

oppaga

Progress Report



August 1999

Report No. 99-03

Recycling and Education Grant Program

at a glance

Recycling continues to be established in the state. Statewide, more than 34% of municipal solid waste is being recycled. However, the 50% recycled goal for the minimum five materials has not yet been achieved.

Starting in Fiscal Year 1997-98 Recycling and Education Grants were reduced 55%.

The Legislature should discontinue the Recycling and Education Grant Program through a multiyear phase-out. Discontinuation of the grant program would provide the state annual savings of \$10.3 million.

Purpose

In accordance with state law, this progress report informs the Legislature of actions taken by the Department of Environmental Protection (DEP) in response to a 1996 OPPAGA report.^{1, 2} This report presents our assessment of the extent to which the department has addressed the findings and recommendations included in our report.

Background

The Solid Waste Management Act (SWMA) of 1988 was created to address the growing costs and environmental problems associated with solid waste disposal in Florida. The act required counties to initiate recycling programs and set forth specific types of solid waste to be recycled. The act established a goal that counties with populations over 50,000 should recycle 30% of their waste. Counties with 50,000 or fewer residents were exempt from goals as long as they provided residents the opportunity to recycle.

To assist counties start recycling, the Legislature established the Recycling and Education Grant Program.³ This program, funded with general

¹ Section 11.45(7)(f), F.S.

² *Review of the Recycling and Education Grants Program within the Department of Environmental Protection*, [OPPAGA Report No. 95-46](#), April 1, 1996.

³ Section 403.7095, F.S.

revenue dollars from the Solid Waste Management Trust Fund, was intended to provide seed money to counties for establishing required programs. Counties were awarded grants for initial capital costs and, if justified, temporary operating subsidies. Other possible uses include operations, recycling education, market development, and special projects.

The Legislature also provides local governments several other grants for solid waste management activities. These grants include, Waste Tire, Used Oil, Litter Control and Prevention and Small County grants for counties with populations under 100,000 that may be used for any solid waste management activity, including recycling.

Changes to Grant Appropriations

- Beginning in Fiscal Year 1997-98, appropriations for grant programs from the Solid Waste Management Trust Fund were reduced from \$35 to \$23 million. For 1997-98, \$6 million was transferred to both the Aquatic Weed Control and Surface Water Improvement and Management (SWIM) Programs. For 1998-99, \$11.2 million was transferred to SWIM and \$8 million was transferred to the Aquatic Plant Management Program. Of the \$23 million, the Recycling and Education Grant Program received \$10.1 million.
- For grant purposes, except for the Waste Tire and Litter Grant Program, the definition of a small county was increased from 75,000 or less to 100,000 or less.
- An innovative grants program was initiated, awarding counties supplementary funds for program expansion, efficiency of operations and advancement of technology.

Grant Reduction

Beginning in Fiscal Year 1997-98, the Recycling and Education Grants Program received approximately \$10 million, a 55% reduction from Fiscal Year 1996-97. In Fiscal Year 1997-98, the Legislature held harmless small counties, offering them the same amount of grant funding as Fiscal Year 1996-97. Thus, the decrease in funding reduced large county grants by approximately two-thirds.

In Fiscal Years 1998-99 and 1999-2000, the Legislature continued funding the Recycling and Education Grants Program at the reduced appropriation. However, small county Recycling and Education grants were reduced by 20% transferring the funds to the large counties.

Exhibit 1: Summary of Changes to Recycling and Education Grant Appropriations ¹

	Fiscal Year			
	1996-97	1997-98	1998-99	1999-00
	(in millions)			
Recycling and Education Grants	\$22.7	\$10.1	\$10.1	\$10.3
Large Counties	19.5	6.8	7.6	7.8
Small Counties	3.3	3.3	2.5	2.5

¹All numbers are approximate.

Source: DEP and GAA.

For grant purposes, except for the Waste Tire and Litter Grant Program, the Legislature changed the population threshold for small counties from 75,000 or less to 100,000 or less population. This change increased the number classified as small counties by four.

Recycling and Education grant funds are awarded to counties based on population and interlocal agreements with cities. Twenty-five percent of grant funds are equally distributed to all counties as base grants. The amount each county receives depends upon the number of cities with populations greater than 50,000 applying jointly with the counties. The remaining 75% of grant funds are distributed as incentive grants to both large and small counties based proportionately on their population.

County Expenditures

We attempted to identify specific expenditures for each statutory category, operations, recycling education, market development, and special projects. For example, in Fiscal Year 1996-97, counties reported spending \$3 million of Recycling and Education funds for educational purposes. However, we could not readily verify this amount or reconcile it with county reimbursement requests. The reporting and reimbursement systems do not use uniform cost categories that would facilitate verification of county expenditures.

Other Reports

In 1997, the Legislature created the Solid Waste Management Trust Fund Review Commission to examine the current uses of the fund and to assess alternative sources of funding for recycling, Aquatic Plant Management and SWIM programs. In its final report, the commission found all three programs of high environmental importance to the state and recommended the full funding of each.

Prior Findings

OPPAGA Report No. 95-46 found the Recycling and Education Grants Program to be successful in establishing recycling in Florida. Statewide a majority of the counties with populations greater than 50,000 were meeting mandated goals by recycling over 30% of their municipal solid waste. From 1988 to 1994 the statewide recycling rate had increased from 4% to 33% annually.

The report concluded that 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.

Our report also concluded that the potential for commercial recycling growth would eventually offset small declines in residential recycling that may result from eliminating the grants program. As of 1994, the volume of

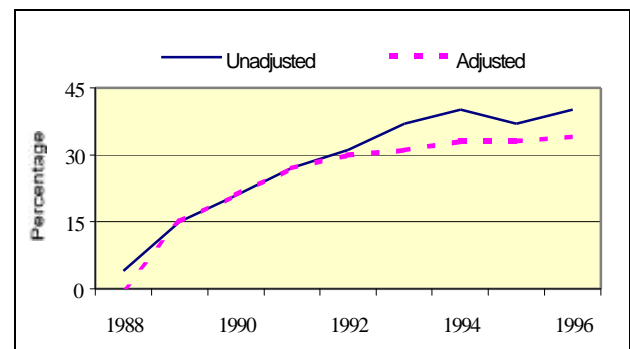
solid waste recycled by the commercial sector exceeded single family residential recycling by almost 300% even though 49% of single family residences participated in curbside collection and only 20% of commercial units participated in regularly scheduled recycling collection.

Status of Recycling

Recycling Continues to Grow

Recycling continues to be successful in Florida. Since our first report, the statewide average adjusted recycling rate (percentage of solid waste recycled) has increased from 33% to 34%.

Exhibit 2: Recycling Rates Continue to Rise



Source: DEP report on Solid Waste Management in Florida, 1998.

According to most recent data available, the majority of the large counties (population greater than 50,000) are still meeting the statutorily established 30% recycled goal.⁴ Of the 18 large counties not reaching the goal, 13 are recycling between 26% and 29% of solid waste collected.

Small counties (50,000 population or less) are statutorily exempt from reaching the goals; however, as of 1996, four of the small counties met the 30% recycled goal.⁵ While small counties are not as successful in reaching the goals, the programs have a marginal impact on statewide recycling rates.

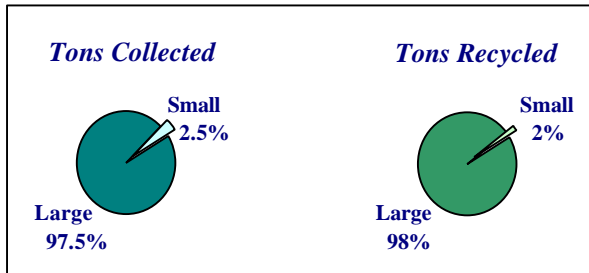
⁴ 1996 represents most recent data available from DEP.

⁵ Small county threshold was changed in 1998 to 75,000.

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Although small counties represent 48% of all counties in the state, they account for only 2.5% of all materials collected and contribute only 2% to Florida's total recycled waste.

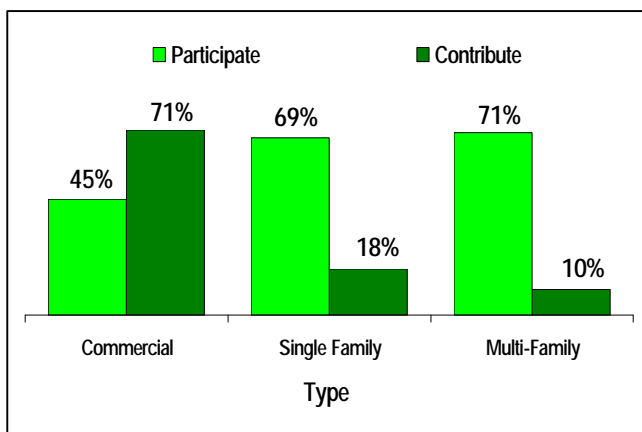
Exhibit 3: Large Counties Account for 97.5% of Solid Waste Recycled in the State



Source: DEP report on Solid Waste Management in Florida.

The commercial sector remains the area with the greatest potential for increasing recycling success. As of 1996, the commercial sector contributed 71% of the total amount of solid waste recycled although only 45% of the units in the state participated where service was available.⁶

Exhibit 4: Commercial Sector Participation Is Lower than Residential, but Accounts for 71% of All Recycling



Source: DEP Annual Solid Waste Management Report

⁶ A commercial unit includes commercial, institutional, and governmental establishments.

Factors Reducing the Need for State Grants

While the Legislature recently reduced funding for the Recycling and Education Grant Program, opportunities for further reductions exist. In determining whether funding could be further reduced, we examined the extent to which counties employed opportunities to offset grant reductions through supplementary funding sources and contacted the original survey group of recycling coordinators to assess program changes since our first report.

Opportunities to Offset Grant Reductions

The Legislature created two alternative funding mechanisms counties could use to supplement grant funding after the Fiscal Year 1997-98 reductions.

- **Innovative Grant Program.** Beginning in Fiscal Year 1997-98, the Legislature initiated a competitively based grant program awarding 10% of the Solid Waste Management Trust Fund (after small county grant allocation) to counties that demonstrate effective expansion, efficient operations and advancement of technologies within their programs. Counties compete for funds by applying directly to DEP. To date, the Innovative Grant Program totals \$3.5 million. In Fiscal Year 1997-98, 27 counties submitted proposals to DEP for the grants; however, proposals for Fiscal Year 1998-99 declined by 30%.
- **Aquatic Weed Control Funds.** The Legislature also provided counties the opportunity to use funds transferred to the Aquatic Weed Control Program for recycling programs. However, no county used funds from this source. A DEP staff member stated that all transferred funds were used for Aquatic Weed Control Programs. DEP officials believe the alternative funding option was not used due to the funding needs of aquatic weed control.

Recycling Coordinator Survey

We contacted the original survey group of 21 recycling coordinators representing 23 counties to assess program changes since our first report; 19 responded to our questions.⁷ Six of the 10 large county recycling coordinators reported that eliminating the grants would reduce education efforts and coordinator travel, but not programs, while four large county coordinators indicated a reduction in grants would cause programs to be reduced, especially in less populated areas.

Eight of the nine small county coordinators indicated that a reduction in grant funding would adversely affect programs and lead to reductions or discontinuation of services. The small county recycling coordinator stating that programs would continue despite grant elimination indicated an enterprise fund would be used as an alternative source of program funding. Coordinators from both large and small counties indicated a multiyear phase-out of grant funding would ease the effects of reductions and allow for proper fiscal planning.

Additional Policy Considerations

The economic viability of recycling can be adversely affected by a number of factors. For example, DEP staff indicates that county revenues generated through tipping fees and financing mechanisms for Waste-to-Energy plants can create a disincentive to recycle for county governments. Tipping fees are those fees charged by solid waste management facilities for the disposal of solid waste. While the amount of revenue generated varies by county, one county, for example, generates approximately 4% of all revenues from tipping fees. In addition, many of the state's Waste-to-Energy plants were funded on a guaranteed waste stream. If the waste stream is reduced through increased recycling for example, the county is financially responsible. Therefore, counties may be reluctant to

expand recycling programs for fear of reducing other revenue sources.

Conclusions and Recommendations ———

The Recycling and Education Grant Program has fulfilled its purpose and should be phased out. The Legislature partially implemented our prior recommendations by reducing Recycling and Education Grant Program funding to \$10.3 million.

Statewide, counties maintain a 34% municipal solid waste recycling average. Large counties account for over 97% of the total recycled in the state, with small counties contributing 2%.

The commercial sector remains the area for the greatest potential for increasing state recycling. As the commercial sector accounts for 71% of the total solid waste recycled in the state with scheduled service only available to 50% of the commercial establishments, counties should expand service to commercial establishments.

For Fiscal Year 1999-2000, recycling and education grants totaled \$10.3 million, of this amount large counties received \$7.8 million. Discontinuation of grants to large counties could be achieved without eliminating recycling programs. Small county grants could also be eliminated. While small counties rely more heavily on grant funding, their overall contribution to recycling is minimal.

The Innovative Grants program was implemented to assist counties with program expansion and special projects and to offer counties the opportunity to supplement funding after the Fiscal Year 1997-98 grant reductions. However, in its first year DEP received applications from only 40% of counties. In Fiscal Year 1998-99, the number of counties applying for the grants has declined further to 28%.

⁷ The two counties not responding had vacant coordinator positions.

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Many (26 large and 4 small) counties use enterprise funds to assist in funding solid waste management activities. These user fee-based funds are often used to meet the state's statutory matching requirement and provide counties an alternative source for funding recycling programs. All counties, especially small counties, should use enterprise funds to fund recycling programs.

The Recycling and Education Grants Program has been successful in assisting counties establish recycling programs. With the overall recycled rate exceeding prescribed goals and potential growth in the commercial sector, the Recycling and Education Grants Program should be phased out over a specified number of years.

Policy Options —————

There are several policy options the Legislature may employ regarding the Recycling and Education Grants Program.

Revise Funding

Fund Only Small Counties

To reduce the impact on small counties, the Legislature may discontinue funds to well established programs in large counties and fund only those in small counties. While large county recycling coordinators indicated that grant reductions would result in some reduction in recycling in large counties, effects would be in areas with limited populations.

In Fiscal Year 1999-2000, small county funding was approximately 20% of the \$10.3 million Recycling and Education Grant Program. Under the current appropriation, funding recycling in only small counties could save the state over \$7.8 million.⁸

⁸ This figure is derived from the grant amounts small counties were awarded prior to the original funding cuts. Grant award determinations are currently unavailable and thus the amount is subject to change.

Fund Recycling Based on Performance

The Legislature could continue only funding those counties meeting the mandated 30% recycled goal. This option rewards those counties whose programs meet statutory goals, while providing incentives for those who have not yet reached the goals. Small counties are exempt from the goals; however, therefore those small counties making yearly progress towards meeting the goals could be awarded grants. Funding programs based on performance would provide incentives to counties for reaching mandated recycling goals.

Discontinue Funding

The Legislature may eliminate the Recycling and Education Grants Program. The original intent of the program has been achieved as recycling programs are now established.

Discontinuation of the Recycling and Education Grants Program will provide \$10.3 million in savings. Any savings resulting from a discontinuation of the program will remain in the Solid Waste Management Trust Fund. If the Legislature wishes the savings to revert to general revenue, a statutory change is required.

If the Legislature elects to reduce or eliminate funding, a phase-out process should be implemented. Gradually phasing out funding over a prescribed number of years will afford counties an opportunity for fiscal planning.

Phase-Out Options

Percentage Phase-Out

The program could be phased out over a two-to four-year period, with proportional reductions in funding each year. Thus, if phased out over three years, funding would be reduced by one-third each year.

Exhibit 6: Grant Phase-Out Option

Current Funding	Small \$2,500,000	Large \$7,800,000
Years to Phase Out	Reduce Funding Each Year By	
	Small	Large
2	\$1,250,000	\$3,900,000
3	833,350	2,600,000
4	625,000	1,950,000

A phase-out option provides counties the opportunity for fiscal planning, while offering the state \$10.3 million in savings.

Recommended Option

Similar to our first report, we recommend that the Legislature eliminate the Recycling and Education Grants Program based on the primary purpose of the grants program being achieved. We recommend a multi-year phase-out plan to achieve elimination.

Agency Response

The Department of Environmental Protection's written response is reproduced herein.



Jeb Bush
Governor

Department of Environmental Protection

Twin Towers Office Building
2600 Blair Stone Rod
Tallahassee, Florida 32399-2400

David B. Struhs
Secretary

July 16, 1999

Mr. John W. Turcotte, Director
Office of Program Policy Analysis
And Government Accountability
Post Office Box 1735
Tallahassee, Florida 32301

Dear Mr. Turcotte:

Thank you for the opportunity to comment on the Office of Program Policy Analysis and Government Accountability (OPPAGA) report number 98-79 titled: "Progress Report on the Recycling and Education Grant Program." This is a follow-up to OPPAGA's 1996 report: "Review of the Recycling and Education Grants Program within the Department of Environmental Protection." I appreciate the opportunity to meet with you and your staff to discuss recycling issues in more detail. The revisions your staff made to the report as a result of our discussions were helpful; however, the report still draws conclusions that warrant additional consideration.

The reports states that discontinuation of the Recycling and Education Grants Program will provide millions of dollars in savings to the state budget. Unfortunately, the report does not discuss whether this will result in any actual savings to the state or the taxpayers. Also, OPPAGA has not conducted a cost-benefit analysis to determine the increased disposal costs that may result if recycling goals

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are not met. Such costs would still be borne by the taxpayer, but via local government budgets. These costs could easily end up being more than the money supposedly "saved" at the state level.

The report state that while counties reported spending \$3 million (1996-97) of R&E funds for educational purposes, OPPAGA could not readily verify this amount or reconcile it with county reimbursement requests, which lead the report to assert; "The reporting and reimbursement systems do not use uniform cost categories that would facilitate verification of county expenditures." This statement is misleading. We have a rigorous system in place that verifies county expenditures. The report addresses making a distinction among the various types of educational expenditures; however, we question whether this level of information reporting is cost effective. I think that further discussion between staff about this need and how to accomplish it would be useful.

While I appreciate the fact that OPPAGA's report references that work of the Solid Waste Management Trust Fund Review Commission (SWMTFRC), I want to reiterate the significance of that Commission's findings and recommendations and their relevance to the issue of funding for the recycling grants program. In my view, the OPPAGA report did not give the SWMTFRC's work enough weight and merit.

The report implies that because no county used Aquatic Weed Control Funds for recycling programs, the counties really do not need recycling grants. I appreciate that your report notes DEP's belief that this funding option was not used for recycling due to the funding needs of aquatic weed control. However, to give a complete perspective on the limited scope of this funding option, the report should also state that only a very few counties actually receive Aquatic Weed Control Funds.

Our discussion of the Recycling and Education Grant Program was very beneficial. As I move forward in my role as Secretary of DEP, there are a number of areas that I will be interested in reviewing and potentially updating. I look forward to working with OPPAGA in this regard. Should you need additional information or have questions about this response, please call Kathy A. Carter, Director of Auditing at 488-2287.

Sincerely,

/s/ David B. Struhs
Secretary

DBS/jr

cc: John Ruddell, Director, Division of Waste Management

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