

Testimony of Comptroller William C. Thompson, Jr.
New York City Council Committee on Sanitation and Solid Waste Management
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Delivered by Greg Brooks
Deputy Comptroller

Good morning, Chairman McMahon and members of the Committee. On behalf of Comptroller William C. Thompson, Jr., I would like to thank you for this opportunity to testify concerning the status of New York City's recycling program.

We are pleased that the Administration has indicated that it will fulfill its commitment to the people of the City of New York and will return to a full-scale recycling program. This is the right decision for the environment, for the economy and for the City's budget. Comptroller Thompson looks forward to conducting a review of the Department of Sanitation's (DOS) 20-year contract for recycling metal, glass, and plastic in the near future. In addition to lowering recycling processing costs, a 20-year commitment to recycling will provide the stability needed to increase recycling diversion rates, thereby improving collection efficiency and lowering DOS's overall operating costs.

The Comptroller believes, however, that there are serious questions regarding DOS's ability to properly plan for the City's waste management needs. DOS clearly failed to achieve the \$40 million in anticipated savings that it claimed would justify its decision to suspend the glass and plastic recycling program in Fiscal Year 2003. Continual programmatic changes to the recycling program have confused the public and reduced participation. For example, two of the best performing recycling districts in the City, Community Board 12 in the Bronx and Community Board 6 in Brooklyn have seen their participation rates fall more than 15% since the suspension of recycling. In fact, DOS has utterly failed to provide any meaningful information to the public about the April 1, 2004 scheduled reinstatement of full-scale recycling, leaving it to the Natural Resources Defense Council to launch the only significant public education campaign.

Moreover, despite clear signs that waste disposal costs are rapidly rising, DOS has failed to articulate a clear agenda for improving recycling collection efficiencies, increasing recycling diversion rates or controlling short-term waste disposal costs. Indeed, the Governor of Pennsylvania proposed in February a new \$5 per ton waste disposal tax. Should this proposal be approved, the estimated additional waste disposal cost to the public and private sector in New York City will be approximately \$26 million per year. Applied to DOS's current waste disposal contracts, the Agency's average disposal cost would rise to \$74 per ton Citywide, while Brooklyn waste disposal costs would rise to \$80 per ton.

In an effort to address the lack of fiscal planning and accounting transparency in DOS's budget, the Independent Budget Office (IBO) released a report regarding the fiscal

impact of eliminating the recycling program. IBO's report concurs with the Comptroller's finding that DOS could not have possibly saved nearly \$40 million through the suspension of glass and plastic recycling. However, the Comptroller has serious concerns with technical aspects of the IBO's methodology. More importantly, the Comptroller is troubled that the findings in the IBO's report are being widely misunderstood as a valid assessment of the fiscal impact of eliminating the recycling program. It is not. Nonetheless, many members of the press, the public and elected officials have improperly concluded that the IBO's report can be used to calculate the fiscal impact of eliminating recycling altogether.

First, the IBO indicated that it took the data supplied by DOS at face value, although the agency has repeatedly made false or misleading claims regarding the costs of its operations and the savings it would achieve by reducing the recycling program. It is incumbent upon oversight agencies to make independent judgements regarding the information and data presented by City agencies, particularly those whose claims and judgements have been called publicly into question or proven to be false.

Second, it is critical to understand that the IBO's report cannot be used to assess the budget impact of eliminating recycling. For example, as the IBO's report acknowledges, DOS's costs are driven primarily by disposal costs and labor costs. There is no question that disposing of refuse is more expensive than processing recycling. Accordingly, the only significant fiscal savings that could be achieved by eliminating the recycling program would be due to increased collection productivity. Put plainly, any significant savings to be achieved by eliminating the recycling program would require laying off sanitation workers. However, by its own admission, the IBO never estimated how many workers would be laid off due to the elimination of the recycling program and therefore it has no reasonable basis for measuring any savings that might result.

Moreover, the IBO's analysis failed to make important distinctions between the operations of the recycling and refuse collection programs and also included a variety of fixed costs, such as debt service, in its calculations, which cannot be saved even if the program were eliminated.

Finally, despite dedicating much of its report to analyzing how DOS calculates the average cost per ton for recycling and refuse, IBO failed to make explicit how these average per-ton costs should not be used. Even DOS has acknowledged that the average per-ton cost cannot be used to make judgements regarding the relative cost of changing the level of recycling and/or refuse services. The lack of clarity in the IBO report resulted in an entirely inaccurate picture as to the actual cost of managing the City's waste and the fiscal impact recycling has on the City's budget.

Thank you again for the opportunity to testify on this important matter.