

New Jersey State Commission of Investigation



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Immediate Release**

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SCI OFFERS TESTIMONY TO CLEAN UP SOLID WASTE AND RECYCLING INDUSTRY

TRENTON – SCI Acting Executive Director Lee C. Seglem told a Senate panel this morning that legislation stemming from the Commission’s reform recommendations would close loopholes that allowed organized crime and other criminal elements to infiltrate New Jersey’s solid waste and recycling industry.

The Senate Energy and Environment Committee took testimony on S-2306, which would strengthen oversight of the industry and provide greater scrutiny of individuals and entities seeking to operate in the recycling business. The bill will be posted for a vote at a later time, according to Chairman Sen. Bob Smith.

The text of Seglem’s prepared remarks are attached.



Testimony
Lee Seglem
Acting Executive Director
State Commission of Investigation
N.J. Senate Environment and Energy Committee
August 8, 2016

Good morning, Mr. Chairman, and members of the committee.

I'm Lee Seglem, Acting Executive Director of the State Commission of Investigation. Joining me is staff Counsel Andrew Cliver, whose team conducted the most recent SCI investigation into matters we are here to discuss today.

First of all, Mr. Chairman, on behalf of the Commission, I want to thank you for this opportunity and for your longstanding record of concern for matters impacting our environment. I would also like to thank the sponsor of this legislation, Sen. Lesniak, and recognize his record of service and commitment toward establishing proper integrity in the solid waste industry here in New Jersey.

The SCI has a long history of investigative involvement in this realm as well. Not quite five years ago, we issued a report showing how criminal elements and unscrupulous operators have been able to circumvent the State's regulatory and oversight system and maintain a presence in the industry. Based on those facts, we called for a substantial strengthening of the A-901 program and recommended that it be used to scrutinize the integrity of individuals and entities engaged in certain forms of recycling as well.

More recently, this past May, the Commission held a public hearing on the findings of a more in-depth probe into the dark side of recycling in New Jersey. In particular, we focused on the indiscriminate disposal of contaminated soil and construction debris. We revealed how rogue dirt brokers, some linked to organized crime, arranged to haul this tainted material from out of state and dump it basically wherever they wanted – at the edge of Raritan Bay in Old Bridge or on a plot of ground in Pennsauken that drains into the Delaware River, to cite just two examples. This latest investigation served to put an exclamation point on our earlier findings and underscore the urgency of these matters.

Because elements of the recycling industry are so loosely regulated, this activity doesn't just pose a threat to the immediate dump sites or impact only those who live nearby. It is a reckless menace where the damage can include everything from polluted

run-off to creeks and streams to toxic dirt passed off a properly recycled topsoil. And the cost to clean up the mess left behind is often paid out of the taxpayer's pocket.

The bill before you today, S-2306, would address many of the core concerns and recommendations outlined to date as part of the SCI's statutory mission as an independent legislative watchdog. It would close a number of significant loopholes that have allowed tainted operators to continue entering the industry here without impediment.

For example, while state law requires background checks on all "key employees" of an applicant for a solid waste license, our investigation revealed how easy it is to avoid being included in this seemingly broad category of personnel subject to review. We found multiple instances where convicted felons and other criminal elements, including those tied to organized crime, continue to function within the industry because they can cloak their presence by serving in other capacities, such as sales representatives, brokers and/or consultants. As currently structured, the A-901 law is silent about the need to conduct background checks on individuals in such positions even though, publicly and behind the scenes, they may have duties and responsibilities critical to the daily operations of a licensee. S-2306 would close this obvious loophole. And it is worth noting that the solid waste regulatory system in New York City does include sales reps, consultants and brokers in the category of individuals subject to mandatory vetting. That's one reason why these guys keep crossing the border to set up shop here in the Garden State.

The bill would also take the major step of subjecting the recycling industry to the same regulation and oversight under the law as it applies to solid waste. When New Jersey adopted the Mandatory Source Separation and Recycling Act some three decades ago, the consensus was that incentives should be offered to encourage legitimate solid waste businesses to invest in the diversion of recyclable materials from landfills and incinerators. Thus, recycling was left largely outside the bounds of any sort of stringent or effective licensing and regulatory framework.

Our investigation, however, revealed that this hands-off regulatory construct has not kept pace with changing economic trends and the opportunities they provide for criminally tainted business interests. Given the obvious environmental vulnerabilities and other consequences associated with improper handling of contaminated materials, New Jersey should no longer allow itself to be used by unsavory recycling entrepreneurs as a haven from aggressive oversight.

This bill would also incorporate the SCI's recommendation to centralize and streamline state oversight and enforcement by consolidating A-901 responsibilities within the Office of the Attorney General. It is true that the very nature of collecting, handling, recycling and/or disposing of solid waste implicates a host of environmental concerns, and so it stands to reason that the framers of New Jersey's Solid Waste Management Act decades ago placed licensing authority within the Department of Environmental Protection. In practice, however, DEP relies heavily upon the law enforcement community, in particular the Division of Law and the State Police, to provide substance to that licensing process through criminal background checks and other means aimed at keeping the industry clean. The findings of our 2011 investigation demonstrated that it

would be wise to reconsider the wisdom and efficiency of this tri-partite licensing, oversight and enforcement structure. As the legislation sets forth, this consolidation should include the establishment of a centralized records-management system to provide regulators with better, more efficient access to information on solid waste and recycling applicants and licensees.

In closing, let me assure you that we are continuing with our investigative work in this area. We expect to complete a final report of our dirt recycling investigation before the end of this year. In that vein, we would be pleased to keep you and your staff, as well as the sponsor, apprised as to any and all additional recommendations for legislative reform as we move forward to complete this important work.

Thank you for listening and for responding. We'd be happy to try to answer any questions you may have at this time.