

# RESIDENTIAL RECYCLING INITIATIVE

## **GUIDE: OPERATIONAL AND FUNDING OPTIONS FOR MUNICIPAL RECYCLING PROGRAMS**



### OPERATIONS

A municipal program should, at a minimum, provide for the collection of residential recyclable material at the residents' curbs, at one or more drop-off sites, or a combination of both. Whether the municipality chooses to process and/or market the collected recyclables will need to be determined by the municipality, as well as the types of recyclable materials to be collected by the program. The options listed below represent only a sampling of different options that a municipality could implement. Each municipality should determine the best option(s) based on individual circumstances.

#### OPERATIONAL OPTIONS:

- Operate their own equipment to collect the recyclables and deliver them to their own material recovery facility (MRF) for processing and marketing.
- Operate their own equipment to collect the recyclables and contract with and deliver them to another public or private MRF for processing and marketing.
- Contract with one or more public or private haulers to collect the recyclables and have them delivered to either their own MRF or contract and deliver them to a MRF of the municipality's choosing.
- Contract with one or more public or private hauler(s) to collect the recyclables and have the contracted hauler(s) deliver them to a MRF of the contracted hauler(s) choosing.
- Require by ordinance that any public or private solid waste hauler operating within the jurisdiction of the municipality obtain a license to operate within the municipality. The license provision can require the solid waste haulers to meet certain recycling and/or solid waste collection requirements such as providing curbside and/or drop-off recycling services. The ordinance could also require other provisions such as offering variable, volume-based pricing for the collection of solid waste. Volume based pricing provisions often result in an increase in the amount of recycled material collected by the program.

Depending on the option chosen, the municipality can fund the program itself, or require through contract that the service provider bill residents directly.

#### FUNDING OPTIONS:

- General fund dollars can be used to fund the entire program costs or a portion of the costs. A special assessment fee can be used by municipalities to provide an improvement or service that benefits those living in the municipality, such as recycling and solid waste services. Depending on the type of fee, voter approval is not required. Below are two examples of special assessments that are currently being used to fund recycling programs in Michigan.
  1. Under Public Act 185 of 1957, counties can create a board and department of public works that can incur contract obligations, levy taxes, issue/pay bonds and implement special assessments in order to establish, improve, operate, and maintain a recycling program within one or more areas of the county. Program costs are usually estimated in advance and the fees are evenly distributed to each household living within the municipality's jurisdiction.

2. Under Public Act 69 of 2005, counties can work with some or all of their local units to establish recycling, composting and/or household hazardous waste projects. The county can collect up to \$25/year from households in the local units that have approved an agreement with the county. Further, subject to the approval of local voters, the county may collect up to \$4 per month or \$50 per year. Commercial businesses could be subject to the surcharge, with voter approval. To hold an election on the increased surcharge, the county board of commissioners must pass a resolution with specific information. The initial authorization for the additional surcharge is for a period of five years. Subsequent authorizations are for at least 10 years. The surcharge approved by voters would not apply to vacant land, land owned by a public utility, rights-of-way, and easements that do not generate solid waste.

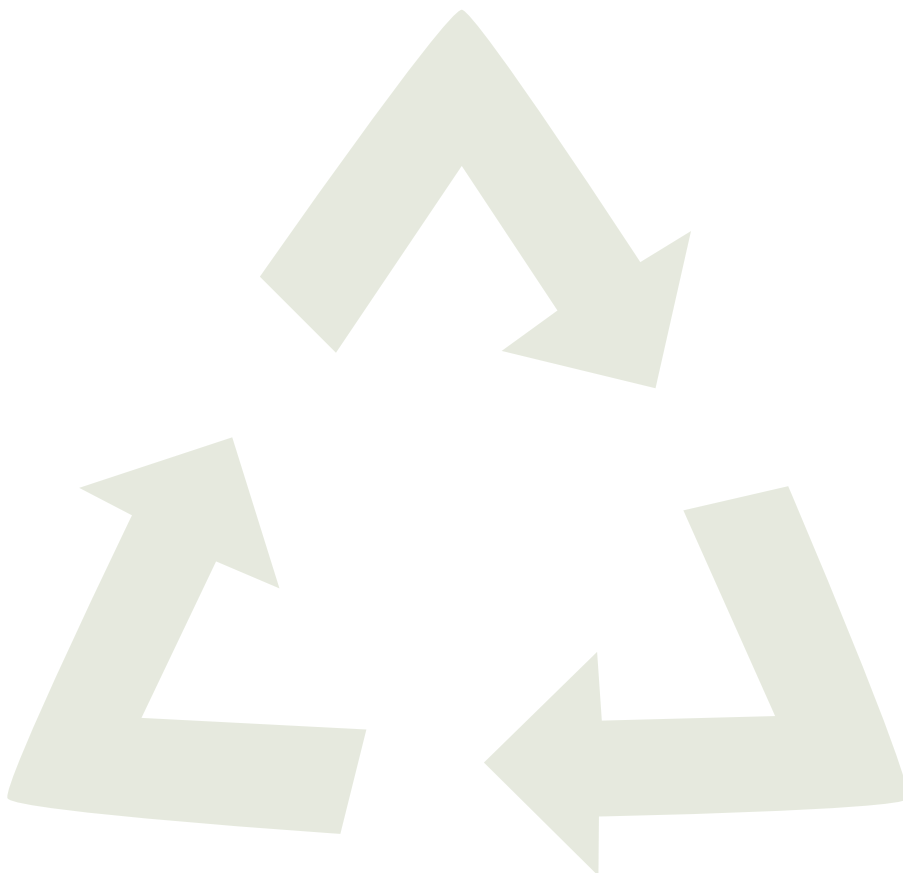
**See the Michigan Department of Environmental Quality's (DEQ's) guide on special assessments ([http://www.michigan.gov/documents/deq/ResidentialRecycling-SpecialAssessments-web\\_489180\\_7.pdf](http://www.michigan.gov/documents/deq/ResidentialRecycling-SpecialAssessments-web_489180_7.pdf)) for further information on special assessments at [www.michigan.gov/mirecycles](http://www.michigan.gov/mirecycles).**

- A millage can be utilized to fund recycling and solid waste programs. There are two main types of millage that generate property tax revenue for governmental services: general fund allocated and special purpose. A general fund allocated millage is often referred to as an operational millage that is used for a variety of municipal services. A special purpose millage is often referred to as a dedicated millage that is only to be used for a specific purpose such as a recycling program. Some millage types, such as the general fund allocated millage, do not require voter approval. Other millage types, such as a special purpose millage, do require voter approval.
- Working together, municipalities can act in unison through intergovernmental agreements to operate and/or fund their recycling programs. Each individual municipality would be obligated for their share of the operating costs. Municipalities working together can often lower the overall costs of their program versus each municipality offering their own service. Solid waste and resource recovery authorities are examples of this type of intergovernmental agreement incorporated under the provisions of Public Act 179 of 1947.
- Municipalities that own a solid waste disposal facility (landfill, transfer station, etc.) within their jurisdiction can establish fees for using the facility that can be used to fund either the entire program costs or a portion of the costs. This type of funding mechanism often requires an ordinance requiring all solid waste haulers operating within the municipality's jurisdiction to deliver their solid waste to the publicly-owned facility. This type of funding option can also be used by multiple municipalities working together through an intergovernmental agreement. In some cases, an ordinance can require haulers to use a disposal facility designated by the municipality that is not owned by the municipality. The ordinance would require the haulers to pay a fee at the designated disposal facility for solid waste generated from the municipality's jurisdiction.
- Municipalities that have a private solid waste disposal facility (landfill, transfer station, etc.) physically located within their jurisdiction can negotiate 'host community' fees with the private solid waste disposal facility that can be used to fund the entire program costs or a portion of the costs.
- On their own or in unison through intergovernmental agreements, municipalities can use contracting and/or ordinances to select a single hauler or multiple haulers to provide solid waste and recycling services to all households and establish a fee collection mechanism to cover the cost for the service. Through intergovernmental agreement, a third party (board of public works, authority, etc.) can be assigned this responsibility by the local unit. In other cases, a uniform ordinance requiring private solid waste haulers to meet certain recycling requirements and to include the costs for those programs in their overall solid waste service fees could be utilized. A license or franchise fee could also be required from the private haulers to assist with program costs.

## ADDITIONAL FUNDING SOURCES:

These potential funding sources should only be used to supplement the cost of a municipal recycling program. They should not be relied upon as a main program funding source. Often, the general public may also benefit from a special assessment project or service. In these cases, a government unit may decide to cover part of the cost through general funds, service fees, grants, or other funding sources.

- Programs can use the revenue from the sale of recycled materials to help off-set the costs for the program. Examples of this type of funding supplement include a public-owned facility selling their own collected materials, or a publicly-owned collection program receiving a share of the revenue generated from the sale of their collected recyclables by another MRF through a contractual agreement. While this type of revenue is typically available, due to the large fluctuation in market prices paid for recyclables, a program should not rely on the sale of recyclables as their primary source of program funding.
- Programs can charge additional fees for various services. An example is a recycling drop-off facility that collects a “per bag” charge for citizens wishing to also drop-off their solid waste at the facility. This revenue could be used to help off-set program costs such as education and outreach. In certain cases, municipalities may also need to charge users a fee for recyclable items that have a recycling cost (fee) associated with that item. Examples may include electronics, mattresses, scrap tires, latex paint, etc.
- Programs can use grants and low-interest loans to help off-set some of the cost of the program. Grants and loans can be used for a variety of program needs, such as the costs for initial operation, replacing equipment, education and outreach programs, new program initiatives, etc. There are a wide variety of grants and loans that can be used directly by a municipality, including private or private/public partnerships such as the Closed Loop Fund or The Recycling Partnership; Federal and State of Michigan grants and loans; non-profits or foundations such as Keep America Beautiful or the W.K. Kellogg Foundation; local conservation programs, etc.
- To learn about additional grant opportunities, see the DEQ’s recycling grants in Michigan overview ([http://www.michigan.gov/documents/deq/deq-owmrp-RecyclingGrants\\_Brochure\\_full\\_page\\_533791\\_7.pdf](http://www.michigan.gov/documents/deq/deq-owmrp-RecyclingGrants_Brochure_full_page_533791_7.pdf)).



This document is a general guide only, and should not take the place of consultation with a municipal or township finance and law specialist. These organizations can connect you with experts in your area:

Michigan Townships Association: [www.michigantownships.org](http://www.michigantownships.org)

Michigan Municipal League: [www.mml.org/home.html](http://www.mml.org/home.html)

Michigan Association of Counties: [www.micounties.org](http://www.micounties.org)



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