

Hamilton County Solid Waste Management District

Staff Report/Issue Analysis: Host Community Fees

Introduction and Summary

At a recent Policy Committee meeting, staff was asked to develop an analysis of the issue of host community fees in Ohio. Specifically, Staff was asked to provide background on the issue and a summary of the possible arguments for and against increasing the host community fee in Ohio.

It should be stated initially that the subject of landfills and their impacts is a sensitive one for many communities and their residents - as well as for the companies that own and operate those facilities. The purpose of this analysis is to provide the Committee with objective, baseline information to evaluate potential future efforts to revise the host community fee as stated in the Ohio Revised Code. The report lays out arguments in a pro/con manner based upon the assumption that the host fee, enacted through HB 592, was instituted as a means of compensating communities for the *tangible* impacts of landfills on a given community. It is understood that various stakeholders involved with this issue (both pro and con) may have additional information that the Policy Committee might find useful in deliberating the issue.

The analysis presented below seeks to examine the arguments both for and against the idea of altering the current host community fee. Again, this analysis takes as a given the fact that host fees have already been established to compensate communities for the tangible impacts of landfills on a given community.

In general, the arguments for altering the fee include:

- Minimizing conflict associated with landfill siting decisions by enhancing the incentive to potential host communities and,
- Providing a needed inflationary adjustment to the host fee allowed by State law.

The primary arguments against altering the host community fee include:

- Uncertainty over the current level of benefits, provided by the existing host fee, in relation to direct costs imposed by landfills within host communities and,
- The existing ability, under the current law, for host communities to address this issue by negotiating higher host fees and separate host community agreements.

The analysis below provides some background and then explores each of these and other arguments in greater depth.

Background

HB 592 was passed in 1988 as a means of updating Ohio's solid waste system and to provide a comprehensive set of solid waste laws for the State. As part of that law, the legislature included a provision that would allow townships and municipalities to receive compensation for hosting municipal solid waste landfills. Ohio Revised Code Section 3734.57 (C) states:

For the purpose of defraying the added costs to a municipal corporation or a township of maintaining roads and other public facilities and of providing emergency and other public services, and compensating a municipal corporation or township for reductions in real property valuations resulting from the location and operation of a solid waste disposal facility within the municipal corporation or township, a municipal corporation or township in which a solid waste disposal facility is located may levy a fee of not more than twenty-five cents per ton on the disposal of solid wastes at a solid waste disposal facility located within the boundaries of the municipal corporation or township regardless of where the wastes were generated.

Methodology

Telephone surveys were conducted with individuals possessing knowledge of fifteen landfills and host communities in Ohio. These conversations with host communities concentrated on the technical nature of the agreements and not on communities' satisfaction with the current host fee arrangement. Individual contacts included municipal and township officials as well as solid waste district managers with specific knowledge of host fees in their communities.

The Host Fee was set by State law in 1988 and has not been increased since.

Fees Generated by Rumpke Sanitary Landfill

Based upon 2003 waste flows, Rumpke Sanitary Landfill accepted 1.9 million tons of waste. Currently, Colerain Township assesses the 25-cent host fee allowed by State law. This equates to approximately \$475,000 in host fee revenue received by the Township in 2003. Under the terms of Rumpke's southern expansion, the host fee will increase to 45 cents per ton. Assuming similar waste flows, this will equate to annual host fee revenues of approximately \$855,000. For perspective, Colerain Township's 2003 General Fund Budget totaled \$8.5 million. The Township's All-Fund budget, according to the Township Clerk's website, totaled \$26.5 million.

Use of Fees

In general, the host fee provision was placed into HB 592 as a means of ensuring that local jurisdictions were compensated, financially, for the increased costs placed upon their community from the location of a solid waste facility. These costs include road maintenance, emergency services, and lower property tax revenues (from lower property

values surrounding the facility). Surveys indicate that most host communities typically incorporate this revenue into the general fund to be used for projects and programs related to general government.

Arguments Supporting an Increase to ORC's Host Fee Language

1. The authors of HB 592 obviously thought it important to ensure that a mechanism was established for abating the direct community impacts of hosting a landfill. As such, the Hamilton County Solid Waste Management District, as home to a host community, should support efforts to ensure that such a fee is set at a rate capable of offsetting such impacts.
2. An increase to the host fee may alleviate some of the battles that typically occur with the siting or construction of new landfills. Such battles are becoming increasingly intense given the reduced space to site additional landfills, debate over out-of-state waste, etc. As the financial incentive to communities is enhanced, more communities may be willing to serve as a host community – particularly in times of financial stress.
3. An increase in the host fees may be necessary to adjust for inflation. The General Assembly enacted the 25-cent host fee provision back in 1988. Since that time, it has not been adjusted for inflation. It may be argued, therefore, that this fee level is now insufficient to compensate a host community for the costs of hosting a landfill.

Arguments Against Supporting an Increase to ORC's Host Fee Language

1. There is little available evidence to show that the existing host fee is insufficient to offset the direct impacts (road maintenance, emergency calls, inspections, etc.) of landfills in the State. This is not to imply, definitively, that current revenues exceed the costs imposed to host-communities – only that little formal analysis has been applied to the issue. In gathering this information, only one instance was found, in Clark County, where detailed analysis was applied to the direct benefits and costs of hosting a landfill.

In the case of German Township in Clark County, the township would have received approximately \$245,700 in host fees from a proposed landfill. Projected increased expenditures to the Township would have totaled \$100,000 for road paving and additional funds to cover the costs for one police officer to perform increased monitoring of speeding and unsecured loads by refuse vehicles. Since the landfill was never constructed, no analysis of lost property tax revenues, or other positive or negative economic impact, was performed. Other costs were identified, namely for road improvements, hiring of sanitarians, installing fire hydrants, etc, but these costs were imposed upon levels of government other than German Township.

Because each community and every situation is different, it is difficult to apply this, or any other, example across the board. Until a more comprehensive, statewide

analysis of this issue is performed, it would be difficult to argue for a substantial increase to the host fee currently specified in Ohio Revised Code.

2. Much of the available literature* does demonstrate that landfills have some impact on property values immediately surrounding the facility. Whether this impact is negative, positive, or non-existent varies with each study. The nature and extent of all these impacts, however, seems to be highly variable, localized (confined to a certain area around the landfill), and subject to much debate - as the market value of properties can be affected by a variety of factors including schools, crime, transportation, etc. As such, in order to address an issue that is statewide in nature, it is more appropriate to set a baseline host fee coupled with the ability of jurisdictions to negotiate higher compensation on a case by case basis.

Note: Whether or not a host community's property tax revenues decline due to the proximity of a landfill is a very difficult matter to assess – especially using broad data sources which are commonly available. The Hamilton County Regional Planning Commission has released reports which detail the growth and/or decline in market and assessed property values, by community, over the past ten years. These values vary depending upon whether they are reporting sale values or assessed values. In addition, the Hamilton County Auditor's Office possesses information that it uses for its triennial update of property values in the County. There is significant variance in the figures reported by each of these sources. In fact, each of these tools is much too blunt to be used to assess this issue as they provide community wide assessments of property values and are not confined to specific areas of a community. To assess the impact of RSL on property values in Colerain Township would require an assessment effort beyond the scope of this report.

*A fair amount of research exists on the issue of landfills and property values. As the results of these studies vary widely, staff did not feel it appropriate to highlight conclusions of individual pieces of research. To do so would be counter-productive. Based upon this research, it is the conclusion of staff that the impact of a landfill on residential property values should be determined on a case-by-case basis – not by attempting to force the results of prior research onto an unrelated situation.

3. While the ORC sets forth a minimum host fee, nothing in the current law prevents jurisdictions from negotiating higher compensation or separate host fee agreements. Several jurisdictions, including Colerain Township (per the agreement involving Rumpke's southern expansion), New Russia Township (Lorain County), and the City of Dayton, have negotiated host community agreements higher than, or in addition to, the 25 cents per ton. In fact, it can be argued that this was the intent of the General Assembly given that the financial impact of different facilities will vary depending upon their size, location, proximity to residences, etc.

At least one township in Ohio, New Russia Township in Lorain County, has written an inflationary clause into their current host community agreement – linking

compensation to the CPI. Given that communities currently possess this authority, there is no reason to revise State legislation.

4. While the host fees have not been increased for inflation, the tonnage accepted by RSL has increased over the past decade. Thus, an argument can be made that for communities where this is the case, total compensation has, in fact, increased over the past several years.

Potential Support/Opposition

While likely supporters of such an increase would include communities currently hosting solid waste facilities, opponents would include: the solid waste industry, chambers' of commerce, organizations representing political subdivisions, various trade associations and representatives of any other group which would be impacted by higher fees. Opposition would be highly dependent upon the degree of increase proposed to the host fee.

Summary

In conclusion, it is widely known that landfills, and other large-scale intensive land uses, can have impacts on host communities. The Ohio General Assembly recognized this fact, as it applies to landfills, when HB 592 was enacted. What is currently unknown, however, is how the revenues provided by the current host fee compare with the associated costs (in terms of services provided or lost property tax revenues) to host communities. While other communities or organizations may have examined this, District staff was able to locate only one community, Clark County, Ohio, which had partially addressed this issue.

Taken as a whole, the arguments presented above would bode poorly for the passage of any proposal suggesting a dramatic increase in the host fees allowed under State law. Smaller increases, perhaps tied to inflation, may be more likely to gain widespread support. (Applying an inflation rate of 3% over 15 years yields a revised rate of approximately 39 cents).

Finally, it should be noted that the information in this report is provided to give the Policy Committee a basic understanding of the arguments for and against supporting an increase to the host fee. While the specific information provided is accurate, it may not be entirely inclusive of all existing information on this subject. For example, as only a limited number of host communities were surveyed, additional information may exist that was not compiled for this report. Further analysis can be provided if needed.