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## FISCAL IMPACT REPORT

ORIGINAL DATE 2-3-07

SPONSOR Campos LAST UPDATED \_\_\_\_\_ HB 440

SHORT TITLE Solid Waste Facility Grant SB \_\_\_\_\_

ANALYST Aubel

### APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY07	FY08		
	\$5,000.0	Non-Rec	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

### REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY07	FY08	FY09		
	\$5,000.0		Non-Recurring	Solid Waste Facility Grant Fund

(Parenthesis ( ) Indicate Revenue Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

New Mexico Environment Department (NMED)  
New Mexico Finance Authority (NMFA)

### SUMMARY

#### Synopsis of Bill

House Bill 440 appropriates \$5.0 million from the general fund to the solid waste facility grant fund for expenditure in fiscal year 2008 and subsequent fiscal years to carry out the purpose of the fund.

**FISCAL IMPLICATIONS**

The appropriation of \$5.0 million contained in this bill is a non-recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY08 shall not revert to the general fund.

**SIGNIFICANT ISSUES**

The solid waste facility grant fund was created in 1995 by Section 74-9-41 NMSA 1978 to provide grant funding for needed construction, modification, or development of solid waste disposal and recycling facilities for qualified county and municipal applicants. The fund was originally “seeded” with \$10.0 million from finance authority revenue bonds.

According to NMFA, the solid waste facility grant fund has expended its funding on projects throughout the state. NMED further details that this grant fund has not been replenished since 1996 and that the current remaining balance of \$825,509 is committed by contract.

NMED reports that demand for this grant-funding source remains strong. In 2002, the NMED Solid Waste Bureau received 40 applications totaling \$11.0 million at a time when only \$1.4 million was available for that purpose, leaving approximately 20 projects for \$9.0 million unfunded.

NMFA reports that a survey of facility operators and owners was undertaken in 2006 and the respondents reported that if a grant opportunity were available, they would collectively apply for \$18.5 million for solid waste infrastructure expenditures.

House Bill 440 would replenish the depleted solid waste facility grant fund for funding a variety of solid waste, diversion, recycling, program improvement and construction projects.

**PERFORMANCE IMPLICATIONS**

NMED maintains that HB 440 would enable NMED to perform its job better because more money would be available to communities to bring their landfills into compliance with the law.

**ADMINISTRATIVE IMPLICATIONS**

NMED states that previous grant implementation procedures would continue to be followed. Oversight of this program involves NMED’s Solid Waste Bureau and NMED’s Construction Programs Bureau. The former manages the solicitation, review, prioritization, awarding, and funding amounts of the grants. The latter oversees the grant once it is awarded, including supervision of the procurement of professional services, review of plans and specifications for the bidding and construction phases, oversight of construction, and the project closure.

**OTHER SUBSTANTIVE ISSUES**

Previously awarded grants made it possible to close 22 landfills, which resulted in the protection of precious groundwater, the construction of 12 transfer stations to promote cost effective disposal of waste, and the building or modification of 11 convenience centers to reduce illegal dumping statewide.

Many communities across the state hope to implement waste diversion, recycling or composting alternatives to dispose of waste in a more cost-efficient manner in accordance with the directives of the Solid Waste Management Act. NMED states that the reality for many communities is that without a grant-funding source, these programs cannot be implemented.

Other municipalities must close their outdated, unlined landfills in order to decrease potential groundwater contamination. Numerous counties, cities, towns and villages need to replace old, inefficient solid waste collection and processing equipment or need to add a new transfer station or convenience station. Both NMED and NMFA point to the solid waste facility grant fund program as a proven, productive method to meet these needs.

### **ALTERNATIVES**

Direct appropriation or debt financing may provide options to communities to meet their solid waste needs.

### **WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

Failing to capitalize this fund may negatively impact many communities and counties, especially small municipalities with limited resources to manage solid waste properly. Communities across the state face increasing pressure to make system improvements and/or construct new facilities. Many are struggling economically to properly address their solid waste management obligations and responsibilities.

### **POSSIBLE QUESTIONS**

1. Is \$5.0 million sufficient in the face of demand?
2. What uncommitted balance remains in the clean water state revolving loan fund?
3. Could these grants be tied to a requirement for a portion of the project to be funded by a loan from the clean water state revolving loan fund?
4. As part of the approval process, can such grants include language requiring provision for septage disposal at solid waste facilities to reduce illegal dumping?
5. Does this program incorporate a state-wide project prioritization process and any fund leveraging opportunities to maximize the dollars across all funding sources?
6. Does the state have a strategic plan addressing the solid waste issues facing the state?
7. How does the packaging of grants and loans fit into this strategic plan?
8. What are the total future estimated costs to New Mexico to meet the solid waste facility needs of its communities?