



**House
Legislative
Analysis
Section**

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PERMIT GARBAGE TAX INCREASE

House Bill 4285 with committee amendments
First Analysis (3-9-89)

Sponsor: Rep. David M. Gubow
Committee: Taxation

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THE APPARENT PROBLEM:

Some cities in Michigan (perhaps 40 or 50) pay for their garbage collection and disposal programs through a special tax authorized by the legislature in 1917. A city council (or village board) can levy up to three mills for this purpose. Dramatic increases in the cost of these programs, particularly the cost of disposal, has prompted cities to ask for the ability to increase the levy, to a total of six mills. An official from Oak Park has testified that garbage disposal costs have risen from \$7 and \$8 per ton in 1974-1975 to \$30 per ton this year and next, with the expectation that costs could rise to \$70 per ton in the near future.

THE CONTENT OF THE BILL:

The bill would amend Public Act 298 of 1917 to increase from three mills to six mills the maximum tax on property that cities and villages can levy for the purpose of establishing and maintaining systems or plants for the collection and disposal of garbage. The amount of bonds that can be issued for that purpose would be increased accordingly. Currently, a city council or the president and board of trustees of a village can levy up to three mills; the bill would allow them to levy up to an additional three mills if approved by the voters. The bill would also specify that the tax is for the separating, composting, and recycling of garbage as well as its collection and disposal.

MCL 123.261

BACKGROUND:

A similar bill, House Bill 5581, passed the House in the 1987-88 legislative session.

FISCAL IMPLICATIONS:

The Department of Natural Resources described a similar bill last session as having no budgetary implications to the state. (6-7-88)

ARGUMENTS:

For:

The bill will help some Michigan cities cope with the rapidly increasing costs of operating garbage collection and disposal programs. It allows for an increase in the "garbage tax" from three mills to up to six mills with a vote of the people. This will allow cities to deal responsibly with their solid waste management problems. Without the bill, some cities that rely on this special levy will run significant deficits and will be forced to decrease other vital municipal services. The bill also adds language to encourage the separating, composting, and recycling of garbage.

Against:

Paying for garbage pickup and disposal through a general property tax offers households and businesses no incentive to reduce the amount of garbage they produce. A user

fee system offers this incentive and is therefore a superior financing method. Permitting a property tax increase will reduce the likelihood that a municipality will adopt a user fee approach. When the cost of garbage disposal is tied to the amount of garbage produced, people are more likely to explore alternatives, such as recycling. The use of the property tax to support garbage collection and disposal may be appropriate, but it should not be relied on too heavily.

Response: Certainly, the problem of waste disposal deserves greater public awareness and needs creative solutions. Some people have proposed making the producers or retailers of products build in the cost of the disposal (for example, by assessing fees at the point of purchase). Some people believe recycling should be mandatory and paid for out of public funds; otherwise, it will never become widespread. Nevertheless, while alternatives are explored, this bill would provide cities and villages with the means to deal with the immediate, pressing problem of how to finance their existing garbage operations. It is important to remember that the garbage tax cannot be increased in a community unless the voters agree.

Against:

Some people believe that all of the property taxes levied for garbage collection and disposal should be put before the voters (not merely the extra mills permitted by this bill) and that there should be a time limit (for example, five years) within which they would need to be voted on again.

POSITIONS:

The city manager of Oak Park testified in favor of the bill on behalf of that community and the Southeast Oakland County Incinerator Authority. (3-8-89)

A representative of the Michigan Municipal League testified in support of the bill before the House Taxation Committee. (3-8-89)

H.B. 4285 (3-9-89)