

# LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

**SENATE, No. 1206**

## **STATE OF NEW JERSEY 218th LEGISLATURE**

DATED: JUNE 6, 2018

### **SUMMARY**

- Synopsis:** Requires large food waste generators to separate and recycle food waste and amends definition of "Class 1 renewable energy."
- Type of Impact:** Annual cost increases to the State, public higher educational institutions, counties, municipalities, and school districts. Annual revenue increases to certain municipalities, and potentially the State.
- Agencies Affected:** Department of Environmental Protection, State departments with facilities that are subject to the bill, public higher educational institutions, counties, municipalities, and school districts.

#### **Office of Legislative Services Estimate**

<b>Fiscal Impact</b>	<b><u>Year 1</u></b>	<b><u>Year 2</u></b>	<b><u>Year 3</u></b>
<b>State Cost Increase</b>	Indeterminate, potentially significant – See comments below.		
<b>State Revenue Increase</b>	Minimal – See comments below.		
<b>Local Cost Increase</b>	Indeterminate, potentially significant – See comments below.		
<b>Local Revenue Increase</b>	Indeterminate – See comments below.		

- The Office of Legislative Services (OLS) estimates that this bill would have an indeterminate, but potentially significant, annual cost impact on the State and on State institutions of higher education to comply with the bill’s requirements for separation and recycling of food waste. No precise estimate is feasible due to the unavailability of information on which State and State higher educational institutional facilities would be affected by the bill and are not at present in compliance with these requirements. Because the bill authorizes a large food waste generator to petition the Department of Environmental Protection (DEP) for a waiver of the recycling requirement if the transportation cost together with the fee for recycling is at least 10 percent more than the transportation cost and disposal fee for noncontract commercial solid waste disposal, the bill may result in no additional State costs for compliance. Furthermore, it is possible that in certain circumstances the costs of a food waste recycling or composting program could be less than current costs of disposal for certain facilities.
- The OLS determines that this bill would have an indeterminate annual cost impact on any county, school district, or municipality that is a large food waste generator. No precise

estimate is feasible due to the unavailability of information on which local government or school facilities would be affected by the bill and are not at present in compliance with the bill's requirements. The ability to obtain a waiver from compliance also applies to local governments and school districts.

- Annual revenue increases may be realized by certain municipalities due to the bill's provision for a local economic benefit payment to any municipality that hosts a facility approved to accept food waste. The payments would be made by authorized food waste recycling facilities located in the municipality. Insufficient data are available upon which to base an estimate of this impact.
- The DEP would incur additional recurring administrative costs to discharge its new responsibilities under the bill and to enforce compliance with the bill's requirements. The OLS has insufficient information upon which to base an estimate of this impact.

## **BILL DESCRIPTION**

This bill would require certain generators of solid waste to separate and recycle food waste, and amend the definition of "Class I renewable energy."

Specifically, under the bill, beginning January 1, 2020, every large food waste generator that is located within 25 road miles of an authorized food waste recycling facility and that generates an average projected volume of 104 or more tons per year of food waste would be required to: (1) source separate its food waste from other solid waste; and (2) send that source separated food waste to an authorized food waste recycling facility that has available capacity and will accept it. Beginning January 1, 2023, large food waste generators that produce an average projected volume of 52 or more tons per year of food waste would have to comply with these requirements.

Under the bill, if a large food waste generator is not located within 25 road miles of an authorized food waste recycling facility, or the facility will not accept the generator's food waste, the generator may send the food waste for final disposal at a solid waste management facility. In addition, a large food waste generator would be deemed in compliance with the bill if the generator: (1) performs enclosed, on-site composting or anaerobic or aerobic digestion of its source separate food waste; or (2) recycles food waste using an alternative authorized food waste recycling method. Moreover, the bill would authorize a large food waste generator to petition the DEP for a waiver of the recycling requirement if the transportation cost together with the fee for recycling is at least 10 percent more than the transportation costs and disposal fee for noncontract commercial solid waste disposal. The bill provides that a large food waste generator would be deemed to be in compliance with the bill if it sends its food waste for final disposal to a sanitary landfill facility that delivers the landfill gas to a gas-to-energy facility as fuel for the generation of electricity.

Any person who violates the bill would be subject to a civil penalty of \$250 for the first offense, \$500 for the second offense, and \$1,000 for the third and subsequent offenses. If the violation is of a continuing nature, each day during which the violation continues would constitute a separate offense.

The DEP would be required to adopt regulations concerning: (1) recordkeeping and reporting requirements for large food waste generators and authorized food waste recycling centers; (2) guidelines and procedures for businesses to follow to determine whether they are

subject to the requirements of the bill; (3) a list of food waste products that must be source separated and recycled pursuant to the bill; (4) standards for the enclosed on-site composting or anaerobic or aerobic digestion of source separated food waste, including requirements for energy production and other sustainable uses of the byproducts of recycled food waste; and (5) a list of actions businesses may take to reduce the amount of food waste they generate to a level below the threshold amounts established in the bill. The DEP would publish on its Internet website the name, location, and contact information for each authorized food waste recycling facility in the State.

The bill would provide for a local economic benefit payment to any municipality that hosts a facility approved to accept food waste. The bill would also establish the Food Waste Recycling Market Development Council. The bill would require State departments and agencies to use, where technically feasible, environmentally sound, and competitively priced, compost, mulch, or other soil amendments produced from municipal solid waste, food waste, sludge, yard waste, clean wood waste, or other similar materials. Finally, the bill would amend the definition of “Class I renewable energy” to include electric energy produced from methane gas from a composting or anaerobic or aerobic digestion facility that converts food waste or other organic waste to energy.

## **FISCAL ANALYSIS**

### ***EXECUTIVE BRANCH***

None received.

### ***OFFICE OF LEGISLATIVE SERVICES***

The OLS estimates that this bill would have an indeterminate, but potentially significant, annual cost impact on the State and on State institutions of higher education to comply with the bill’s requirements for separation and recycling of food waste. No precise estimate is feasible due to the unavailability of information on which State and State higher educational institution facilities would be affected by the bill and are not at present in compliance with these requirements. Because the bill authorizes a large food waste generator to petition the DEP for a waiver of the recycling requirement if the transportation cost together with the fee for recycling is at least 10 percent more than the transportation cost and disposal fee for noncontract commercial solid waste disposal, the bill may result in no additional State costs for compliance. Furthermore, it is possible that in certain circumstances the costs of a food waste recycling or composting program could be less than current costs of disposal for certain facilities.

The same potential impacts, mitigating factors, and insufficiency of data apply to local governments and school districts that may have to comply with the bill’s requirements.

Any municipality within which an authorized food waste recycling facility is located would be entitled to an annual economic benefit of at least \$0.50 per ton of all food waste accepted for processing at the authorized food waste recycling facility each year. The payments would be made by authorized food waste recycling facilities located in the municipality. Insufficient data are available upon which to base an estimate of the number of municipalities that might gain revenue from this provision of the bill, or of how much revenue might be realized annually.

The OLS notes that there may be minimal recurring revenue gains from the civil penalties associated with the bill. In addition, the DEP would incur additional recurring administrative costs to discharge its new responsibilities under the bill and to enforce compliance with the bill’s

requirements. The additional duties would include the operation of the temporary Food Waste Recycling Market Development Council. The OLS has insufficient information upon which to base an estimate of these impacts.

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This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).