

# Primer

House Appropriations Committee (D)



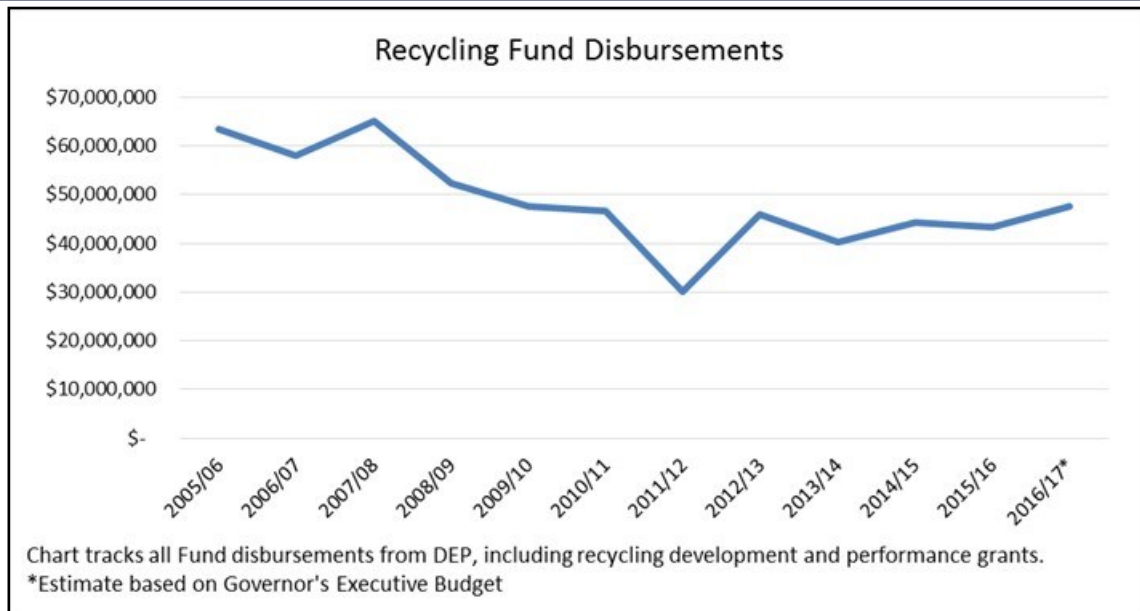
**JOE MARKOSEK**, DEMOCRATIC CHAIRMAN

September 28, 2016

## The Recycling Fund

The 2016/17 budget was the product of strong, bipartisan compromise, but the end product contains a number of questionable transfers and policy decisions that should be carefully monitored. For example, the transfer of \$9 million from the Recycling Fund to the state General Fund.

While the Recycling Fund carried a balance to accommodate this transfer, and although this transfer is not a new practice, this should not be considered as a sustainable practice. The Recycling Fund receives the bulk of its revenue from “tipping fees” (the waste disposal fee charged at municipal landfills) and is the vehicle the commonwealth uses to promote recycling programs, subsidize public recycling education initiatives, and provide for other environmental remediation efforts.



The municipal waste industry in Pennsylvania disposes 8.6 million tons of solid waste annually through 45 municipal waste landfills, five construction demolition landfills, three residual waste landfills, and six resource recovery facilities. The Pennsylvania Waste Industries Association says the industry supports 26,000 jobs in the commonwealth and provides a \$4.2 billion state economic benefit, with roughly half of this contribution being a direct result of the industry. (The remainder equals ancillary benefits.)

The commonwealth is a national leader in recycling. A Pennsylvania Waste Industries Association-commissioned study found that between 2006 and 2011, materials recycled in the state grew by 22 percent. Per capita, Pennsylvania residents recycle three-and-a-half times more materials than the rest of the country, as a whole. One reason for this success lies in the widespread application of single-stream recycling in Pennsylvania, which creates higher participation rates because recycling is easier for consumers.

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Miriam A. Fox, Executive Director

Michael Passiment, Budget Analyst

Mark Shade, Communications Director

Pennsylvania has found success in its recycling initiatives through early adoption and investment in the practice.

The Municipal Waste Planning, Recycling and Waste Reduction Act (Act 101) of 1988 prescribed a solid waste management plan and the future for recycling in Pennsylvania, including the creation of the Recycling Fund.

Under the Department of Environmental Protection’s management, the Recycling Fund is designed to allocate funds for the planning, processing, resource recovery and recycling of solid waste. By law, DEP is directed to allocate:

- At least 70 percent of Recycling Fund revenues for grants to municipalities to promote recycling,
- Up to 30 percent for public information and education programs, as well as technical assistance programs, and
- Up to 10 percent for feasibility studies for municipal waste processing and disposal facilities.

Act 101 authorizes DEP to award a variety of grants to promote and sustain recycling initiatives, including grants for planning purposes, for development and implementation of recycling programs, for reimbursement of costs for maintaining recycling coordinators, and for performance in meeting recycling goals.

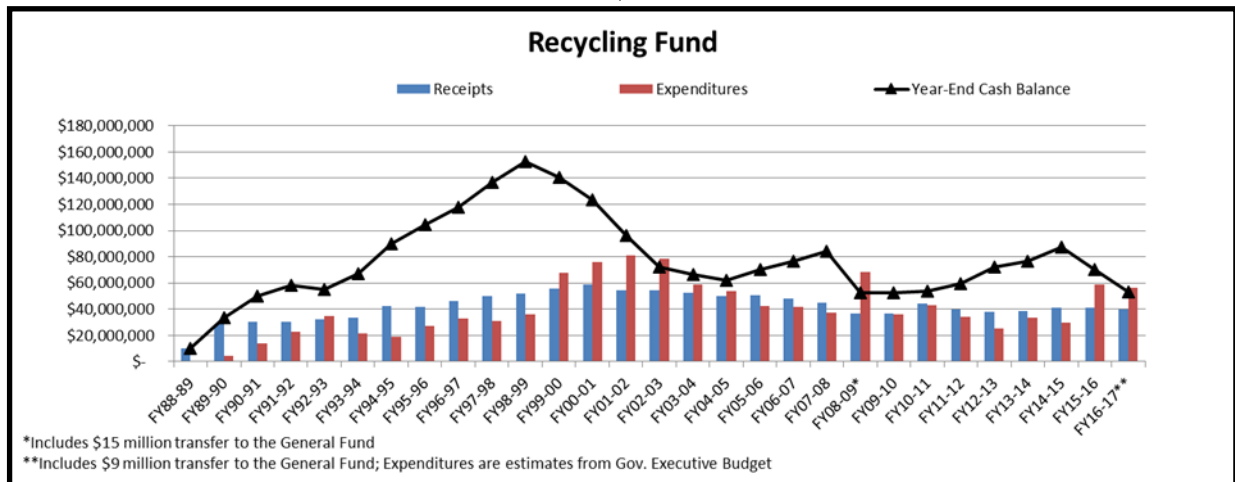
The largest grants are those for development and implementation and for recycling performance.

- Development grants, authorized in Section 902 of Act 101, can be used for purchasing collection and storage equipment, identifying markets, and developing public education campaigns about recycling. The grants are set at 90 percent of the approved cost of establishing a municipal recycling program.
- Performance grants, authorized in Section 904 of Act 101, are awarded to municipalities based on the type and weight of recyclable materials recorded in the previous calendar year. All municipalities that operate a recycling program are eligible for these grants. Act 101 provides additional requirements for municipalities with mandated curbside pick-up, and those receiving grants in excess of \$10,000, annually.

Most deposits into the fund come from the collection of recycling fees, currently set at a rate of \$2 per ton of weighted waste, which are paid by landfill operators. Additional funds are provided from interest and, in recent years, from a minor transfer of funds from the Hazardous Sites Cleanup Fund.

Scheduled to first expire in 1999 (11 years after adoption), the General Assembly has twice acted to extend the fee. The most recent renewal came in 2010 when its sunset was extended to Jan. 1, 2020.

While the Recycling Fund has historically maintained



healthy budgetary reserves, its cash balance has steadily declined since the late 1990s. The chart below shows receipts and expenditures from the Recycling Fund since its creation, as well as its year-end cash balance. The financial data displayed here is on a calculated cash basis, as provided in the governor's Executive Budget for the relevant years.

One pressing issue facing the Recycling Fund is the use of its balance for unrelated purposes. In 2008/09, \$15 million was transferred from the Recycling Fund to balance the General Fund budget. The drop in the year-end balance in 2008/09 is at least partially attributed to this transfer. The 2016/17 budget includes a \$9 million transfer from the Recycling Fund to the General Fund, which, again, impacts the year-end balance. This transfer, coupled with increased expenditures in the last fiscal year, represent an unsustainable spending practice for the Recycling Fund.

While the Recycling Fund has maintained healthy reserves, lawmakers should be cautious when approving transfers from these special funds for other unintended purposes in the state budgeting process.

Flattening revenues represent another Recycling Fund concern. After peaking at \$48.8 million in FY 2001/02, recycling fees deposited into the fund have gradually declined. Since 2010, recycling fees have, on average, collected around \$37 million. In 2010, the limitations on available funds for recycling performance grants compelled DEP to alter its

funding formula to reduce individual grants by 40 percent.

Grants for the Municipal Recycling Performance program totaled \$16 million in 2011/12, a decrease of \$5.77 million, or 27 percent, compared with the previous year. While grant funding disbursed for this program has grown since 2011, it has not returned to levels of funding seen in years prior.

Act 101 established an ambitious waste planning initiative centered on recycling. The law sought to recycle 25 percent of all municipal waste by 1997. After meeting this goal the target became 35 percent by 2003. According to DEP, Pennsylvania has more than 1,900 municipalities with access to recycling programs, serving about 94 percent of the state's population. Roughly 79 percent of the population has convenient access to recycling via curbside pickup programs. In 2014, Pennsylvania recycled more than 16.8 million tons of resources, which, according to DEP, is equivalent to removing 15.9 million tons of carbon dioxide emissions from the air or taking 3.3 million passenger vehicles off the road for one year.

While Pennsylvania remains a nationwide leader in its recycling initiatives, policymakers must be mindful of the critical role recycling grants play in the promotion of responsible waste management, and vigilant to ensure that revenues collected to promote recycling are ultimately spent on that goal.