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Budget Primer

Recycling Fund

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Recycling in Pennsylvania preserves natural resources and creates a multitude of jobs. It also reduces the amount of waste sent to landfills and incinerators, increases economic security by using a domestic source of materials while also curtailing pollution by reducing the need to collect raw materials.

Pennsylvanians annually generate [8.7 million](#) tons of municipal waste, which equals 1,360 pounds per person every year. Forty-five municipal waste landfills, five construction demolition landfills, three residual waste landfills, and six resource recovery facilities accept all non-hazardous materials.

There are no hazardous waste landfill facilities in Pennsylvania. Hazardous waste recovered in the state must be transported to facilities outside the commonwealth.

Presently, [94 percent of the commonwealth's population](#), or 11.6 million residents, have access to recycling. Of these, more than three-quarters use curbside recycling programs. There are 870 drop-off programs to extend recycling efforts in rural areas.

Pennsylvania's [waste industry supports](#) 26,000 jobs and provides a \$4.2 billion state economic benefit. Roughly half of this contribution is the direct result of the industry and the balance is the economic ripple effect and employment across a multitude of industries.

With most of the state's population having some level of access to recycling, Pennsylvania is a national leader in the industry. One reason for this success lies in the widespread application of "single-stream" recycling, which increases the amount of waste people may recycle. In fact, communities that have switched to single-stream recycling have experienced an almost instant 45 percent increase in volume.

Due to strict regulations on location and landfill design, the commonwealth's disposal facilities feature redundant safety systems to safeguard local environments.

Act 101 of 1988

The **Municipal Waste Planning, Recycling and Waste Reduction Act (Act 101)** of 1988 was created to meet the challenges facing Pennsylvania's waste management system, including insufficient landfill capacity and rules to better handle waste. Act 101 created the **Recycling Fund** to help counties, townships, boroughs, and cities comply with the law and improve their waste handling. The fund receives most of its revenue from waste disposal tipping fees charged at municipal landfills. This money is spent by the commonwealth to promote recycling programs, subsidize public recycling initiatives, and provide for other environmental remediation efforts.

Pennsylvania has also been successful in its recycling initiatives through early adoption and investment in the practice. The Recycling Fund, created by [Act 101 of 1988](#), is managed by the Department of Environmental Protection and is structured to help pay for the planning, processing, resource recovery and recycling of solid waste. By law, DEP must allocate revenue from the Recycling Fund as follows:

- At least 70 percent for grants to municipalities to promote recycling,
- Up to 30 percent for public information, education, and technical assistance programs,
- Up to 10 percent for feasibility studies relating to municipal waste processing and disposal facilities, and
- Up to 3 percent for the collection of revenue and for the administration of the fund.

DEP awards a variety of grants from the fund to promote and sustain recycling initiatives, including grants for planning purposes, for the development and implementation of recycling programs, for the reimbursement of costs for maintaining recycling coordinators, and for meeting recycling goal benchmarks.



Sections 901 – 904 of Act 101 directs the reimbursement of eligible expenses through grants, as follows:

Section 901 – County Planning and Hazardous Household Waste Education Grants - Counties are eligible for 80 percent reimbursement for their preparation of waste management plans and pollution prevention education activities,

Section 902 – Recycling Program Development and Implementation Grants - The grants reimburse counties and municipalities 90 percent of expenses related to purchasing collection and storage equipment, identifying markets, and developing public education campaigns about recycling,

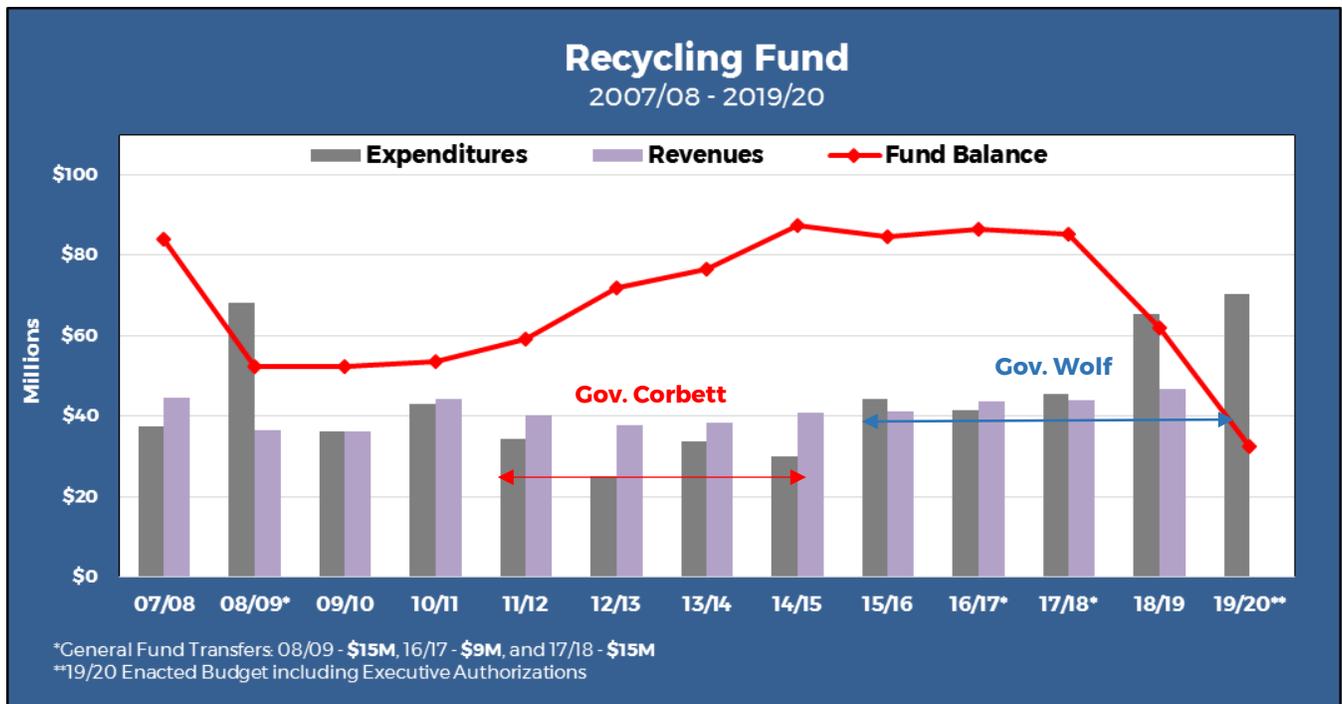
Section 903 – County Coordinator Grants - Reimburses up to 50 percent of county recycling coordinator salary and expenses, and

Section 904 – Recycling Performance Grants - Awarded to municipalities based on the type and weight recycled and the applicant’s recycling rate.

Most Recycling Fund revenue comes from a \$2-per-ton recycling fee on solid waste processed at a municipal facility, and is paid by landfill operators. Additional fund proceeds include interest and, on occasion, transfers from the Hazardous Sites Cleanup Fund.

Scheduled to expire in 1999, the General Assembly has acted every year to extend the fee. Act 40 of 2017 (Fiscal Code) repealed the final scheduled sunset and extended the fee indefinitely.

Since its inception in 1988/89, the Recycling Fund’s year-end cash balances have fluctuated significantly. A snapshot of the past two administrations indicates the fund balance increased during Corbett, remained relatively flat during Gov. Wolf’s first three years in office, and has since declined.



The reasons for the fluctuations in Recycling Fund balances are best explained with the type of disbursement pressure they face and changes in revenue receipts. The use of available funds to offset expenditure demands in the General Fund is one reason for recent declines in balances and is tempting given available surpluses. However, under Act 101 the revenue is dedicated to recycling efforts and supporters of the fund would argue that lawmakers should cautiously consider its purpose.



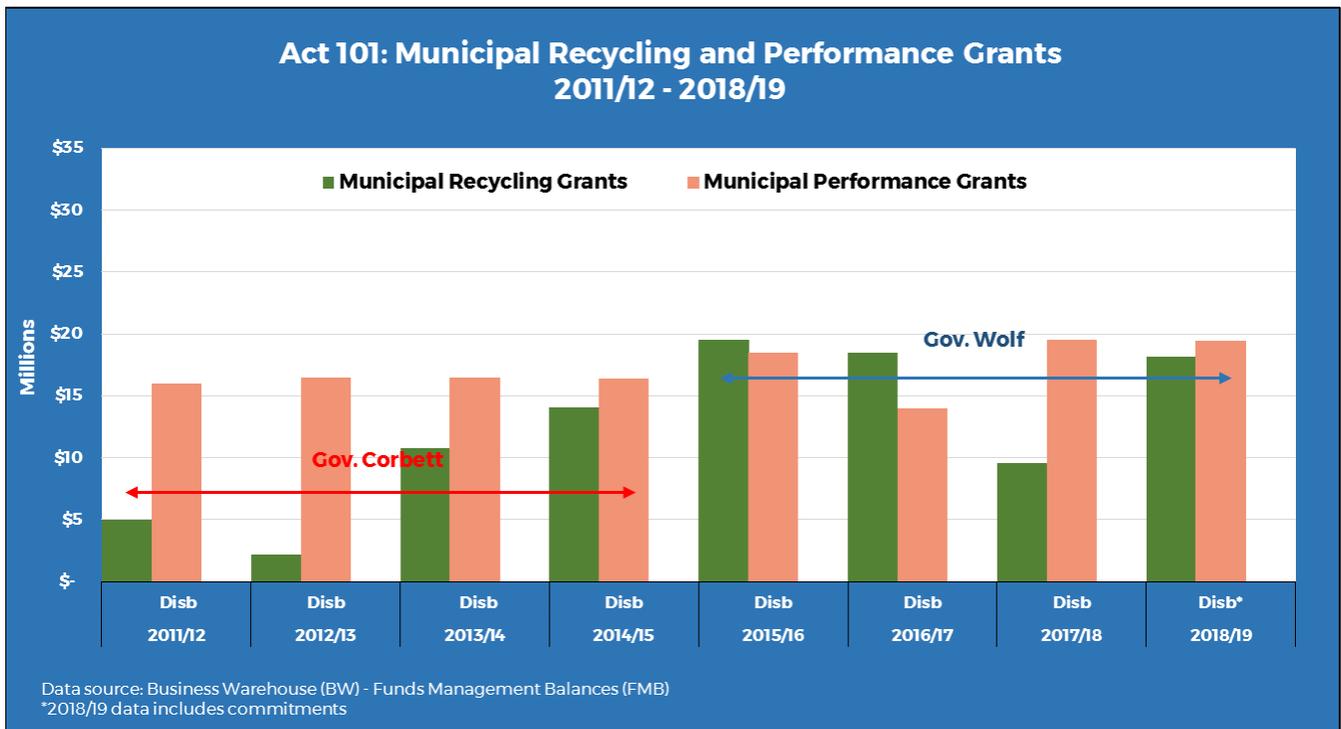
In recent years, the following amounts transferred from the Recycling Fund to the General Fund:

- 2008/09, \$15 million;
- 2016/17, \$9 million; and
- 2017/18, \$15 million.

Also, as part of the 2019/20 budget, an additional \$10 million in expenditures, for activities traditionally paid for with General Funds, are moving to the Recycling Fund for the Department of Environmental Protection. Recycling fees deposited into the fund have averaged \$38 million per year, and this has remained consistent over the years.

Total fund disbursements are affected by grant awards. Grants for municipal recycling and performance are the two major channels for reimbursements to municipalities, which ultimately affect the fund's ending balance.

There is a sharp contrast in municipal recycling and performance grant expenses submitted for reimbursement during the Corbett and Wolf administrations. During Corbett, municipal recycling and performance grant expenses averaged \$8 million. Under Wolf, these reimbursements have averaged \$16.5 million.



Act 101 established an ambitious waste planning initiative centered on recycling. While Pennsylvania is a nationwide leader in the industry, policy makers must be mindful of the critical role recycling grants play in the promotion of responsible waste management. At the same time, they also must be vigilant in ensuring the continued flow of revenue collections.

Currently, the recycling industry is facing [rough seas](#), globally. China, a major importer of U.S. recyclables, essentially became a non-existent market in January 2018 when it stopped accepting a number of [foreign recyclables](#). The ongoing trade war between the Trump administration and China; and China's



production of more domestic waste are considered two possible reasons for the drop in the American recycling business.

Due to these market constraints, the long-term demand for PA recyclables is uncertain. As a result, Recycling Fund revenues will face increased downward economic pressure due to shrinking markets.

Given the Recycling Fund's statutory revenue stream, the possibility of shrinking markets and decreased demand for recyclables could force lawmakers to reconsider alternative funding stream; one that would ensure the continued protection of Pennsylvania's environment through recycling.

