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FISCAL AND POLICY NOTE
Revised

House Bill 448

(Delegates Morhaim and Reznik)

Health and Government Operations

Education, Health, and Environmental Affairs

Procurement - Preferences - Purchasing and Recycling Electronic Products

This bill requires State agencies to purchase only electronic products that have either gold or silver ratings from the Electronic Product Environmental Assessment Tool (EPEAT) or meet other nationally recognized and consensus-based standards approved by the Department of Information Technology (DoIT). Upon request, the Secretary of Information Technology may waive this requirement. The bill also requires that, beginning on October 1, 2014, a procurement contract for electronic recycling services must be awarded to a recycler that is R2 or e-Stewards certified, or that meets comparable standards that are approved by the Maryland Department of the Environment (MDE), in consultation with the Department of General Services (DGS).

Fiscal Summary

State Effect: No effect on State expenditures for procurement of electronic products for the period covered by this fiscal and policy note. New contracts for electronic products will be executed prior to the bill's effective date and, with one exception, last for the next five years. To the extent that the EPEAT requirement applies to the procurement for a computer and laptop master contract in a few years, it is unlikely to have any discernible effect on State expenditures for technology. To the extent that the scarcity of certified electronics recyclers persists for several years, the lack of competition may increase costs for that service when the next contract is procured in October 2014. No effect on revenues.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: State law does not address procurement contracts for electronic products or computer recycling. However, several State laws promote green purchasing and electronic recycling.

Chapter 384 of 2005 established a pilot Statewide Computer Recycling Program administered by the Office of Recycling within MDE. Beginning January 1, 2006, specified computer manufacturers were prohibited from selling a new computer in the State unless the manufacturer registered with MDE and paid a registration fee. Chapter 384 also established an incentive for counties to address computer recycling in their required county recycling plans.

Chapter 239 of 2007 expanded this program to apply to “covered electronic devices” and increased the initial manufacturer registration fee. A “covered electronic device” is defined under current law to include a computer or video display device with a screen that is greater than four inches measured diagonally. However, a covered electronic device does not include a video display device that is part of a motor vehicle or that is contained within a household appliance or commercial, industrial, or medical equipment.

The State Recycling Trust Fund is used to provide grants to counties and municipalities to support local recycling activities and now comprises primarily covered electronic device manufacturer registration fees. These grants have helped establish local outreach and education initiatives to promote electronic recycling, including one-day recycling events and, in some cases, curbside collection.

The Green Maryland Act of 2010 (Chapters 593 and 594) promotes the use of environmentally preferable purchasing throughout State government through a variety of study and reporting requirements and the establishment of the Maryland Green Purchasing Committee. The committee must provide information and assistance to State agencies regarding environmentally preferable purchasing by, among other things, developing and implementing a strategy that may include statewide policies, guidelines, programs, and regulations; as well as developing a “best practices manual” that may be adopted from other governmental or nongovernmental institutions. Each year, State agencies must review their purchasing practices and revise them in accordance with the best practices manual and strategy.

Background: Chapter 719 of 2010 required MDE to conduct a study to evaluate solid waste management processes that reduce the solid waste stream through recycling and source reduction. A draft December 2011 report includes a recommendation that State electronic recycling contracts be awarded to R2 or e-Stewards certified recyclers and that State agencies be required to purchase EPEAT certified electronics.

EPEAT is an environmental rating system for computers and other electronic devices based on standards approved by the American National Standards Institute. According to EPEAT research, registered computers and monitors purchased worldwide will reduce the use of primary and hazardous materials and energy consumption by significant amounts when compared with non-EPEAT products.

The registry of approved products launched in 2006 and includes 200 desktop computers and more than 1,900 laptop computers manufactured by dozens of manufacturers, including Dell, Apple, Hewlett Packard, Lenovo, and Ace. The EPEAT standards include three levels of certification: bronze, silver, and gold based on the number of specified environmental criteria met by a particular product. Federal regulations require federal agencies to purchase EPEAT registered computers and displays.

R2 and e-Stewards are the only two certified standards for safe and environmentally friendly recycling of computers and electronics. According to the U.S. Environmental Protection Agency, responsible recycling reduces environmental and human health impacts, increases access to quality reusable and refurbished equipment, and reduces energy use associated with mining. There are only two R2 certified recyclers in Maryland, and there are no e-Stewards certified recyclers (although there is one in Virginia).

State Fiscal Effect: Although manufacturers pay for EPEAT certification, there is little or no evidence that EPEAT certified electronic products are more expensive than other electronic products. MDE advises that it has been purchasing EPEAT-certified computers for several years and has not observed any increase in cost.

The EPEAT requirement is most likely to affect purchases of computer hardware and peripheral devices, which are controlled by the Department of Information Technology (DoIT). There is currently a single five-year master contract from which State agencies can purchase hardware using an approved list that includes several hundred vendors and a full inventory of brand names. The contract is due to expire in September 2012, and DoIT is in the process of procuring new contracts that will be completed prior to the bill's October 1, 2012 effective date. Unlike the current master contract, DoIT is considering having a separate contract just for personal computers and laptops that will restrict agencies to purchasing particular products from one or two approved vendors. The purpose of this is to try to obtain better pricing through bulk purchasing instead of having State agencies pay close to retail prices for small numbers of computers at a time. Because standards for the approved machines may become obsolete within a year or two, the new contract will likely be for less than five years, but a companion contract for peripherals and other hardware will likely still be for five years.

Therefore, the bill likely has no effect for five years on hardware purchases for machines, other than computers and laptops, because the EPEAT requirement will not be in effect when the five-year master contract for those items is procured and completed. There will also be a one- or two-year delay in any potential effect on computer and laptop purchasing, when the new master contract that takes effect October 1, 2012, is rebid in a few years. DoIT is still in the process of devising a procurement strategy and could not say with certainty for how long the next contract will be. However, given MDE's experience purchasing EPEAT computers and the likelihood that the State will realize pricing benefits from bulk purchasing under the new master contracts, there is likely no discernible effect on State expenditures from the EPEAT requirement.

DGS advises that the State's current contract for recycling services has two one-year renewal options remaining. Assuming both options are exercised, the contract expires in fiscal 2014. To the extent that the scarcity of certified electronics recyclers in Maryland persists when the next contract is bid, the lack of competition for electronics recycling services in the State may result in State costs for that service increasing.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Board of Public Works, Department of Budget and Management, Department of Information Technology, Maryland Department of the Environment, Department of General Services, University System of Maryland, Department of Legislative Services

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