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## FISCAL IMPACT REPORT

ORIGINAL DATE 02/26/13  
 SPONSOR Maestas LAST UPDATED 03/04/13 HB 551/aHHGAC  
 SHORT TITLE Food Residual Recycling & Agency Report Cards SB \_\_\_\_\_  
 ANALYST Weber

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY13	FY14	FY15	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>		Uncertain but Potentially Substantial	Uncertain but Potentially Substantial		Recurring	Many

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

New Mexico Environment Department (NMED)

#### No Response From

Department of Finance and Administration (DFA)

General Services Department (GSD)

### SUMMARY

#### Summary of HHGAC Amendment

The House Health, Government and Indian Affairs Committee amendment to House Bill 551 changes the word “residual” to “waste” throughout the bill and deletes the definition of “residual”.

#### Synopsis of Original Bill

House Bill 551 (HB 551) amends 74-9-15 NMSA 1978, of the Solid Waste Act to include:

1. E. The department of finance and administration shall report the performance of each state agency in its recycling efforts in a performance report card. The report card shall measure an agency's efforts to recycle paper, cardboard, food residual and other recyclable materials, where there is a market. The report card shall also show the agency's savings from recycling.

2. F. As used in this section, "food residual" means source separated and uncontaminated material that is derived from the processing or discarding of food and that is recyclable. "Food residual" includes pre-consumer and post-consumer food scraps."

## **FISCAL IMPLICATIONS**

The New Mexico Environment Department (NMED) reports the fiscal implications of HB 551 cannot be estimated with precision, but costs of food residual separation and collection could be initially in the million dollar range. Estimated costs are unpredictable as annual costs for recycling services vary in cities, towns, villages, counties, and unincorporated areas in New Mexico. In a period of tight budgets, many agencies may not have the necessary budget capacity to implement diversion and recycling programs that include food residual to purchase bins, contract for collection services, or to deliver recyclable materials to local recycling collection centers.

A significant effort would have to be made to purchase the necessary containers for each building, and to arrange for food residual collection bins for pick-up in areas where such services are provided. The inclusion of food waste may jeopardize an agency's savings from recycling more traditional, higher value products such as office paper and cardboard due to the cost of program implementation and the potential to contaminate papers due to lack of correct source separation, collection, and transport.

However, it is uncertain if the bill requires an effort to the degree noted in the NMED's fiscal estimate. The bill does not appear to require the Department of Finance and Administration (DFA) to mobilize an extensive recycling effort but rather to just report the results. Also, the bill states "The report card shall measure an agency's efforts to recycle paper, cardboard, food residual and other recyclable materials, where there is a market." This could imply that in areas without community recycling efforts or where the cost outstrips the gain that reporting may be required it may be exempt from the report card process.

## **SIGNIFICANT ISSUES**

The NMED has several concerns with HB 551. First, the term "food residual" is not commonly used in the solid waste industry. A more widely used and understood term would be "food waste."

Recycling food waste can cause foul odors if the waste is not managed properly. In other states, permits to recycle this material have been revoked due to ongoing foul odor issues. Care in implementation is essential.

The only facilities in New Mexico that accept food waste for composting are located in the Albuquerque area. One of these firms collects separated food waste from restaurants or other businesses that contract for this service. The other facility only accepts deliveries. There are no municipalities and private haulers that currently have food waste diversion programs in place, and none have the infrastructure in place to handle these wastes including vehicles, bins or other equipment to collect and transport food waste for composting.

The small amount of food waste generated in state offices would not justify the cost to handle such waste. Most employees bring their own lunches or leave for lunch as many state facilities do not have cafeterias. The only circumstances where the benefits of a food waste diversion plan outweigh the costs would be for concentrated food operators such as cafeterias, restaurants, jails, prisons or facilities that house persons where daily meals are provided.

HB 551 requires the DFA to report the performance of each state agency in its recycling efforts including the agency's savings from recycling. A performance report card monitored by the DFA will not necessarily lead to the increase in the amount of recycling or diversion that occurs in state agencies. Not all state agencies and offices have the fiscal ability to implement a recycling program. Additionally, some agencies or offices may be unable to recycle or divert waste because the community in which they are located does not offer such services or a recycling facility.

While access to recycling services has significantly improved in New Mexico within the past three years, there are still areas of the state that have limited access to such services. In other areas, access to recycling services may be at least 30 miles away. For example, district offices and jails are in some cases located in a community that only has access to recycling services on a drop-off basis. The General Services Department (GSD) staff, office staff or possibly technical staff would have to take time from other duties to handle and deliver these materials.

The NMED is currently developing a strategic plan in partnership with solid waste stakeholders to increase organic diversion and composting in New Mexico. The implementation of state-wide organic diversion is at least three years away.

## **TECHNICAL ISSUES**

It is unclear if the DFA is responsible for increasing the recycling effort or just reporting on current efforts.

The bill appears to be contrary to the Accountability in Government Act if the intent is to make the performance and measures part of an agency's regular performance reporting as required by that Act. Program Identification, 6-3A-4, states "The division, in consultation with the committee and the agency, shall review the requested changes, make any necessary revisions and issue approval or disapproval within thirty days of receipt" where division is State Budget Division. This allows the division to determine which programs are parts of the report card associated with the Accountability in government Act.

MW/blm:svb