



## Harrisburg, Pennsylvania's Incinerator: A Story of Unintended Consequences

The Harrisburg Resource Recovery Facility, less elegantly referred to as the incinerator that burns money, was built in 1972. The estimated cost to build it was \$15 million and [was sold to the city](#) based on projections that it could burn enough trash to generate sufficient steam to be sold to cover its costs and debt service. But unexpected repairs required additional financings so that by the time the Environmental Protection Agency (EPA) discovered it was emitting unacceptably high levels of [dioxins](#) and shut it down, the city owed \$94 million for the facility.



The current Mayor of Harrisburg, Linda Thompson, was on the City Council at the time and remembers that outside consultants had recommended retrofitting the incinerator:

They sold us [on] the fact that this incinerator, once its retrofitted, would make enough money to pay the old debt and the new debt. Unfortunately, that didnt happen.

The council in essence doubled down on their bet that they could make the incinerator profitable, and sold another \$125 million in bonds to pay for it. Before the refit was complete, the general contractor went bankrupt. Today the steam generated by the plant barely covers its costs of operation so that, according to Jim Klecko, regional VP for Covanta Energy which operates it, There's nothing in the industry that even [resembles] the kind of financial structure that this facility is in. If you ran [it] at peak efficiency, 100 percent all of the time, just by pure volume, you couldnt process that much waste in a facility of this size [even to cover its] debt service.

Thompson regrets the decision made while she was on the council: Someone should have said enough. So here we are. The city has laid off 32 employees and has increased taxes, to no avail. Now, in an attempt to raise cash, she has suggested selling off the city-owned parking garages and even its coveted City Island, a park in the middle of the Susquehanna River, to a real estate developer. An alternative is to have the state of Pennsylvania come in and take over the city much like a bankruptcy judge, but members of the council didnt like either of those options. So they voted 4-3 to declare Chapter 9 bankruptcy.

Thompson called the action a sneak attack by the council, and the city attorney thinks the filing is illegal. The state has legislation pending that would preclude the city from doing a Chapter 9, and the three judges who would rule on the bankruptcy petition are out of town.

Meanwhile the city (population 50,000) is faced with debts [exceeding \\$450 million](#) or about [five times](#) the city's annual budget, and is late in making a \$65 million debt service payment. It is currently being sued by six creditors and is in imminent jeopardy of not being able to provide the minimum services to



Written by [Bob Adelman](#) on October 13, 2011

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its citizens, according to the bankruptcy petition. All of which is reminiscent of similar bankruptcy filings in [Jefferson County \(Birmingham\), Alabama](#), and [Vallejo, California](#), where bad decisions, fraud, federal mandates, and circumstance all conspired to force the bankruptcies there.

The proximate cause in Harrisburg must begin with the establishment of the Environmental Protection Agency in July 1970 by executive order of then-President Nixon. As [glowingly noted](#) at the time in the *Guardian*, the EPA represented a final step in a quick march towards national environmental consciousness. This statute recast the governments role: formerly the *conservator* of wilderness, it now became the *protector* of earth, air, land and water to create and maintain conditions under which man and nature can exist in productive harmony [and to] ensure for all Americans safe, healthful, productive, esthetically and culturally pleasing surroundings. (Emphases in original.)

One of the many unintended consequences of Nixons creation of the EPA is the untenable situation faced by the taxpayers of Harrisburg. No matter how things are eventually sorted out, the taxpayers will ultimately be paying for their federally mandated culturally pleasing surroundings.



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