

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the Legislature. LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

## FISCAL IMPACT REPORT

<b>SPONSOR</b> <u>Rep. Romero, A./Sen. Steinborn</u>	<b>LAST UPDATED</b> <u>02/17/2025</u>
	<b>ORIGINAL DATE</b> <u>02/11/2025</u>
	<b>BILL</b> <u>House Bill</u>
<b>SHORT TITLE</b> <u>Recycling &amp; State’s Circular Economy</u>	<b>NUMBER</b> <u>291/aHENRC</u>
	<b>ANALYST</b> <u>Chilton</u>

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

Agency/Program	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
NMED		\$280.0	\$280.0	\$560.0	Recurring	Recycling and Illegal Dumping Fund

Parentheses ( ) indicate expenditure decreases.  
 \*Amounts reflect most recent analysis of this legislation.

### Sources of Information

LFC Files

Agency Analysis Received From  
 New Mexico Attorney General (NMAG)  
 Department of Environment (NMED)

## SUMMARY

### Synopsis of HENRC Amendment to House Bill 291

The House Energy, Environment and Natural Resources Committee amendment to House Bill 291 (HB291) removes the eligibility of federally-recognized non-profit organizations from the list of potential recipients of grants from the fund (in a sentence removed from Section 13 of this bill).

### Synopsis of House Bill 291

House Bill 291 promotes a circular economy, defined in Section 3 of the bill as an economy that “uses a systems-focused approach” and promotes processes and activities that “are restorative and regenerative,” maintaining the value of resources for as long as possible, and aiming to eliminate waste through superior design (Section 74-13-2 NMSA 1978).

Much of the remainder of the bill adds “circular economy” to the amend the act’s name and its consequences to “Recycling, Circular Economy, and Illegal Economy Act.” Statutory changes are as follows:

Section of HB 291	Section of Statute Changed	Effect of change	Other amendments to this section of statute
1	74-13-2	Changes name of act	
2	74-13-2	Adds goal of fostering circular economy	
3	74-13-3	Adds definition of circular economy, as above	
4	74-13-6		Creates a “recycling and waste reduction coordinator” and a “circular economy coordinator” within NMED, funded by the recycling and illegal dumping (RAID) fund.
5	74-13-7	Renames the alliance to include term “circular economy”	
6	74-13-8	Adds “circular economy” in quotation of act	Adds that the board shall consider requirements for persons to submit proposed rules and for the board to consider holding a hearing within 60 days.
7	74-13-10	Adds “circular economy” in quotation of act	
8	74-13-11	Adds “circular economy” in quotation of act	
9	74-13-13	Adds “circular economy” in quotation of act	
10	74-13-14	Adds “circular economy” in quotation of act	
11	74-13-15	Adds “circular economy” in quotation of act	
12	74-13-16	Uses statute citation (74-13-4) rather than current title of act	
13	74-13-17	Adds “circular economy” in quotation of act	Adds federally recognized nonprofit organizations* among entities that could apply for and receive grants to provide funds to landfills for handling used tires. Removes subsections requiring use of funds to be used for tire abatement and recycling.
14	74-13-19	Adds “circular economy” in quotation of act	Removes language allocating “recycling and illegal dumping fund” appropriations to landfills for tire recycling and abatement.

\* This addition to entities that could receive the grants was removed with the HENRC amendment

This bill does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns if enacted, or June 20, 2025.

## FISCAL IMPLICATIONS

NMED estimates the costs of HB291 as follows:

This bill creates two positions in the Environment Department, a Recycling Education Coordinator and a Circular Economy Coordinator. NMED estimates these positions to cost \$280,000 annually, beginning in FY26. These positions are funded by the RAID [recycling and illegal dumping] fund, which was created to provide grants for scrap tire and illegal dumping abatement, and recycling projects for local governments and tribal entities from vehicle registration fees. [Two-thirds of the RAID fund must go to scrap tire abatement each year.] The average yearly amount deposited into this fund over the last three years is \$1.016 million. There have been historically unspent funds each year, as there are not always enough scrap tire projects to make the two-thirds goal. NMED believes there is sufficient funding available on a recurrent basis to support these positions, which will develop, promote and implement programs that support the overall goals of the Recycling, Circular Economy, and Illegal Dumping Act.

NMAG states that “HB291’s requirement of rules for expeditiously acting on citizen rulemaking petitions could lead to an increase in legal analysis required by the office of the New Mexico Attorney General.”

There is no appropriation in HB291.

## **SIGNIFICANT ISSUES**

Pivotal to the creation of a circular economy is eliminating waste by designing products that can be easily reused, repaired, or refurbished, thus extending their lifespan. Products at the end of their use life can be kept within the economy by recycling their material. This repeated model of use and reuse model represents a departure from a linear take-make-consume-throw away pattern. NMED indicates that HB291's modification of the Recycling and Illegal Dumping (RAID) Act will enable it to hire additional employees to develop a circular economy plan and to reduce or eliminate unnecessary disposal of waste that could be used in new ways.

NMED agrees with the bill's proposal to eliminate requiring that two-thirds of the fund's income, estimated at just over \$1 million per year, be devoted solely to tire recycling. NMED also endorses the bill's provision allowing non-profits to benefit from grants to develop recycling programs. Further, NMED states:

Historically there have not been sufficient tire-related projects to spend the available grants in the RAID fund to achieve the required two-thirds/one-third mix of approved applications. Most applications are recycling proposals. Not enacting this bill will perpetuate NMED's inability to fund all the requests from local governments, tribal entities, and solid waste authorities proposing to address their unique recycling needs. In turn, HB 291 provides a steady and dependable stream of materials that recycling manufacturers need to invest in our State.

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

As stated by NMED:

New Mexico has very few recycling manufacturers in the state, and the lack of end markets for materials collected through recycling programs limits the ability of local governments and waste management entities to offer affordable collection programs. The status quo of recycling vs. landfilling will likely continue if the state does not encourage the economic development needed to establish end markets. Additionally, the ability to bring innovative ideas to the EIB may allow NMED to address hard-to-handle waste in new ways, which could alleviate illegal dumping, and lessen the need for the two-thirds funding in RAID to address tires. Illegal dumping will likely continue as usual if we do not enact this bill.