



Office of Program Policy Analysis And Government Accountability

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REVIEW OF THE RECYCLING AND EDUCATION GRANTS PROGRAM

REPORT ABSTRACT

- The Recycling and Education Grants Program has been successful in assisting counties in establishing recycling programs.
- Statewide, more than 30% of municipal solid waste is being recycled, and expanded recycling markets have reduced the need for state-level funding for county programs.
- We therefore recommend that the Legislature eliminate the program at the end of fiscal year 1995-96. Based on last year's appropriation the state could save about \$22.7 million per year.

PURPOSE OF REVIEW

This review examines the Recycling and Education Grants Program administered by the Department of Environmental Protection (DEP). Specifically, we sought to determine if the statutory recycling goals have been met and if the program is still necessary to ensure the viability of statewide recycling.

BACKGROUND

The Solid Waste Management Act of 1988 was enacted by the Florida Legislature in response to growing costs and environmental problems associated with landfilling solid wastes. Pursuant to s. 403.706(2), F.S., of the Solid Waste Management Act, each county was required to initiate a program for recycling specific types of solid waste. To provide seed money for the county recycling

programs, the Legislature established the Recycling and Education Grants Program administered by the Department of Environmental Protection (DEP). Grants can be used for capital costs, operations, recycling education, market development, and certain special recycling projects. The Solid Waste Management Act prescribes the types of materials to be recycled and sets recycling goals. The Act directs counties with populations greater than 50,000 to reduce the disposal of municipal solid waste by 30% by the end of 1994. Counties with a population of 50,000 or less are exempt from the 30% goal as long as they provide their residents with an opportunity to recycle. To assess recycling efforts, the Department uses a 30% municipal solid waste recycling goal for the state as a whole and for counties with populations greater than 50,000.

The Recycling and Education Grants Program is funded by the Solid Waste Management Trust Fund. The major sources of revenue for the Trust Fund are general revenue collected from sales tax registration fees and the sales tax collection allowance. These two sources provided over \$27.2 million to the Fund for fiscal year 1994-95. Program grants distributed during fiscal year 1994-95 totaled \$22.7 million. From 1988 through the end of fiscal year 1994-95, counties received \$180.9 million in recycling and education grants.

FINDINGS

The Recycling and Education Grants Program has been successful in assisting counties in establishing recycling programs. Statewide, a majority of counties with populations greater than 50,000 are recycling over 30% of their municipal solid waste. Since the Solid Waste Management Act was created, the statewide average recycling rate has increased from 4% to 33%.¹ Recycling has become an established

¹ The 33% recycling figure is an adjusted rate. For grant eligibility purposes, not more than half of all yard trash, white goods, construction and demolition debris, and waste tires can be counted toward the recycling goal.

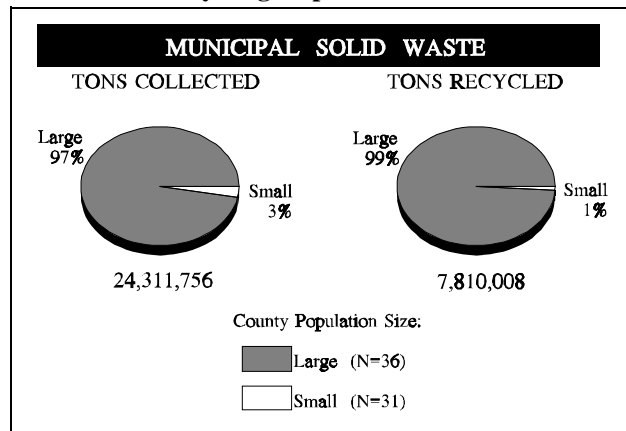
national industry. Recycling programs are now generating revenue that can be used to offset some program operating costs. The recycling grants could be discontinued without significantly affecting statewide recycling rates. Interviews with 21 recycling coordinators representing 23 counties indicated that most (20 of 23) counties would continue recycling in some manner if the grants were eliminated.² The commercial sector contributes significantly more tonnage of recycled materials than the residential sector. However, 49% of single-family residences in Florida participate in curbside collection of recyclable materials, whereas only 20% of the commercial units participate in regularly scheduled collections. We concluded that growth in commercial recycling may eventually offset small declines in residential recycling that may result from eliminating the grants program.

Meeting Recycling Goals

The Department uses a 30% recycling goal for large counties and the state as a whole to assess recycling efforts. As of June 1994, statewide recycling efforts exceeded 30%. By the end of fiscal year 1994-95, the state as a whole achieved a recycling rate of 33%, and 23 of the 36 large counties were recycling 30% or more of their solid waste on an adjusted basis.

Although recycling has public support in the small counties, their recycling programs have little impact on statewide recycling rates. Small counties account for only 3% of the state's collected solid waste and 1% of the state's recycled solid waste (see Exhibit 1).

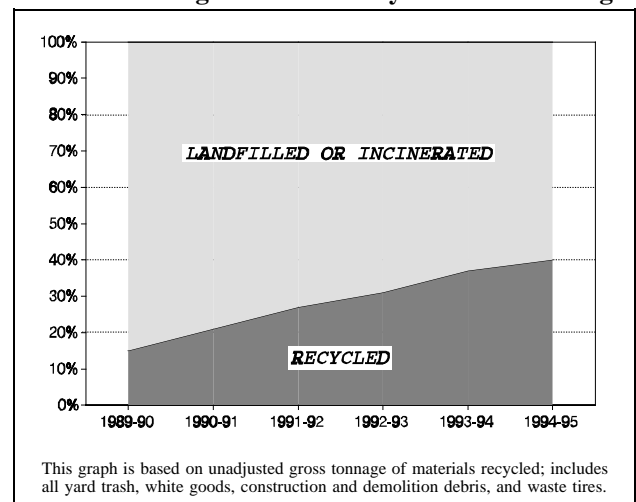
Exhibit 1
Large Counties Accounted for Most of the Solid Waste Recycling Impact in Fiscal Year 1994-95



Source: DEP report on Solid Waste Management in Florida, 1996.

Aside from the mandated goals, other indicators are useful in assessing the effects of the state's efforts to establish and increase recycling in Florida. County data collected by DEP indicates that curbside recycling is well-established in the state. It is available to 71% of the single-family homes in the state and 68% of these households participate in recycling. Additionally, the proportion of recycled municipal solid waste has increased steadily since 1989. As a result, there has been a corresponding decrease in the proportion of solid waste disposed of through landfilling and incineration. This trend is shown in Exhibit 2. One county coordinator reported that as a result of the recycling program, the life of its landfill has been extended by seven years. This allowed the county to lower the annual cost of its debt service upon the refinancing of bonds used to fund the landfill.

Exhibit 2
The Percentage of Waste Recycled Is Increasing



Source: DEP report on Solid Waste Management in Florida, 1996.

Factors Reducing Need for State Grants

In determining whether the program grants are still necessary, we reviewed changes in market conditions to determine if changes had increased the economic viability of recycling programs, thus lessening the need for state grant money. In addition to reviewing market conditions, we also sought to determine if there were other areas of the recycling market that offered opportunities for increasing local revenues and decreasing the need for state grant money.

Improved Market Conditions. At the time Florida's recycling programs were starting up, the market for recyclable materials was underdeveloped. The Recycling and Education Grants Program provided

² To select interviewees we organized Florida's counties by population size, from highest to lowest, and then selected every third county. Using this method we selected 12 large counties (populations greater than 50,000) and 11 small counties (populations 50,000 or less).

needed funds for county recycling programs to collect recyclable materials when recycling programs were not economically viable because few markets existed for recycled goods.

The market for recyclable materials has strengthened significantly since 1988. The private sector has responded to opportunities to use recyclable materials since 1988 and has made substantial investments in the industrial technology needed to process and use recyclable materials. For example, the Recycling Markets Advisory Committee's December 1994 report states that Florida's three glass container manufacturers spent \$100 million to modernize and expand their operations subsequent to the Solid Waste Management Act of 1988. Between 1990 and 1994, more than 85 newspaper mills using recycling technology were built in the United States. Investments in infrastructure by the private sector support a growing demand for recyclable materials and, as a result, recyclable materials have become established as marketable commodities.

The Chicago Board of Trade has established a computerized system for buying and selling recyclable materials. Local governments and the private sector now have the capacity to buy, sell, and invest in recyclable materials. These efforts to establish a national market for recyclable materials reinforce the trend in the growth of the recycling industry.

In recent years, prices for recyclable materials have reached record levels. According to a July 1995 article in U.S. News and World Report, "[s]ince May 1993, the price paid by processors for used, clear glass containers has jumped 78 percent, as has the value of discarded aluminum cans. Over the same period, the cost of old newspapers has skyrocketed 1,338 percent." Although prices paid for recyclables have fluctuated widely, average prices are expected to stabilize at levels well above those experienced in 1988.

Improved market conditions for recyclable materials has led to increased revenues from their sale. Our interviews with the 21 county recycling coordinators indicated that revenues from the sale of recyclables had increased. Some acknowledged that the increased revenues could be used to partially offset the costs of the recycling efforts. Others indicated that benefits from increased revenues have already been realized in the form of reduced costs of disposal of solid wastes passed along to customers.

Potential Growth in Commercial Sector Recycling.

Recycling in the commercial sector is expected to provide the greatest opportunity for growth in recycling rates. Although nearly half of the single-family residences are recycling, the commercial sector (multi-family residential units, businesses, government offices, and other institutions) has low participation rates. Although total tonnage of commercial recycled material exceeds single-family residential recycling by almost three times, DEP data indicates that as of June 30, 1995, about one-third of the commercial units in the state participated in some form of recycling. Where scheduled collection service was available, 49% of the commercial units participated. Only 27% of the commercial units participated where on-call service was available.

DEP staff informed us that the commercial sector would be an area of emphasis through the year 2000. Developing this sector appears even more promising given the current market conditions for recyclable materials. One county recycling coordinator told us that although her county had not benefitted directly from changes in the recyclables market, higher prices for cardboard and office paper had brought about an increase in recycling by the commercial sector.

Potential Effects of Eliminating Recycling and Education Grants

Eliminating the Recycling and Education Grants Program is likely to have some impact on overall recycling rates. However, it is unlikely the impact would be great. The largest impact will be felt by small counties. Small counties are more dependent on the grants to fund program costs and would have greater difficulty carrying out their programs without the grants. However, given the small percentage of recyclable goods represented by small counties, the overall effect on statewide recycling rates would be marginal.

Recycling programs in most large counties would continue in some capacity even if the grants were eliminated. The coordinators we interviewed from 12 of 36 large counties indicated that if grant money is not replaced by other revenue sources, outreach and education activities would be reduced. This could result in gradual declines in recycling participation rates. Coordinators for 6 of 12 of the large counties predicted that the collection of the "minimum five materials" would be affected by the loss of grant funds.³ Although the loss of revenue would have some impact, all 12 coordinators indicated their recycling programs would continue.

³ Florida statutes require that county recycling programs be designed to recover, at a minimum, newspaper, aluminum cans, steel cans, glass, and plastic bottles. These are referred to as the "minimum five materials."

Small counties would experience a much greater fiscal impact due to the loss of grant money. The small counties are more likely than the large ones to depend on the grant money for purchasing and maintaining capital items and for program operating costs. All 11 of the coordinators we interviewed from small counties indicated that the grants were used to fund some of the costs of constructing drop-off centers, purchasing and maintaining equipment (e.g., trucks and drop-off containers), as well as operating expenses such as salaries, utilities, and supplies. The 11 coordinators also indicated that the collection of the "minimum five materials" would be reduced. However, only 3 of the 11 coordinators indicated that they would likely eliminate their recycling programs if the grants were terminated.

CONCLUSIONS AND RECOMMENDATIONS

The primary purpose of the Recycling and Education Grants Program has been met. The state provided needed seed funds to assist counties in establishing recycling programs at a time when markets for recyclable materials were underdeveloped. Statewide, more than 30% of municipal solid waste is being recycled. In addition, most of the large counties have met their recycling goals. Recycling is an established industry. Recycling markets have expanded and recycling programs are beginning to generate revenues that offset some of the total cost for program operation. The recycling programs in the counties generating 99% of the state's recycled solid waste will not be significantly affected by the loss of recycling and education grant revenues. While the impact of the loss of grant money will more significantly affect small counties, reductions or losses of small county programs will affect only 1% of the state's recycled solid waste.

We identified three policy options the Legislature should consider regarding the Recycling and Education Grants Program:

- *Continue funding the Recycling and Education Grants Program.* The Legislature may wish to continue the grants to ensure that recycling programs continue. However, based on our analysis we do not believe this is necessary to ensure the continued success of the local recycling programs.

- *Phase out the program over a reasonable period of time.* Phasing out the program over a period of time, such as three years, would allow the Legislature to gradually reduce funding. This option offers counties a greater opportunity to plan for the loss of state grant money. Although 6 of the 12 recycling coordinators from the large counties interviewed indicated that collection of the minimum five materials would be affected by loss of grant funds, all 12 indicated their recycling programs would continue. A few small counties indicated that they will discontinue their programs in the absence of state funds.
- *Eliminate the Recycling and Education Grants Program at the end of fiscal year 1995-96.* The program has served its primary purpose. Eliminating the program is unlikely to have a significant negative impact on recycling levels for the state as a whole and would result in potential cost savings to the state.

We recommend that the Recycling and Education Grants Program be eliminated at the end of fiscal year 1995-96. Based on last year's appropriation, the state could save about \$22.7 million per year.

AGENCY RESPONSE

The Secretary of the Department of Environmental Protection, in her written response, strongly disagreed with the report's recommendation to eliminate the grants at the end of this fiscal year. The Secretary also stated her belief that "the report substantially understates the magnitude of the probable effect of the loss of the grants on small counties."

This project was conducted in accordance with generally accepted government auditing standards and included appropriate performance auditing and evaluation methods. Copies of this report may be obtained by telephone (904/488-1023), by FAX (904/487-3804), in person (Claude Pepper Building, Room 312, 111 W. Madison St.), or by mail (OPPAGA Report Production, P.O. Box 1735, Tallahassee, FL 32302).

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