



The Sky is Falling; Or Is It? How to make Recycling Work if Grant Funding Ends

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If you have unlimited money coming into your community and you know that you have nothing to worry about when budget time comes around, then you may skip this article and enjoy the rest of the magazine. However, if you are interested in survival, economic survival that is, keep reading.

Is Recycling Sustainable in a Post Grant World?

By definition, a sustainable industry is one that meets a three-prong test. Ask yourself:

1. Does the industry use resources in a manner that does not cause resource depletion?
2. Does the industry minimize its negative impact on the environment, or in the alternative, does it benefit the environment?
3. Is the industry economically sustainable?

Recycling in Pennsylvania can clearly pass the first two prongs of the test. However, as recycling professionals, we are now faced with the prospect of having to prove that we meet the third prong.

Thanks in part to the "generosity" of New Jersey and New York, Pennsylvania recyclers have had a grant program in place for many years. This grant program has helped communities develop their own recycling programs. At the same time, large grants may have made some communities (and some private companies as well) complacent about the cost of the programs that have been put in place. Unfortunately, there is now a very real threat that grant programs will fade away. Thus the real test for sustainability is yet to come.

What Happened in New Jersey?

As the saying goes, those who do not learn from the past are condemned to repeat it. In 1996, New Jersey allowed its solid waste (recycling) tax to sunset. This tax was the basis for our recycling grant program. This loss of recycling grant money offers a valuable lesson for Pennsylvania's municipalities.

Between 1985 and 1996, our communities had a guaranteed source of revenue in place to help subsidize their municipal recycling programs. At its high point, the New Jersey Grant program generated \$12 million available for county and municipal grants. Today, the total grant money available is less than \$4.5 million.

In 1997, municipal recycling coordinators became justifiably panicked. Where towns had full time recycling coordinators, many positions were consolidated or eliminated. Instead of a knowledgeable person trained as a recycling professional,

towns began simply adding the title of recycling coordinator to a secretary, Department of Public Works (DPW) director or other staff person. Recycling professionals now had to fight for their programs.

Change is not Necessarily a Bad Thing

We become comfortable in our day-to-day experiences. The regular receipt of grant money has a way of making us become a little too comfortable. The loss of grant money is a change that can be most frightening; but it might also be a golden opportunity to make our recycling programs even better. For the sake of this discussion, I am going to ask that you assume that your recycling funds disappear sometime over the next year. (That sounds cold, I know, but it *is* winter.)

First Line of Defense: Know Program Operating Costs

When New Jersey lost much of its grant funding, recycling coordinators were forced to look more carefully at each component of their program. The first step in looking at any program is to look at what is actually happening within it. In other words, what are the full costs of the program that you are running and what is the full range of services that you are providing?

As you read this article, ask yourself these questions:

How do I calculate the cost of my program?

How much does it cost to provide service to each of the homes in my community?

How much does it cost to operate my convenience center?

How do I present the cost of my program to the community?

The first question is often the hardest to answer. In order to determine the full cost of a program, you must look at each and every component in a brutally honest fashion. You may not like what you see, but this is the first step to survival in a world of diminishing grant funding.

Full Cost Accounting relies on "accrual accounting." Accrual accounting assigns costs to the time period in which their benefits accumulate. More importantly, full cost accounting leaves no stone unturned. If there is a cost associated with the program, it is included. This is true about salaries (even if you must allocate a portion of a person), fringe, fuel, etc. Leave nothing out.

The remaining questions pertain to the value provided by a program. First, let us look at two case studies from New Jersey. The first involves determining whether or not to keep a convenience center open or rely solely on a curbside program. The second is a regional curbside program that was faced with political pressure about its costs and whether or not it made more sense to completely privatize the operation.

CASE #1: Should I Keep the Convenience Center Open?

A small suburban community was facing the usual budgetary crisis. Residents wanted every service, but did not want to pay taxes to provide these services. Elections were looming and positions were being taken. Does this sound familiar?

Further, the value of the recycling grant was diminishing and there was a real question about the need to keep the con-

venience center open when the town was already providing a curbside program.

The convenience center had a total annual operating cost of \$145,449. To calculate this cost, the principles of full cost accounting were utilized. It processed 6,830 tons of material per year. However, if the town were to discontinue operation of the convenience center, it would more than likely incur a solid waste disposal fee increase of \$406,850 per year plus the additional costs associated with trucking and processing of that material as solid waste.

Much of the material collected at the convenience center included recyclable items that could not be recycled within the confines of the curbside program. The tonnage represented by these other materials accounted for 74% of the total material collected at the convenience center.

A net cost savings analysis indicated that the recycling convenience center saved the town \$345,981 per year in avoided costs after operating and market costs were accounted for. Therefore, the cost of operation for the Recycling Convenience Center was more than offset by the savings in disposal fees.

Result: The convenience center remained open in spite of the loss of grant money because it could demonstrate that it was a cost effective operation.

CASE #2: The Curbside Program Costs Less Than A Cup of Coffee:

New Jersey has several counties that provide recycling services on a regional basis. However, even regional programs are not immune from the budgetary axe.

In order to determine the value of one regional program, and whether or not that program was being run efficiently, a comparison study was performed between the program in question and other private and public operations. This comparison included the results of a prior study as well as a comparison of regional to local programs.

Recycling Program Cost Comparison

Entity	# Units Serviced	Cost/household/month	
		2002	2005
Target County*	159,992	\$2.51	\$1.87
Private Regional Program**	102,150	\$3.10	\$3.59
Private Municipal Program	4,400	\$2.65	\$2.58
Private Municipal Program	11,199	\$2.95	\$3.54
Private Municipal Program	2,922	\$2.88	\$3.29
Private Municipal Program	3,671	\$2.99	\$3.79
Average		\$2.95	\$3.24

* The target county contracted for the study.

** The regional program wanted to know if their costs were reasonable.

The regional program could state that it cost less to operate the recycling program than it did to buy a cup of coffee at a coffee house. Note how the data was presented to the elected officials, the press and the general public. No one said that the program was costing millions of dollars, but instead, that it cost less than a cup of coffee.

Further, the program demonstrated that through in house efficiencies, and a strong recycling market, it was able to reduce the total cost per household over a three-year period!

Result: the regional program and the elected officials who oversee the program received strong public support and good press coverage about how wisely tax dollars were spent.

So What is the Moral of the Story?

The moral of this story is simple. You can survive in a world of diminished or non-existent grants. Although wounded, New Jersey's recycling programs continue to operate. Recycling professionals are still trained.

The key to this survival is to understand your program. Know what the costs of that program include. Begin to make your program more efficient before you are required to do so.

In other words, make the program your own. Think about every dollar that you are spending as if it was coming out of your pocket. Then, when you are faced with the hard questions, you will have an answer that can satisfy even the harshest critic. ♻️

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