



Repairing recycling: Seven ways the stimulus package affects you

With hundreds of pages, billions of dollars and everyone trying to get a share, making sense of the federal economic recovery bill can be tricky. To cut through the clutter, here are seven ways the economic stimulus package will affect your recycling business or program.

by Henry Leineweber

Under normal circumstances, a new Congress and a new executive are allowed a certain honeymoon period with the press and the American people, but present circumstances are anything but normal. With the global recession and financial collapse dragging down all sectors of the economy, our newly elected leaders face challenges not seen in a generation. Rather than tackle each problem individually, President Barack Obama, as well as congressional leaders from both parties, are attempting a comprehensive solution that prioritizes job creation, incorporates elements of Mr. Obama's and former President George W. Bush's green energy agenda, and tests out a highly Keynesian approach to economic growth and management.

Directly affected by this sweeping response are those in the recycling industry. In addition to new federal investments

in recycling – money allocated for sustainability and green industry grants – billions of federal dollars are expected to go to infrastructure and transportation projects, increasing the demand for some recycled products.

Recognizing this, concerned recycling advocacy and trade groups stepped up their lobbying and outreach efforts in the weeks leading up to the final passage of the \$789 billion stimulus bill (American Recovery and Reinvestment Act of 2009), holding meetings with key legislators and sending out mass mailings that urged recycling officials to directly contact their local senator or representative. Arguing the notion that what's good for recycling is good for the broader economy, such organizations as the Institute for Scrap Recycling Industries, Inc. and the National Recycling Coalition stressed both the environmental and economic benefits the recycling

Table 1 | Economic recovery proposals directly affecting recycling

City	State	Project Description	Funding Required (in \$)	Jobs Created
Anchorage	AK	Materials Recovery Facility	\$15,000,000	17
South Tucson	AZ	Replacement of Garbage Containers	500,000	2
South Tucson	AZ	Replacement of Garbage Trucks	250,000	3
Bell Gardens	CA	Construction of Running Track using recycled rubberized tire material or similar recycled product for the main surface. This project would include Energy Efficient/Green outdoor recreational lighting, and drought tolerant landscaping.	1,500,000	10
Durango	CO	Regional Materials Recycling Facility ? Durango’s existing recycle center is 14 years old and has become insufficient to handle the amount and type of materials the community recycles.	15,000,000	1,500
Danbury	CT	Regional Solid Waste Treatment Station ? Acquisition and expansion of existing station	30,000,000	15
Gretna	FL	Bottle Water with recyclable bottles	4,510,000	101
Lewiston	ID	municipal solid waste compost facility	3,000,000	4
Meridian	ID	Composting Project	2,000,000	5
Lake Station	IN	4600 recycle bins, 1 recycle rearload truck, and route software for recycling program	385,000	67
Lexington	KY	Anaerobic Composter – A project to develop an anaerobic composting system for food waste and other organics in our waste stream. This process will generate usable electricity for homes and businesses lowering our carbon footprint	15,000,000	10
Lexington	KY	Construct regional recycling facility HHW facility and green industrial park	12,000,000	35
Louisville	KY	Recycling Program Enhancement Equipment: Purchase and distribution of 100,000 programmable recycling carts to enhance recycling participation & thereby reduce landfill volumes.	7,000,000	100
Portland	ME	Implement the first phase of the City’s energy and sustainability program	3,000,000	17
St. Louis	MO	City Government Recycling Program Expansion	4,500,000	
St. Louis	MO	City?Wide Single?Family Residential Recycling Program Expansion	18,000,000	
Jackson	MS	Open Dumping Surveillance System	75,000	3
Meridian	MS	Recycling facility	750,000	20
Albuquerque	NM	Purchase residential recycling collection vehicles and carts to implement a citywide residential single stream cart?based recycling collection program	18,000,000	100
Albuquerque	NM	Construct a LEED certified eco?friendly city solid waste transfer station to accommodate the transfer of refuse and recycling from residents and businesses.	13,000,000	355
Albuquerque	NM	Construct a LEED certified eco?friendly city materials recovery facility (MRF) to accommodate the increased flow of recycling from residents and businesses.	21,000,000	735
Dayton	OH	Development of Deconstruction and Construction Waste Recycling Centers to reduce the amount of waste tipped into landfills and to provide low cost recycled products to the community.	25,000,000	36
McAllen	TX	Recycling Center Photovoltaic System Installation	350,000	10
Salt Lake City	UT	Glass recycling capital investment	5,000,000	5
Madison	WI	Placing concrete bunkers for Yard Waste Site at Streets ? East	75,000	10

*Source: *Mainstreet Economic Recovery Report*, U.S. Conference of Mayors, 2008.

industry provides. Californians Against Waste, for instance, made the case that, for every ton of materials recycled in the Golden State, \$275 was generated in goods and services, \$135 in sales and \$101 in salaries and wages. Recycling in California also generates upwards of \$200 million in sales tax revenue annually.

But, with so many other sectors of the economy in dire need of assistance, keeping track of where the spending will go is no easy task. To help make sense of what your business or program can expect from the federal stimulus package, *Resource*

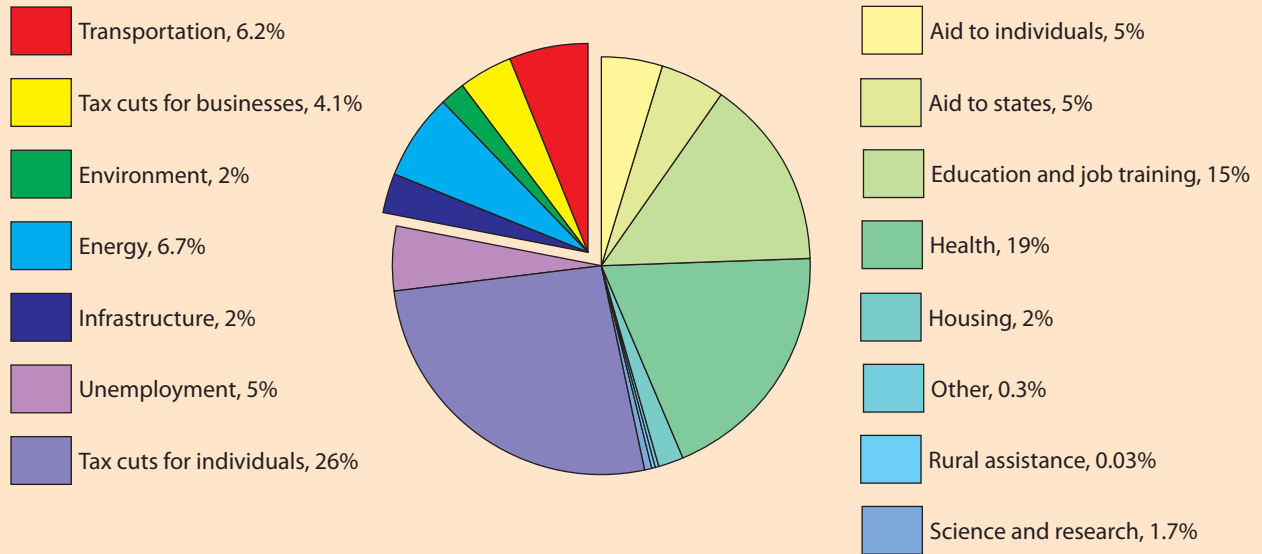
Recycling has compiled a list of seven ways the American Recovery and Reinvestment Act will impact the recycling industry.

1. As many as 25 shovel-ready recycling projects could receive direct support from the stimulus. When U.S. mayors released their wish lists in the *Mainstreet Economic Recovery Report* last January, tens of thousands of potential projects were identified, including 25 ready-to-go recycling proposals *Resource Recycling* has identified as strong candidates for funding (Table 1). These projects

range from improved collection bins, equipment and energy efficiency upgrades, to materials recovery facility expansions or construction. With some proposals estimated to create several hundred jobs each, these projects appear to fit all the necessary requirements for serious consideration for federal dollars.

The package contains approximately \$6.8 billion in total energy efficiency and infrastructure grants, funding that could be used for projects that would increase renewable energy generation (including landfill gas projects), curb greenhouse gas

Figure 1 | The American Recovery and Reinvestment Act



Source: Resource Recycling, 2009.

emissions and reduce the volume of waste headed to landfills, which would include a host of recycling projects. Additionally, \$3.2 billion in energy conservation block grant funding has been appropriated.

Those applying for recycling grants would still need to compete against other programs for investment, but the appropriated funds represent a substantial sum, of which a portion is likely to fund recycling ventures at the local level. But, even projects with no direct connection to recycling are poised to benefit the industry. For instance, the bill contains \$11 billion for rebuilding the nation's energy grid, a project that would consume large amounts of recycled steel, copper, aluminum and other metals.

2. "Buy American" clause may have unforeseen consequences. The stimulus bill that originally passed the House contained a provision that mandated the use of domestically manufactured or reclaimed iron and steel in all infrastructure projects. Originally intended to safeguard or create jobs in America, forcing projects receiving funding through the stimulus package to utilize only American-made materials, the move was hailed by labor unions and Rust Belt legislators alike.

Others, however, viewed the provision quite differently. Already wary of the president's stance on NAFTA, following remarks Mr. Obama made during the

campaign, many free trade proponents openly rejected the stimulus package's required use of domestic-only material. Alleging that the policy ran the risk of sparking a trade war, as other nations sought to penalize U.S. exporters with protectionist measures of their own, critics argued that the good intentions of lawmakers could have backfired catastrophically, causing further damage to American business interests overseas and reducing incentives for domestic industry to improve its efficiency. China warned of just such a possibility, so did the European Union, calling any protectionist measures violations of World Trade Organization treaties.

Former Republican presidential candidate, Arizona Senator John McCain, even attempted to have the provision stripped from the bill, but that move was rejected; however, faced with mounting pressure from both inside and outside the United States, the Senate relaxed the requirement, saying the clause should be "applied in a manner consistent with U.S. obligations under international agreements." The hope is that softening the language of the clause will provide just enough incentives to spur domestic job growth, without incurring retribution from longtime trading partners.

3. Buying recycling and composting equipment will be easier. The legislation

allows for a bonus depreciation toward the purchase of new equipment and plants by doubling the amount small businesses can write off on these investments. Technically an extension of the Recycling Investment Saves Energy Act, a provision added to the \$700 billion Federal financial bailout plan passed last year under former President Bush, the law allows businesses to deduct up to 50 percent of the cost of applicable assets, with a depreciable lifespan of less than 20 years. Additionally, provisions of the bill allow businesses to expend up to \$250,000 of applicable capital acquisitions through 2010, if the overall expenditure is less than \$800,000, which is good news for those looking to purchase new equipment.

Other tax cuts aimed at small- and medium-sized businesses will help modernize facilities and retain employees through payroll tax reductions. Nearly \$5.1 billion has been allocated for such tax cuts. Larger firms will also see quicker deductions for the cost of depreciable equipment from taxable income.

4. It's not as painful now to be unprofitable. The measure signed by President Obama allows companies posting financial losses in 2009, such as recycling collectors and processors, to get refunds for taxes paid as far back as 2003. Previous regulations only allowed losses to be carried back two years. This provision applies to small businesses with receipts up to \$15

million per year.

Additionally, the plan affords large companies the option of deferring taxes, for up to five years, on transactions aimed at restructuring balance sheets. Firms would then repay the taxes over the subsequent five years. These measures could help equalize some of the highs and lows of the past year and provide a measure of stability for many companies.

5. You'll see added demand for recycled product from the transportation sector.

A sum total of \$48 billion is expected to be spent on transportation, including inter-city rail (\$9.3 billion), mass transit and light rail (\$8.3 billion) and highway and bridge infrastructure (\$27.5 billion). To put it in terms more relevant to recycling, analysts estimate that between 10,000 and 30,000 tons of steel are used in each new bridge, principally in the form of plate, rebar, I-beams and structural shapes. Repairing an existing bridge consumes an average of between 5,000 and 10,000 tons of steel. Considering recent high-profile infrastructure failures, such as the tragic 2008 collapse of the I-35W Mississippi River bridge in Minneapolis, bridges, roads and other transit projects are likely to be a high priority.

New road and building construction is also likely to boost demand for geosynthetic barrier materials, with recent reports predicting gains among the broad range of composites to hit 2.5 percent annually between 2012 and 2017. This could be particularly advantageous to processors and manufacturers of polypropylene and polyethylene sheet and film products, as these types of barrier materials are particularly popular for commercial and infrastructure construction and landscaping projects.

It should also be noted that The American Recovery and Reinvestment Act of 2009 marks the largest burst of public works spending in over 50 years, harkening back to 1956 when former President Dwight Eisenhower's enactment of the National Interstate and Defense Highways Act appropriated \$25 billion for the construction of 41,000 miles of interstate highways over a 20-year period.

Analysts note, however, that while many of these projects are said to be shovel-ready – in that all the design and engineering has been completed – the effect on recycling markets from all the new demand for recycled steel, copper, industrial plastics, etc. may take several

months to emerge, as funds still need to be allocated and contractors selected.

6. States are going out of their way to woo businesses. Facing dwindling tax bases, many states are not waiting for the feds to come riding to the rescue. Instead, they're taking matters into their own hands with a series of economic incentive programs. New Jersey Governor Jon Corzine is attempting to fight job loss by proposing to

“The real issue is how much of this is truly new, unplanned work, versus work that was going to be done anyway – they're just changing who's going to pay for it.

offer small businesses a \$3,000 bonus for every new employee they hire. Minnesota Governor Tim Pawlenty is offering an even more ambitious proposal, advocating a series of tax-free zones for renewable energy or green jobs. Pawlenty also proposes exempting small businesses from capital gains taxes and cutting business taxes to 4.8 percent over the next six years.

Other states are offering their own solutions as well. Colorado, for instance, is considering cutting income taxes for employers who create at least 20 new jobs, and expanding a statewide green jobs incentive program by \$1.4 million. A \$175 million package of ready-to-go projects is also in the works in Oregon, with state lawmakers hoping an emphasis on public works projects will be able to get Oregonians hardest hit by the recession – those at the lower end of the income spectrum – working again.

7. More money is on the way. While the \$789 billion stimulus bill may seem like a staggering sum, in all likelihood, more funds will be needed to fuel economic growth through lean times. Only a fraction of the \$507 billion in stimulus spending (the remaining \$282 billion going to tax cuts) is expected to go to infrastructure and transportation projects, according to Representative Peter DeFazio (D-Oregon), a senior member of the House Transportation and Infrastructure Committee.

The winners

- Recycled steel producers
- Recycled copper and aluminum producers
- Mixed plastic processors, such as producers of composite lumber, plastic railroad ties, composite concrete, etc.
- Equipment manufacturers. Many proposals include modernizing facilities and installing new energy efficient technologies, purchasing new collection vehicles and upgrading processing capacity.

The losers

- The recovered paper industry. Little of the stimulus package directly affects the paper recycling industry
- E-scrap processors. Virtually no funds are going to electronics processors and the consumer electronics and IT sectors likely will be addressed independently of this recovery package.

Furthermore, the National Recycling Coalition estimates that over \$300 million would be needed to overhaul the nation's recycling infrastructure, which would include modernizing facilities, constructing new plants, purchasing new equipment and expanding capacity. This sum is well within the limit for energy efficiency and recycling grant funding set aside in the bill, but because projects will have to compete against other energy efficiency-related proposals, it is unclear how much funding will ultimately materialize.

Finally, while lawmakers on Capitol Hill already are hinting that a follow up to The American Recovery and Reinvestment Act may be necessary in the future, Congress is unlikely to consider such a measure until after Treasury Secretary Timothy Geithner's estimated \$2 trillion follow up to the Troubled Asset Relief Program has been analyzed more thoroughly. The collective attention of both Congress and the Obama Administration now seems to be shifting toward stabilizing the financial industry.

While many critics of the overall stimulus bill have chastised it both as government interference in the market and alleged irresponsible spending, a lengthy Senate debate, and a scramble to lock in moderate Republican and Democrat votes, has

Green funding in the stimulus

Energy (\$52.5 billion)

	Funding (\$ billions)
Modernize the electric grid	11.00
Provide grants to cities, counties and states to increase energy efficiency	6.30
Provide additional financing for Innovative Energy Loan Guarantee program	6.00
Increase energy efficiency in federal buildings	4.50
Invest in fossil energy	3.40
Support battery manufacturing	2.00
Replace older vehicles owned by the federal government with hybrid and electric cars	0.30
Increase financing for home weatherization program	5.00
Provide consumers rebates for energy-efficient appliances	0.30
Provide grants to states for energy-efficient vehicles and infrastructure	0.40
Improve energy efficiency in government-subsidized apartment buildings	0.25
Repair and modernize public housing units	4.00
Repair and modernize about 4,200 Native American housing units	0.51
Conduct energy efficiency and renewable energy research	2.50
Provide additional financing for science and research at the Department of Energy	2.00
Incentive for alternative fuel pumps	0.05
Increase tax credits for residential energy efficiency improvements	2.00
Incentive for alternative vehicle	2.00

Transportation (\$48 billion)

	Funding (\$ billions)
Provide money for highways and bridges	27.50
Invest in rail transportation	9.30
Invest in public transit	8.40
Invest in local transportation projects	1.50
Invest in air transportation	1.30

Business tax cuts (\$32.3 billion)

	Funding (\$ billions)
Extension of bonus depreciation	5.90
Expand deduction limits for banks buying bonds	3.20
Provide tax break to General Motors	3.20
Delay recognition of certain cancellation of debt income	1.60
Expand net operating loss carry-back provision for small businesses	0.95
Expand tax break for small business stock sales	0.83
Reduce holding period for taxation of companies that convert into S corporations	0.42
Provide incentive for hiring disadvantaged workers	0.23
Expand use of industrial development bonds	0.20
Prohibit recollection of tariff payments	0.09
Allow more small business deductions	0.04
Expand tax incentives for renewable energy facilities	14.00
Incentive for advanced energy investment	1.60
Incentive for alternative fuel pumps	0.05

Infrastructure (\$22.1 billion)

	Funding (\$ billions)
Provide additional money to the Army Corps of Engineers	4.60
Create new program to expand broadband access	4.50
Make military facilities more energy efficient	4.20
Repair and improve facilities on public lands and parks	3.10
Provide additional money to the Department of Homeland Security	2.80
Finance improvements to Agriculture Department infrastructure	0.25
Provide additional financing to improve communications in rural areas	2.50
Provide loans for rural developments	0.15

Environment (\$15.6 billion)

	Funding (\$ billions)
Clean up sites formerly used by the Defense Department	6.00
Finance local water projects	6.00
Finance national environmental cleanup	1.20
Finance rural water and waste facilities	1.40
Provide water to rural areas and Western areas impacted by drought	1.00

produced a somewhat leaner, more tax-cut heavy bill than what emerged from the House. In a recent Washington Post editorial, influential Senator Arlen Specter (R-Pennsylvania) argued that “the unemployment figures, the latest earnings reports, and the continuing crisis in banking, make it clear that failure to

act will leave the United States facing a far deeper crisis in three or six months. By then, the cost of action will be much greater, or it may be too late.”

Specter’s support for the compromise bill that emerged in the Senate, along with that of other such influential moderates as Joe Lieberman (I-Connecticut),

Olympia Snowe (R-Maine), Susan Collins (R-Maine) and Ben Nelson (D-Nebraska), succeeded in cutting over \$100 billion from the original Senate bill, mostly in the form of funds to non-essential programs and services. The inclusion of this block of moderate Republican voices also granted some much-needed bipartisan support to

Industry reactions

In researching and writing this article, members of the *Resource Recycling* staff spoke with many members of the environmental, recycling and business communities to get a sense of just what effect the recovery package will have, if any, and how efforts to manage the recession are viewed around the industry. The results spanned a range of opinions, and, with the permission of those interviewed, those comments are as follows.

“Knowing that the government has taken the lead (no pun intended) when it comes to LEED, we believe that [the recovery package] will cause these projects to stimulate markets for recycled materials. Obviously, the construction of bridges, highways and buildings also means jobs. Many of them are not a specific color (green), but, because of this construction, they will be erecting buildings that are green. Also, money directed at renewable energy will benefit us as well. It’s hard to get a handle on the electrical grid and renewable energy, but, as a rule of thumb, each wind turbine needs approximately 150 tons of steel, and, as you know, steel always contains recycled content.”

– *Bill Heenan, president, Steel Recycling Institute*

“The real issue is how much of this is truly new, unplanned work, versus work that was going to be done anyway – they’re just changing who’s going to pay for it. My guess is that, in the first two years, there’s not going to be a whole lot of truly new work that’s going to be done. What people sort of overlook when they compare this to the New Deal is that, back in the 30s, you didn’t have OSHA, you didn’t have the

EPA, and it was real easy to plan and build projects. We do things differently nowadays. For the most part, it’s for the better, but it also tends to take longer.

With all due respect to my friends in the steel industry, just because you create a bigger demand, it does not necessarily imply that prices are going to get better for recycled steel; it still becomes a function of the available supply out there of raw materials. They could be increasing production, but if there’s already a supply in the pipeline, [buyers] aren’t going to pay that much more for old cans – or old cars.”

– *Chaz Miller, director of state programs, National Solid Wastes Management Association*

“At the state level, I know that Governor [Charlie] Crist has expressed strong support for the stimulus plan – one of the few Republicans to do so. Given [Florida’s] new 75-percent recycling goal by 2020, I expect we will require considerable investment in materials processing and market infrastructure.”

– *Phil Bresee, chairman, Recycle Florida Today*

“I’m especially concerned about that low commodity prices might drag down the stimulus. When banks start lending again, we may very well have significant inflation as part of the natural economic cycle coming out of a recession. That being the case, we would be wise to have the recycling infrastructure in place, at that time, to help alleviate high commodity prices and also positively impact the environment.”

– *Robin Anderson, dean, Pamplin School of Business, University of Portland (Oregon)*

“One of the interesting things for me is that you may see some positive influence on demand for recycled steel, in the sense that

the green building trend is becoming more powerful. I’m fairly sure LEED gives points for the use of recycled goods, so it can come from that direction. That means the market for steel is impacted in two different ways: Both by the rise of steel consumption, generally, and by the desire for recycled steel for environmental certification in new buildings.

In a broader sense, part of the problem is that we’re at the end of the two-year cycle, so the impact of the crash is magnified because it’s spread over the past six months. For the next two years, even if the budget deficit is enormous, at least we’ve got two years to spread it over. I think that people are going to need to develop confidence that we’ve put ourselves past the problem. What’s worrisome is that households view uncertainty as their enemy here. What it’s going to take is a consensus that the worst is behind us, that we’ve got our arms around the problem and that at least a lot of it is psychological. I’m not a macroeconomist, but it seems to me that the impacts of the stimulus will be felt most strongly in 2010.”

– *Mike Russo, professor of sustainable management, Charles H. Lundquist College of Business, University of Oregon*

“In general, the most important thing that can happen is for the stimulus to assist in restarting the economy, thereby increasing demand for consumer goods and the materials necessary to manufacture and package them. And, of course, since commodity prices now are so dependent on the global economy, it is not only the U.S. stimulus package, but the other nations’ efforts that will be equally important to rebuilding the pricing structure for recycled materials.”

– *Ed Skernolis, acting executive director, National Recycling Coalition*

the bill, and helped bolster the political capital of the Obama Administration, still smarting somewhat from the unanimous opposition to the stimulus package among House Republicans.

Some funds were cut from the initial request for transportation projects and green grants, but the economic recovery package is still likely to give a much-needed shot in the arm to the recycling industry, both through direct and indirect methods. While it is true that two-thirds of the approximately \$27 billion in highway

and bridge spending and 80 percent of the funds allocated for renewable energy will not be spent in the next fiscal year, that is not to say that projects will not be started in the near term, according to the Congressional Budget Office.

Shovel-ready proposals could be started within several months and, although critics rightly point out that many projects will not be completed for years, orders for equipment and recycled products are likely to materialize much sooner, bolstering the flagging commodities

market. A resurgence of demand and a recovery of confidence will precede any actual increases in production and construction. As one industry professional put it, “you don’t order equipment for a job the day before you need it.”

A more immediate, albeit indirect, benefit of stimulus spending will be more cash in the hands of American workers, and subsequently, an increase in the consumption of packaging, printed materials, and a host of consumer products made from recycled materials. Rightly so,

the stimulus emphasizes job creation as a way to both assist struggling retailers and recoup many of the expenses the recovery plan incurs through deficit spending. New workers will not only contribute tax revenue to the system, but they will also generate and consume recycled products, helping the recycling industry recover. Additionally, federal funding of projects already in the works at the state and local level frees up funds for service jobs not directly affected by the stimulus, such as education, medical and emergency response personnel. Granting existing workers in those sectors job security is likely to cause a loosening of the currently tight purse strings held by those consumers, spurring demand for a host of products made with recycled materials. The sooner Americans get back to work, the sooner they begin consuming recycled plastic in their household products, recycled fiber in their daily newspapers, and recycled steel in their new cars. **RR**

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