip" of the cart depending on the cart size ($3.05 to $7.15 per set-out). Recycling is included at no extra cost.	• Rates can be set to incentivize recycling/waste minimization, e.g., pay-as-you-throw • Rates can be set based on level of service, which may be perceived as equitable • Cost of service is transparent to resident	• 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

CARTON COUNCIL
recyclecartons.com

Additional Fees Paid to Local Government	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. • In Cheboygan County, MI, a $25-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 allows local governments to charge a fee of up to $25 per year 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.	• Costs are relatively transparent • Funds are generally protected from being diverted to other uses • Can be easier to change service fees than tax rates	• 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
Generation Fees	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. • 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.	• Can be used to help fund programs even if landfill is private or out of county/town • 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	• 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

Waste Collection Service/Disposal Surcharges	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. • 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.	• 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	• 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
Host Fees	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. • The Pine Bend Landfill (Allied Waste) pays voluntary host fees to City of Inver Grove Heights and Dakota County, MN. The County averages $2.7 million in host fee revenues annually, which is all deposited into the Environmental Legacy Fund. In 2017, the County allocated $1.6 million to 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.	• 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	• 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	Contracts and franchise agreements can be structured so that fees are paid to the local government. • 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 Solid Waste Authority of Palm Beach County, FL, has exclusive franchise agreements with four haulers, each servicing residents in one or more districts. The haulers remit a franchise fee of 3% of net revenues to the Authority quarterly. This totals approximately $1.25 million annually and funds residential recycling and solid waste collection costs. Residential garbage disposal is funded through fees on tax bills.	• Can ensure funds are protected from being diverted to other uses • Can help keep user fees or other funding mechanisms low	• 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	Net revenues from the sale of recyclable materials. 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. • Ocean County, NJ, has remitted over $16 million back to towns since the recycling program began in 1996. Although revenues have declined in recent years, the County is still able to remit revenues.	• 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 new processing contract reflects this strategy, sharing revenues, paying a processing fee, and capping costs at $19 per ton.	• Revenues are volatile, making it difficult to rely on revenues • Revenues can be relatively low, depending on market factors
Property Taxes	Millage on property tax allocated to recycling and other solid waste management services. • 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 $2.6 million annually.	• 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	• 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)
Special Assessments	A charge against real property for an improvement or service. Often used for one-time capital expenditures. (Note: May require public hearing. Property exempt from taxes (e.g., schools, churches) may not be exempt from special assessments.) • Carver County, MN, charges a special assessment on biannual tax bills. Residential properties are charged $25 per year; commercial properties are charged based on a percentage of annual revenues. Revenues help fund recycling and other environmental efforts.	• 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	• 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	A local sales tax charged on specified goods sold within the jurisdiction. • 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.	• Relatively consistent source of revenues • Administrative system in place if sales tax already established	• 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

CARTON COUNCIL
recyclecartons.com

Steps for Funding Success

1. Identify true costs of existing and desired services.
   - Debundle costs for each service
   - Use full cost accounting

2. Assess and enhance cost-effectiveness of programs. Consider:
   - Benchmarking against similar communities
   - Regionalization
   - Public/private partnerships

3. Consider appropriate funding mechanisms and identify their strengths/barriers. Meet with elected officials and key stakeholders to discuss options and receive input.

4. Develop draft funding and management strategy. Solicit feedback from elected officials and key stakeholders. Ensure public is aware of benefits of existing/planned services.

5. Finalize and implement funding/management strategy and any new programs/program enhancements.

6. Monitor progress including:
   - Track costs and performance
   - Solicit customer feedback
   - Implement continuous improvement program