

Testimony of Ann Coakley, Director
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To the Legislative Special Committee on Local Service Consolidation
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Good morning Chairman Zepnick and members of the committee, my name is Ann Coakley and I am the director of the Department of Natural Resources Waste and Materials Management program. Thank you for inviting me to present information regarding Wisconsin's recycling program.

I have been asked to accomplish the following in my testimony:

1. Provide a summary of the existing 1,000+ local government recycling programs; and
2. Present a consolidation option to improve the effectiveness of the programs.

Executive Summary

Achieve more effective local recycling programs through consolidation to:

- Reduce program implementation costs to local governments.
- Enable more efficient services and use of money.
- Improve recycling program services.
- Expand opportunities for recycling and recovery of materials.
- Create new jobs and business opportunities.

Recycling Program Background

Wisconsin's 1990 recycling law charged every local unit of government across the state with implementing a recycling program in accordance with minimum state standards. [Operation of an "effective recycling program," as defined in the law, enables the locality to manage its solid waste in compliance with the landfill and incineration bans on disposal of paper products and food and beverage containers.] The law provides local units of government the choice of either establishing an individual "responsible unit" (RU) recycling program or entering into a formal agreement with one or more other units of government to form a consolidated RU. Currently there are about 1060 RU programs in the state, ranging in size from 200 residents to over 500,000. About 85% of these units have populations of 5,000 or less.

Along with mandating statewide recycling through the establishment of local government recycling programs, the state established a recycling grant program to assist local program implementation. Currently, the grant assistance is \$32M each year, (the amount actually awarded is sometimes less due to budget reductions). Revenue for the grant program is obtained through the state recycling tip fee imposed on most municipal solid waste, and from a surcharge assessed on Wisconsin businesses. All but about 40 RU programs receive grants. As shown in Table 1 below, the portion of "eligible" program costs covered by grants has eroded steadily over the years. In 2009, only about 25% of eligible program costs were covered by a grant, leaving about 75% of program costs to be covered by local governments' cost share through local tax assessments.

Table 1
Historical Local Government Recycling Grants and Costs (in \$Millions)

Calendar Year	Local Governments' Net Eligible Recycling Costs	Net State Grant Award	Grant Award as % of Net Eligible Costs
1992	\$35.6	\$18.5	52.0%
2000	76.6	24.3	31.7%
2001	84.1	24.3	28.9%
2002	82.6	24.3	29.4%
2003	84.4	24.4	28.9%
2004	85.7	24.5	28.6%
2005	90.1	24.4	27.1%
2006	94.0	24.4	26.0%
2007	98.4	24.4	24.8%
2008	99.0	28.8	29.1%
2009	108.2	27.9	25.8%

Recycling continues to enjoy strong support from Wisconsinites. Over 90% of citizens surveyed support and participate in recycling programs, based on a household survey on recycling attitudes conducted by the DNR every few years. Recycling opportunities for paper and food and beverage containers are available throughout the state, and many of the programs, small and large, take considerable pride in their program's performance.

However, we know that local government recycling programs can be improved and the costs they incur reduced through recycling program consolidation.

Benefits to Consolidation

- Lowers the local government cost share for program implementation.
- Enables efficiencies through economies of scale that currently are not available to the majority of the RUs.
- By pooling grants and staff resources, county/tribe level RUs will have the resources to employ dedicated recycling staff, to address infrastructure development and replacement needs and be in a better position to negotiate effectively in procurement of services.
- Enable RUs and the state to maximize the annual \$32M investment in Wisconsin's recycling program.
- Local funds previously used for recycling programs could be used to support popular and needed local recycling services such as:
 - Clean Sweeps,
 - Yard waste composting (an emerging business opportunity),
 - Food waste recovery (an emerging business opportunity),
 - Construction debris and asphalt shingle reuse/recycling (a business opportunity).

Inefficiencies of the Current RU Structure

The effectiveness of recycling programs is closely aligned to program size. Small programs simply are not able to achieve the “economies of scale” and market power that work to the advantage of larger programs. For example, imagine a county with 40 local governments each running its own recycling program. Each of the 40 programs would need to finance and implement its own outreach program, provide its own collection or drop-off service, negotiate individually with a hauler, and employ a part time staff person to manage the program and prepare reports. Inefficiencies such as these are evident in almost all aspects of small program operations:

- higher recycling collection costs due to lack of market power and experience in contract negotiation,
- inadequate outreach and compliance,
- confusion among residents arising from differences between individual RU recycling programs, and
- high staff turnover and scarcity of staff with the necessary expertise to run efficient programs.

Cost Inefficiencies

Data obtained from RU annual reports clearly point to substantially higher program costs among smaller municipal programs, and missed opportunities to reduce the local share portion of program costs. Data in Table 2 below illustrate the differences in the costs of program operation, expressed in terms of average program costs per ton– i.e., the total cost to the average RU program to collect, process and market one ton of material for recycling. The highest costs occurred in the small and medium sized programs (ranging from \$237/ton to \$180/ton) and were over \$40/ton more costly than the median costs for the largest programs (\$157/ton). If these RUs had each spent \$157/ton in program operation, local governments would have saved a substantial amount, thus reducing the local cost share needed to maintain recycling services.

Table 2
2008 Recycling Costs per Ton by Size of RU

Population	Small RUs		Medium RUs		Large RUs 50,000+
	<2,000	2,000-4,999	5,000-9,999	10,000-49,999	
# RU's	701	187	68	87	16
Average Population	915	3,060	7,064	21,460	133,986*
Average cost/ton	\$238	\$181	\$190	\$177	\$157

*Average population for large RUs is skewed by small number of very large RUs. Average population for RUs between 50,000 and 100,000 is 65,620 and 247,930 for RUs with population > 100,000.

A closer look at Waukesha County further exemplifies the missed opportunity to lower program costs through consolidation. Waukesha County has one consolidated RU covering 25 communities (total population of 273,000) and 12 individual RU programs (total population of 110,000). The program costs of the consolidated RU are about \$139/ton, compared to the average program cost of \$180/ton for the unconsolidated RUs. We estimate the unconsolidated RUs could have saved about \$254,000 in program costs (about 60% of their combined grant award) through consolidation, resulting in a greater percentage of their costs being covered by the state grant rather than through their local tax assessments.

Specific Increased Efficiency Examples

The potential for benefits from local government coordination are not unique to the recycling program, as substantiated by findings of the recent report issued by the Local Government Institute of Wisconsin (February 2010). The LGI study concluded that recycling programs represent a high potential for increased intergovernmental cooperation.

Examples of consolidated RU benefits:

- Program administration. Provide staff, education and administration for member municipalities, including submittal of DNR reports and grant applications, development and implementation of consistent outreach messages to residents, and providing educational programs to schools and recycling outreach for special events and businesses. Organize related services such as household clean sweeps, yard debris composting, and collection for tires, appliances and waste oil.
- Recycling collection. Negotiate one recycling collection contract for multiple municipalities, enforced by the county rather than by individual communities. This allows contractors to bid on jobs at a lower per unit price, or for jobs they might otherwise not be able to justify bidding on because of the limited number of households. In one example, Waukesha County was able to save \$500,000 by issuing one large RFP on behalf of 26 communities.
- Processing. The Adams County RU reports significant processing efficiencies because materials from all of the communities are uniform due to the consistency in the collection programs. The Waukesha County RU is able to operate a materials recycling facility (MRF), provide a rebate from processing to members over the past 10 years, and accumulate a fund to build a new MRF to replace their aging facility.
- Collaboration. Efficiencies from consolidation can span county boundaries.
 - Brown-Outagamie-Winnebago counties have consolidated solid waste collection and recycling, and just recently teamed up to build one of the largest and most innovative single stream recycling facilities in the nation that is both publically owned and operated. This would not have been possible without consolidations created by the Tri-County regionalization agreement of 2001 and the new governmental business model it represented.
 - Dunn and St. Croix County RUs have implemented informal regional programs and are actively exploring expansion of these to a broader array of solid waste and recycling services.

Potential Objections to Consolidation

Many local governments take pride in their recycling programs. They may not want to give up the control of their programs to another authority and are concerned their citizens will not receive the same level of service under a consolidated program. The majority of local governments have only operated under the current structure—some are very comfortable with the way they have always operated. These local governments may prefer voluntary measures to cooperate rather than a state mandate to consolidate. Mr. Rick Stadelman, Director of the Wisconsin Towns Association, said the association is open to discussing voluntary measures to encourage cooperation, but many of their members will resist a mandatory takeover of their current RU by the county.

Potential Consolidation Scenario

We were asked to provide potential consolidations scenarios. We will present a straight forward scenario for the committee to consider, though we feel the ultimate scenario should be vetted by the appropriate stakeholders (e.g.: Wisconsin local government RUs, haulers, recyclers, processors, DNR, UW-Extension, etc.).

Consolidation Scenario: Enact a statutory revision requiring consolidation of RUs to the county level or regional level over a five year period (with exceptions provided for the largest municipalities and tribal governments) and provisions to ensure maintenance of service levels. DNR would provide assistance to RUs to ensure a smooth transition to consolidation.

If RUs were consolidated to the county level, 60% of the 72 counties would have populations between 10,000 and 50,000 (Table 3), and 36% would have populations greater than 50,000. However, DNR expects that several of the largest municipalities and the tribal governments would seek individual RU status and the total number of RUs could reach 100.

Table 3
County Population Distribution

Population range	Number of counties
Less than 10,000	4
Between 10,00 and 50,000	42
Between 50,000 and 100,000	12
Greater than 100,000	14

Note: Voluntary measures and incentives for RUs to cooperate have not substantially improved the efficiency of recycling programs, and have resulted in very little program consolidation.

Funding Scenario: A key consideration to consolidation is funding. Through consolidation, state and local government funds will be used more effectively to increase the efficiency of the statewide recycling program, increase recycling opportunities, improve the environment, and create new jobs and business opportunities through expanded recycling and recovery options. The \$32M annual appropriation for the Local Government Recycling Program Basic Grants would not need to increase and certainly should not be decreased in order to realize and maximize the savings and benefits.

- Potential funding option for the consolidated programs.
Maintain the current level of grant funding and aggregate the funding to the consolidated RU level. For example, the grant award for a newly consolidated RU would be the sum total of all grants received previously from each of the individual members. The consolidated RU should be held to requirements, such as having a full or half time program coordinator and provisions to ensure maintenance of current service levels so that all communities have the same or better service under the consolidated system.

The department offers our support and participation in a work group of stakeholders on this important subject. Thank you for the invitation to present this data and our expertise to your study committee.