

Department of Legislative Services
 Maryland General Assembly
 2004 Session

FISCAL AND POLICY NOTE

House Bill 328 (Delegates Morhaim and Bobo)
 Environmental Matters

Environment - Electronic Waste Management

This bill requires the Maryland Department of the Environment (MDE), by October 1, 2005, to establish an electronic waste recycling system that includes collection and recycling facilities. To fund the system, the bill establishes an electronic waste recycling fee to be imposed on the first sale of a computer product or electronic video device in the State beginning July 1, 2005. Retailers must collect the fee and remit funds to MDE to be deposited in a new special fund. Among other things, MDE must use the new fund to provide payments to participating collectors and recyclers. The bill establishes requirements and prohibitions for manufacturers and retailers of affected products. MDE must adopt regulations to implement the bill and must submit an annual report on the fund to the General Assembly. The bill establishes administrative and civil penalties for violations of the bill's fee collection and remittance provisions by a retailer.

Fiscal Summary

State Effect: Special fund revenue increase of at least \$6.6 million annually beginning in FY 2006; actual revenues could be exponentially higher. Special fund expenditures would increase by at least \$6.3 million in FY 2006; future year estimates reflect ongoing operating expenses and are adjusted for inflation. State expenditures for the purchase of affected products would increase beginning in FY 2006 due to the new fee.

(in dollars)	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
SF Revenue	\$0	\$6,633,900	\$6,633,900	\$6,633,900	\$6,633,900
SF Expenditure	0	6,288,100	6,341,000	6,412,000	6,484,300
GF/SF/FF Exp.	0	-	-	-	-
Net Effect	\$0	\$345,800	\$292,900	\$221,900	\$149,600

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: Potential significant increase in expenditures for participating local jurisdictions; payments to participants from the new fund would offset at least a portion of those costs. Local expenditures for the purchase of affected products would increase due to the fee.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary: Among other things, a collection or recycling facility may be located inside or outside the State; may be publicly- or privately-owned and operated; and must be licensed or approved by MDE. MDE must give preference to existing collectors and recyclers who accept electronic waste. Regulations adopted by MDE must include: (1) minimum standards; (2) methods of proving financial ability; and (3) the forfeiture of bonds and other securities for noncompliance.

The electronic waste recycling fee, which would be established by MDE through regulation, may not exceed \$6 for an electronic video device with a screen size of less than 15 inches; \$8 for a computer product or an electronic video device with a screen size of at least 15 inches but less than 35 inches; or \$10 for a device with a screen size of at least 35 inches. Retailers must submit an accounting of fees collected and remit the fees to MDE. Retailers who do so timely are allowed a credit equal to 1.2% of the fees collected. If a retailer violates the bill's provisions relating to fee collection and remittance, MDE may impose a penalty of up to \$2,500 per violation; any such retailer is also liable for a civil penalty of up to \$5,000.

All fees (less the retailer credit) and civil penalties must be paid into the Electronic Waste Recycling Fund established by the bill. MDE must use the fund to make payments to collectors and recyclers who participate in the system, administer the bill's provisions, and establish a public information program related to the hazards of improper electronic waste storage and disposal and opportunities to recycle electronic waste.

By April 1, 2005, a manufacturer must inform the retailer if a product or device sold by that manufacturer is subject to the fee. Beginning July 1, 2005, a retailer may not sell a product or device unless MDE determines that the manufacturer has done so. Beginning January 1, 2006, a retailer may not sell a product or device unless it is labeled in accordance with the bill. By January 1, 2006, and at least once annually thereafter, each manufacturer must submit a specified report to MDE and must make information available to consumers that describes where and how to return, recycle, and dispose of the products and devices.

Current Law/Background: Each county must submit a recycling plan to MDE for approval. While there is no mandated State program for the management of end-of-life electronic equipment, since 2001, MDE has participated in a regional pilot project (called “e-Cycling”) with the U.S. Environmental Protection Agency (EPA), Virginia, West Virginia, Delaware, Pennsylvania, and the District of Columbia. EPA and industry funding for this project has ended, however. The goal of the project was to develop information and data necessary to develop an infrastructure and a sustainable program for the proper management, recycling, and removal of cathode ray tubes and other electronic components and their associated hazardous materials from the waste stream. Twenty counties in Maryland and Baltimore City co-sponsored and participated in e-Cycling events in conjunction with the pilot project. As of December 2003, estimated costs for e-Cycling activities totaled over \$600,000, not including personnel, advertising, or operating costs.

According to MDE, the National Electronics Product Stewardship Initiative, which includes electronics manufacturers, governments, and nongovernment officials, created a national dialogue to establish an electronics waste recycling program for businesses and consumers. In January 2004, EPA announced it would no longer fund the initiative because its focus has shifted to federal legislation addressing electronic waste. EPA has, however, indicated that it would continue to work with stakeholders to find solutions to the electronic waste issue. In addition, EPA has encouraged states to seek partnerships with business and industry. According to the Midshore Regional Recycling Program, some computer manufacturers are offering recycling services at a cost of about \$30 per computer.

MDE reports that several states including Massachusetts, California, Minnesota, Florida, and Arkansas have dedicated state resources to local governments and the private sector to develop an infrastructure for the collection of electronic waste.

According to MDE, in 1998, more than 20 million personal computers became obsolete nationally, while only 14% of those were reused or recycled. According to EPA, an estimated 2.26 million tons of consumer electronics were discarded nationally in 2001. Based on that estimate, MDE estimates that about 42,714 tons (8.5 million pounds) of electronics were discarded in Maryland in that year. From October 2001 through December 2003, MDE advises that about 15,500 tons (3.1 million pounds) of electronics were collected through various one-day recycling events and permanent collection facilities.

State Revenues: Because the total number of computer products and electronic video devices sold in the State that would be subject to the fee is unknown and because actual fee levels will be set by MDE through regulation, a precise estimate of fee revenues cannot be made at this time. However, based on 2000 Census data and 2001 data from

the Electronics Industries Alliance, an estimated 839,300 computer monitors and televisions are sold annually in the State. While these products only represent a portion of the total products subject to the fee, according to MDE, they are the products of greatest hazard in the waste stream. Based on these products alone, assuming an average fee of \$8 per product, special fund revenues would increase by \$6.6 million annually beginning in fiscal 2006. This estimate, which reflects the fee's July 1, 2005 implementation date, is net of the retailer credit; assuming timely compliance by retailers, the credit would total an estimated \$80,473 annually (1.2% of the total fee revenue collected). Actual fee revenue in all years could be exponentially higher due to the bill's broad definition of "computer product" and "electronic video device."

Special fund revenues could increase further due to the bill's penalty provisions; because noncompliance cannot be predicted, any such increase cannot be estimated. It is assumed that, although the bill requires participating collectors and recyclers to be licensed or approved by MDE, there would be no associated fee; to the extent MDE implements such a fee through regulation, revenues would increase.

State Expenditures: Special fund expenditures could increase by an estimated \$6,288,053 in fiscal 2006, which reflects a July 1, 2005 implementation date. This estimate reflects anticipated payments to collectors to collect and store products and build or upgrade facilities; payments to recyclers to transport and recycle products; and costs for MDE to implement a multi-media public information campaign. The estimate also reflects the cost of hiring three employees (one natural resources planner to oversee the program, one sanitarian to inspect facilities, and one administrative specialist to provide administrative support). It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Payments to Collectors (collection/storage)	\$2,400,000
Payments to Collectors (facilities)	1,500,000
Payments to Recyclers (transport./recycling)	2,125,000
Salaries and Fringe Benefits	136,906
Public Information Campaign	100,000
Equipment/Operating Expenses	<u>26,148</u>
Total FY 2006 State Expenditures	\$6,288,053

Any revenue generated by the new fee in excess of the estimated amount would likely be provided to collectors and recyclers in the form of increased payments from the fund.

As a purchaser of affected products, State agencies would be subject to the recycling fee established by the bill. Accordingly, State expenditures would increase beginning in fiscal 2006. The exact number of computer products and electronic video devices purchased by the State annually is unknown, however.

Any costs borne by MDE in fiscal 2005 to begin implementing the bill would be absorbed within existing resources. Future year expenditures reflect: (1) 4.6% annual salary increases and 3% employee turnover; and (2) 1% annual increases in ongoing operating expenses, including payments to system participants and public outreach activities.

Local Effect: Because the bill requires MDE to give preference to existing electronic waste collectors and recyclers, MDE anticipates that it will utilize the existing collection capacities of local jurisdictions to collect and store electronic waste under the new system. According to MDE, four counties (Montgomery, Howard, Prince George's, and Wicomico) currently accept electronic materials at their permanent collection facilities as part of their counties' recycling programs; most others have participated in at least one electronics collection event. Expenditures for participating jurisdictions would increase to establish new facilities or expand existing facilities, manage those facilities, and collect and store electronic waste. Payments to participating collectors, as described above, would offset at least a portion of the total costs. Presumably, local jurisdictions could offset any additional costs by establishing or increasing recycling fees. Although a precise estimate of the total costs to local recycling programs cannot be made, they could be significant.

As a purchaser of affected products, local governments would be subject to the recycling fee established by the bill. The exact number of computer products and electronic video devices purchased by local governments is unknown, however.

Small Business Effect: Manufacturers, retailers, and ultimately consumers of affected products would be affected by the bill. Manufacturers would be required to inform retailers regarding the applicability of the new recycling fee, label products, submit an annual report to MDE, and make information available to the public regarding methods of disposal and recycling. Retailers would be required to impose the new fee upon the first sale of a new product or device in the State; they would, however, be allowed a credit equal to 1.2% of the gross amount of fees collected if they remit fees to MDE in a timely manner. Retailers violating those provisions would be subject to penalties. Any business, large or small, purchasing affected products would be subject to the fee established by the bill. In addition to those fees, businesses could face additional price increases to the extent manufacturers and retailers pass on any additional costs to consumers.

Because the bill requires MDE to give preference to existing electronic waste collectors and recyclers, MDE anticipates that it will utilize existing private-sector recycling companies to transport electronic waste from local collection facilities and recycle that waste. Based on cost information from the four counties that have permanent collection sites and contract with private recyclers, MDE estimates transportation and recycling costs to average approximately \$0.25 per pound of electronic waste. Assuming 8.5 million pounds of electronic waste generated annually, payments to recyclers from the new fund would total an estimated \$2.125 million annually. Presumably, the establishment of a statewide infrastructure for the collection and recycling of electronic waste will increase the amount of such products that are recycled; accordingly, recyclers could benefit from an increase in the demand for their services.

Additional Comments: Any entity disposing of products affected by the bill could be subject to new or increased recycling fees to the extent system participants increase fees to offset any costs not covered by payments from the new fund.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland Department of the Environment, Department of Budget and Management, Northeast Maryland Waste Disposal Authority, Midshore Regional Recycling Program, Calvert County, Carroll County, Howard County, Montgomery County, Department of Legislative Services

Fiscal Note History: First Reader - February 9, 2004
mh/ljm

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