

DATE: 3/1/2011
TO: Interested Parties
FROM: Viola Bay Wild, Senior Fiscal Analyst
RE: Solid Waste Surcharge Fee Proposal

The following information details the Solid Waste Surcharge Fee increase proposal that is part of the Governor's Executive Recommended Budget for FY 2011-12.

Solid Waste Management Program

The Solid Waste Management program has various responsibilities concerning solid waste, such as issuing construction permits and operating licenses for municipal and industrial disposal facilities, including landfills, transfer stations, and processing plants, registering yard clippings compost facilities, and administering the electronic waste takeback program.

The Solid Waste Surcharge Fee increase proposal concerns the Department's responsibilities for the regulation of solid waste areas for the transfer, processing, and disposal of solid wastes, the oversight of the beneficial use of wastes, and the administration of the county solid waste management planning programs. In addition to inspecting the 74 currently open active landfills in the State, the DEQ has the responsibility to regularly monitor and inspect the additional 83 landfills that are now closed or in the process of closure.

Solid Waste Surcharge Fee

The current solid waste surcharge fee is **\$0.07 per cubic yard of solid waste** that is landfilled in Michigan. The surcharge is established in MCL 324.11525a and will sunset on October 1, 2011. The Governor's fee increase proposal would require a statutory change that would extend the sunset and increase the fee amount. The fee is not paid directly by landfill customers, but is paid by the 74 owners and operators of the solid waste landfills in the State. About 85 percent of the owners and operators are businesses and 15 percent are municipalities. The landfills are located throughout the State with 14 operating in the Upper Peninsula. The amount of the surcharge fee they pay is based upon the amount of waste that is disposed each year.

According to the DEQ, the current solid waste surcharge fee is inadequate to support the program. Staffing levels have been reduced to a level that is inadequate to continue long-term support for the program at a level that will eliminate risk to health and human safety. In addition, because of the current economic situation and the success of recycling and waste diversion efforts, the amount of solid wastes being disposed of is declining - which is causing an additional decline of revenues to the program, even though the work effort remains fairly constant for the Department. Without the proposed fee increase, additional program reductions will need to be taken.

Proposed Fee Increase

The fee increase proposal would **increase the surcharge fee from \$0.07 to \$0.12 per cubic yard** in FY 2012. This increased rate is anticipated to generate an additional \$1.9 million in revenues - which would bring the annual surcharge revenue to a total of \$4.6 million in FY 2012. This projected revenue amount is based on the assumption that 38 million cubic yards of solid waste will be landfilled in FY 2012. It is estimated that without the fee increase, at \$0.07 per cubic yard, the current fee would only generate \$2.8 million in total for FY 2012 (based on 40 million cubic yards of waste).

The fee proposal also includes raising the surcharge fee from \$0.12 to \$0.13 per cubic yard in FY 2013, to \$0.14 in FY 2014, and to \$0.15 in FY 2015. The chart below provides the Department's estimates of the projected revenue increase:

Solid Waste Surcharge Fee Proposal

Fiscal Year	Surcharge Fee (per cubic yard)	Estimated Revenue (in millions)	Projected Cubic Yards of Solid Waste (in millions)
2011-12	\$0.12	\$4.60	38.0
2012-13	0.13	4.68	36.0
2013-14	0.14	4.76	34.0
2014-15	\$0.15	\$4.80	32.0

Source: MDEQ

According to DEQ estimates, the current surcharge of \$0.07 per cubic yard costs the average family \$0.25 per year. In FY 2015, if the surcharge were increased to \$0.15 per cubic yard as proposed, the typical household would then pay a total of \$0.53 per year for the surcharge instead.

Because revenues have been declining for the Solid Waste Management Program, if this fee increase proposal is enacted, the level of appropriations in the DEQ budget bill will not need to be increased because there is sufficient appropriation authority already in the budget; revenues have not been high enough in recent years to reach the appropriation amounts in the bill. (In other words, if the fees are increased through a statutory change, the funding in the line item in the bill will not need to be increased.)

I hope you have found this information helpful. If you have questions or need further clarification, feel free to contact me at 3-8080.