

Department of Legislative Services
 Maryland General Assembly
 2005 Session

FISCAL AND POLICY NOTE
Revised

House Bill 575

(Delegate Morhaim, *et al.*)

Environmental Matters

Education, Health, and Environmental Affairs

Environment - Statewide Computer Recycling Pilot Program

This bill establishes a Statewide Computer Recycling Program to be administered by the Office of Recycling within the Maryland Department of the Environment (MDE). Beginning January 1, 2006, the bill prohibits specified computer manufacturers from selling a new computer in the State unless the manufacturer has registered with MDE and paid a specified registration fee. Registration fees will be deposited into the existing State Recycling Trust Fund and used to provide grants to local governments to implement computer recycling programs.

The bill takes effect July 1, 2005 and sunsets December 31, 2010.

Fiscal Summary

State Effect: Special fund revenue increase of \$500,000 in FY 2006 and \$275,000 annually thereafter from fees; minimal increase in general fund revenues from investment earnings of the fund. Special fund expenditures would increase correspondingly.

(in dollars)	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
GF Revenue	-	-	-	-	-
SF Revenue	500,000	275,000	275,000	275,000	275,000
SF Expenditure	500,000	275,000	275,000	275,000	275,000
Net Effect	\$0	\$0	\$0	\$0	\$0

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

Local Effect: Local grant revenues for implementing computer recycling systems would increase by an estimated \$438,800 in FY 2006; future year grants would be less.

Small Business Effect: None. The bill would not directly affect small businesses. It is assumed that affected computer manufactures are not small businesses.

Analysis

Bill Summary: The registration and fee provisions apply to a manufacturer that manufactured an average of more than 1,000 computers per year in the immediately preceding three-year period. The initial registration fee is \$5,000; the subsequent annual registration fee is either \$500 or \$5,000, depending on whether the manufacturer had an implemented computer takeback program in the prior year. The bill establishes registration and reporting requirements for manufacturers. Registrations and fees must be submitted to MDE by January 1 of each year. MDE must review registrations.

The bill authorizes counties to address methods for the separate collection and recycling of computers in their county recycling plans. If a county elects to do so, any reduction in the county's solid waste stream counts toward the county's required solid waste reduction.

The bill provides that any investment earnings of the State Recycling Trust Fund must be credited to the general fund, and that any unspent or unencumbered balance in the fund at the end of each fiscal year reverts to the general fund.

MDE is authorized to adopt regulations necessary to implement the pilot program. Existing enforcement provisions and penalties applicable to violations of the water pollution control subtitle would apply to violations of the pilot program.

MDE must study and compare the impacts of disposing of and recycling cathode ray tubes and review the effectiveness of the pilot program in diverting computers and computer monitors from disposal in landfills. By December 1, 2008, MDE must report the findings to specified committees of the General Assembly.

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, in 2001 and 2002, MDE participated in a regional pilot project (called "e-Cycling") with the U.S. Environmental Protection Agency (EPA) and several states in the region. Over 250 tons of electronics were collected through 2002. Since the end of the pilot project, MDE has continued to provide funding for additional events. According to MDE, although no statewide, sustainable funding system has been identified, there has been significant effort by local governments to continue electronics recycling. There are now a total of six permanent electronics collection facilities in the State (Harford, Howard, Montgomery, Prince George's, Wicomico, and Worcester counties); the City of Greenbelt conducts collection events on a quarterly basis.

Chapter 154 of 2004 directed MDE to study the establishment and implementation, by January 2006, of an electronic waste collection system in the State. A workgroup assembled by MDE met several times during the 2004 interim. The discussion focused on two means of addressing the problem: (1) the establishment of an advanced recycling fee to fund the collection and recycling of electronics; and (2) the establishment of a system of shared responsibility among stakeholders. According to MDE, wide consensus was not reached. In its January 2005 report to the Governor and the General Assembly, MDE recommended that stakeholders be strongly encouraged to continue to pursue voluntary partnerships to expand electronics recycling in the State until a national solution can be implemented.

According to MDE, the National Electronics Product Stewardship Initiative (NEPSI) was created to bring stakeholders together to develop a national financing system to help maximize the reuse and recycling of old computers and televisions. No consensus has been reached to date. EPA held a national meeting in March 2005 to identify and create action plans for collaborative and scalable solutions that will immediately contribute to a national system for the management of used electronics. In addition, federal legislation addressing electronic waste has been introduced in recent years but has not been successful.

According to MDE, as of December 2004, several states (including Arkansas, California, Florida, Maine, Minnesota, Oregon, and Washington) had passed legislation addressing electronic waste. California's law imposes a recycling fee (ranging from \$6 to \$10) on the sale of computers and televisions. Maine's law requires manufacturers to implement a plan for manufacturer-financed collection, recovery, and recycling of electronic waste.

State Revenues: Special fund revenues from registration fees could increase by an estimated \$500,000 in fiscal 2006 and \$275,000 annually thereafter. This estimate, which is based on information provided by MDE, assumes that 100 manufacturers would register with MDE (and pay the initial \$5,000 registration fee) and that half of those manufacturers would have takeback programs that would enable them to qualify for the lower fee (\$500) in future years. To the extent the number of registrants varies, special fund revenues would vary correspondingly.

General fund revenues would increase pursuant to any investment earnings of the fund. General fund revenues could also increase due to the bill's reversion provision; however, for purposes of this fiscal note, it is assumed that MDE would spend or encumber any remaining special funds as grants to local governments prior to the end of each fiscal year.

General/special fund revenues could also increase to the extent any penalties are assessed for violations of the pilot program.

State Expenditures: Special fund administrative expenditures could increase by an estimated \$61,193 in fiscal 2006, which accounts for a 90-day start-up delay. This estimate reflects the cost of hiring one contractual natural resources planner to conduct research, develop regulations, conduct outreach activities, and review registrations. The estimate includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses, including contractual services for an outreach campaign.

Salary and Fringe Benefits	\$24,681
Contractual Services (Outreach)	30,938
Equipment/Operating Expenses	<u>5,574</u>
Total FY 2006 Administrative Expenditures	\$61,193

It is assumed that any registration fee revenue not used for administrative expenditures would be used to provide grants to local governments. Based on the estimated fee revenues and administrative expenditures, grants to local governments could total an estimated \$438,807 in fiscal 2006.

Future year *administrative* expenditures reflect: (1) a full salary with 4.6% annual increases and 3% employee turnover; and (2) 1% annual increases in ongoing operating expenses. Estimated grant expenditures in future years are as follows: \$237,367 in fiscal 2007, \$235,836 in fiscal 2008, \$234,236 in fiscal 2009, and \$232,565 in fiscal 2010. These estimates reflect estimated fee revenues and increasing administrative costs.

It is assumed that MDE would spend or encumber any remaining fee revenue prior to the end of the fiscal year due to the bill's general fund reversion provision.

Local Fiscal Effect: Local grant revenues would increase to implement local computer recycling systems. The estimated grant amounts are described above under State Expenditures.

Additional Information

Prior Introductions: Several bills addressing electronic waste have been introduced in prior sessions. The House Environmental Matters Committee held hearings on HB 328, HB 109, and HB 111 of 2004, HB 911 of 2003, and HB 111 of 2001. HB 109 of 2004 passed the House with amendments, passed the Senate, and was signed into law as Chapter 154. All of the other bills received unfavorable reports.

Cross File: None.

Information Source(s): Maryland Department of the Environment, Comptroller's Office, Department of Budget and Management, Department of Legislative Services

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