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January 15, 2005

The Honorable Dennis Ozment  
Chair, Environment and Natural Resources  
Finance Committee  
479 State Office Building  
St. Paul, MN 55155

The Honorable Tom Hackbarth  
Chair, Environment and Natural Resources  
Policy Committee  
409 State Office Building  
St. Paul, MN 55155

The Honorable Dallas Sams  
Chair, Environment, Agriculture, and Economic  
Development Budget Division  
328 Capitol Building  
St. Paul, MN 55155

The Honorable John Marty  
Chair, Environment and Natural Resources  
Committee  
323 Capitol Building  
St. Paul, MN 55155

Dear Representative Ozment, Representative Hackbarth, Senator Sams, and Senator Marty:

This letter summarizes the activities of the Office of Environmental Assistance's (OEA) incentive-based SCORE evaluation effort and recommendations. This letter fulfills the reporting requirement of Section 3, Chapter 128, Minnesota Session Laws of 2003 and for your consideration provides information about the challenges that many counties are facing with recycling program costs and barriers to successful recycling management. If you have any questions or comments about the incentive-based SCORE evaluation, please contact Mr. Mark Rust of my staff at (651) 215-0198, or myself at (651) 215-0283.

Local recycling programs directly contribute to Minnesota's economic health through value-added recycling manufacturing industry, which has created more than 9,000 jobs and provided nearly \$64 million per year in tax revenues. These jobs, in turn, support another 20,000 indirect and induced jobs. Altogether, the recycling industry pays an estimated \$1.19 billion in wages and adds \$1.62 billion to the state's economy. Significantly, while many sectors of the state lost jobs in 2001-2003, the recycling industry showed a 3.4 percent gain in employment, adding over 300 jobs. Support of this infrastructure is critical to the environmental and economic well-being of the state.

#### **County Challenges**

Over the past several years recycling programs have faced increasing budget pressures. In 2002, SCORE funds were reduced by \$1.4 million (representing a 10% reduction). In early 2003, \$1.5 million of SCORE grant funds were again impacted via unallotment due to state budget problems. Despite the unallotment in early 2003, the legislature did fund SCORE close to the 2002 levels (\$12.5 million per year for 2004 & 2005).

The OEA has worked with counties during the last two years to help them operate their recycling programs more efficiently. During 2004, the Office held five market development workshops to help counties increase their revenues for recycled materials and cut their costs using the Office's technical assistance resources. Indeed, some counties have modified their operations during this time.

Still, counties and cities face numerous challenges with recycling, household hazardous waste (HHW), waste reduction and organic waste collection programs. Rural recycling programs, in

particular, are facing challenges to get materials to distant markets. Some counties are eliminating many or all of their rural recycling drop-off sheds and as a result (in some cases) are drastically reducing the opportunity for residents to recycle.

Some small rural counties in greater Minnesota are closing down recycling centers (or strongly considering such action) and limiting the types of materials they collect. Plastic and glass have been hit the hardest, and are being dropped in some communities. Some cities have dropped plastic recycling.

As counties and the state continue to face budget challenges one thing remains constant; a commitment to recycling and waste abatement activities. This evaluation process has been an opportunity to evaluate the current SCORE funding structure and determine if there is a better way to fund local recycling, HHW and other SCORE programs. Answers to questions like “how would additional SCORE funds be used if they were made available?” “Is the current funding structure achieving the goals we have in place?” and “How can we create more incentives in the SCORE program funding system to improve local programs?” were discussed.

#### **Statutory Basis**

Minnesota Session Laws, 2003 Chapter 128, Section 3 states:

*“The office of environmental assistance shall, in consultation with stakeholders, develop and report to the legislative finance and policy committees with jurisdiction over the environment on an incentive-based distribution approach for SCORE funding to replace the allocation formula in Minnesota Statutes, section 115A.557, subdivision 2. The office must submit preliminary recommendations by January 15, 2004, and final recommendations by January 15, 2005.”*

The OEA solicited work group members from stakeholders involved with providing recycling services and recipients of SCORE funding. See attachment for the names and affiliations of the stakeholder group.

#### **Summary of Stakeholder Meetings**

The initial concepts presented to stakeholders included:

- Combine SCORE and Processing Credit; maintain a minimum funding level for SCORE.
- Combine SCORE and the Processing Credit – award based on performance i.e. – per ton of material recycled or processed.
- Keep Processing Credit but allocate SCORE dollars with a different formula – create a minimum funding level and award rest based on performance.
- Create a new “waste abatement goal” develop funding to support on going programmatic activities.

These ideas were simply a starting point to help drive discussion and were not in any way considered to be the probable end result of this process.

Two meetings were held in February and April of 2004. At the first meeting, members were given an overview of the proposed process that would be used to evaluate an incentive-based approach to SCORE funding. Many questions were raised by the participants on issues such as the current structure of SCORE, how the solid waste tax works, and the legislative intent of this evaluation. Most of the first meeting involved background discussion and a listing of questions by the stakeholder group to be answered at the following meeting in April.

The stakeholder group met for a second meeting, in April at the OEA in St. Paul. Staff reviewed materials that were discussed at the last meeting and answered questions that were raised such as subsidies to private haulers, county recycling program cuts, trends in recycling rates and how SCORE dollars are spent.

The group agreed that the focus should be on an incentive approach to SCORE funding and to find ways to increase recycling but also made it clear that they felt they could not make any serious recommendations for change from the current SCORE funding structure without being able to discuss the possibility of additional SCORE funding. Their opinion was that if any changes were made to the SCORE funding distribution formula with the same amount of money, some counties would benefit but many others would be at a serious disadvantage and would likely have difficulty maintaining even the most basic of programs. As a result, they recommended that the current system stay in place.

Because of past and recent cuts to SCORE funding, coupled with economic strains to local recycling, HHW and other programs, any shift in SCORE funding presents a further burden on local programs that may cause additional reductions in recycling, HHW and waste prevention programs. The group also stated that if there was an opportunity to discuss changes to the current SCORE funding structure to something more incentive-based with the possibility of additional funding, the group would feel comfortable considering other incentive-based approaches to the program.

### **Recommendations**

At this time, the OEA recommends that no changes be made to the current SCORE funding distribution system. We further recommend that the OEA re-convene the stakeholder group to evaluate an incentive-based funding structure for the SCORE grant program if additional funds are allocated to the program.

We hope the information in this summary report answers questions raised during the 2003 Legislative Session. Please let us know if we can be of further assistance on this issue.

Sincerely,

Art Dunn  
Director  
Minnesota Office of Environmental Assistance

CC: Annalee Garletz, Association of Minnesota Counties

### **Stakeholder Group Representation**

Members of the incentive-based SCORE evaluation group included a cross-section of representatives from the Minnesota Solid Waste Administrators Association, Association of Minnesota Counties, the Metropolitan Solid Waste Management Coordinating Board and the Solid Waste Industry. Members included:

Mary Ayde – Minnesota Waste Haulers Association  
Rick Frank – Houston County  
Mike Hanan – Ottertail County  
Paul Henrickson – Lyon County  
Julie Ketchum – National Solid Waste Management Association.  
Mike Lein – Carver County  
David Lucas – Sherburne County  
Terry Neff – Aitkin County  
Gary Rice – Kittson County  
Mary Richardson – Metropolitan Solid Waste Management Coordinating Board  
Trudy Richter – Minnesota Resource Recovery Association  
Kevin Rudd – Norman County  
Barry Schade – Dakota County  
Ted Troolin – Solid Waste Administrators Association, President  
Dave Weirens – Association of Minnesota Counties  
Paul Gardener – Recycling Association of MN