

Funding Mechanisms for Solid Waste

Waste 2 Resources Advisory Committee Meeting
May 16, 2017

Overview

As the Department of Ecology was updating the State Solid and Hazardous Waste Plan, local governments and other stakeholders expressed concerns regarding how to strengthen funding for solid waste management. To help address those concerns, the Department of Ecology contracted with Cascadia Consulting Group, in partnership with Abbe and Associates and FCS GROUP, to research potential options. This research is divided into three parts:

1. Update current funding mechanisms used in Washington State.
2. Identify potential funding mechanisms to consider.
3. Recommended funding mechanisms for Ecology to consider.

Key Findings

Flexible city and county mechanisms exist but may be underutilized by municipalities.

- **Cities** have the authority to provide collection directly or to establish waste contracts that include collection, education, litter cleanup, or other services (RCW 35.21.120). Contracts can include administrative and other fees or surcharges to support city-provision of other waste system components, such as enforcement, planning, or post-closure landfill activities.
- **Counties** have the authority to establish a solid waste disposal district with the power to charge excise taxes (RCW 36.58.100-150). Counties also have the authority to establish a solid waste collection district to mandate collection (RCW 36.58A) and set minimum standards for collection and solid waste handling (RCW 70.95.090) in unincorporated areas.
- **Local health departments** have the authority to establish and enforce regulations that protect public health and to establish fee schedules for services provided (RCW 70.05.060). These fees and services can include hazardous waste programs.

State funding has been reduced due to redirections of historic funding sources by the Legislature, oil-price volatility, and a lack of dedication of the Solid Waste Collection Tax to the solid waste system.

- State-level funding supports grants that are a key source of funding for local governments, particularly for rural and Eastern Washington communities.
- The Solid Waste Collection Tax has historically been used to fund loans for public infrastructure (via the Public Works Trust Fund) but has not been dedicated to solid waste infrastructure.¹ Furthermore, it has been redirected away from the fund since 2011.²

- Coordinated Prevention Grants, which provide grants from the state to local governments, have been reduced by nearly half of historic levels primarily due to decreased Hazardous Substance Tax receipts and redirection of funds to activities previously funded by the General Fund.³
- Starting in 2009, funding redirections of the Litter Tax forced the Department of Ecology to suspend certain litter programs as well as staff work on waste reduction and recycling.⁴

The primary new approach used in other states and countries is extended producer responsibility (EPR) for targeted hard to handle products, such as paint, to more common recyclable products, such as packaging and printed paper.

- Washington State and individual counties have already enacted EPR for limited categories of products, including certain electronics, mercury-containing lights, and pharmaceuticals.
- Jurisdictions in Canada and Europe have successfully used this mechanism to fund collection and education for covered materials. For example, British Columbia’s EPR program has achieved a 77% recovery rate for covered products.

Solid waste collection rate structures could be made more transparent and sustainable by using practices common in other utilities.

- Sustainable rate structures must balance the relatively fixed costs of providing service—such as providing a container, conducting education and outreach, and account administration—with the variable usage costs—such as tip fees for disposing or processing waste.
- Rate structures that provide “free” recycling and composting incentivize recovery but inaccurately present the true costs of each service to customers.

Other funding mechanisms used elsewhere included methods that do not appear superior to mechanisms already authorized in Washington State.

- Sales taxes have no direct nexus with solid waste, are regressive, and have state law caps.
- Property taxes have state law caps and are already used for many other purposes.
- Real estate excise taxes have no direct nexus with solid waste and vary with real estate market.
- General fund revenues are less reliable than dedicated funding sources.

While not addressed by this current research effort, opportunities to reduce costs, such as by switching to every-other-week garbage collection, may exist to extend the reach of current funding sources.

Recommendations

Cascadia's recommendations are based on the following criteria:

- Financial strength and stability
- Solid waste nexus
- Stakeholder feedback
- Feasibility
- Tested mechanism
- Environmental and social sustainability

State-Level Funding Recommendations

Solid Waste Collection Tax (SWCT)

- Work to dedicate existing tax revenues to solid waste purposes, or to raise tax and dedicate increase to solid waste purposes
- Consider expanding to additional material streams (potentially at differential rates)

Hazardous Substance Tax (HST) for Coordinated Prevention Grants (CPG)

- Work to re-dedicate funding to waste-related purposes (CPG)
- Consider the surtax to support funding stability (proposed in 2017 legislature)
- Consider updating the list of taxed substances and products

Litter Tax

- Work to re-dedicate funding to solid waste, litter, and clean-up
- Update list of covered products to make sure it reflects items that are littered

Extended Producer Responsibility

- Seek to expand statewide EPR for hard-to-handle and hazardous products, potentially printers and peripherals, medicine, paint, mattresses, batteries, and/or appliances with refrigerants
- Monitor effectiveness, and stakeholder impacts of packaging and printed paper programs elsewhere for potential future consideration

Local-Level Recommendations

Cascadia recommends that Ecology supports **training to cities, counties, and local boards of health** on how to use the existing, flexible options to support sustainable funding and that local governments (re)consider whether these funding mechanisms could meet their needs:

- County solid waste disposal districts and collection districts
- Local board of health fees
- Sustainable collection rate and tip fee structures
- Service level standards and mandatory collection
- Contract fees and embedded services
- Recycling revenue-sharing agreements

Recommended Next Steps for Ecology

Next steps for moving forward with recommendations include the following:

- Build out a preliminary package of state-level funding options.
 - Take the package on a “roadshow” to engage stakeholders face-to-face, gather feedback, and build support.
 - Revise funding package as needed based on stakeholder feedback.
 - Move forward with legislative and regulatory changes supported by stakeholders.
- Support trainings for local government partners on local funding options and sustainable rate structures.
- Continue to monitor relevant activities elsewhere (particularly British Columbia, Oregon, and California).

¹ Washington State Legislature, RCW 82.18.040 (Solid Waste Collection Tax: Collection of tax—Payment to state). Washington State Legislature, Chapter 43.155 RCW (Public Works Projects).

² Washington State Legislature, RCW 82.18.040 (Solid Waste Collection Tax: Collection of tax—Payment to state).

³ Washington State Office of Financial Management (Budget Division), “Report to the Legislature: Washington State Model Toxics Control Act Accounts,” November 2016, (www.ofm.wa.gov/reports/MTCA_ReportNov2016.pdf).

⁴ Washington Department of Ecology, Budget & Program Overview 2015-2017, Publication #15-01-007, Dec. 2015. Washington State Legislature, HB 1060 - 2015-16, “Directing state investments of existing Litter Tax revenues under chapter 82.19 RCW in material waste management efforts without increasing the tax rate,” 2015, <http://app.leg.wa.gov/bills/summary?BillNumber=1060&Year=2015>.