

3. Finance EBR

DEPARTMENT OF FINANCE ENROLLED BILL REPORT chap 526

AMENDMENT DATE: September 9, 2003
RECOMMENDATION: Defer to Cal EPA
SPONSOR: Californians Against Waste
ASSEMBLY: 42/29
SENATE: 27/13

BILL NUMBER: SB 20
AUTHOR: B. Sher

BILL SUMMARY: Hazardous Electronic Waste: Recycling and Reuse

This bill would enact the Electronic Waste Recycling Act of 2003. The Act is intended to reduce the improper disposal of electronic devices, as defined, and promote the recycling of the hazardous materials in those devices. The bill would impose numerous requirements on State and local government entities and businesses.

FISCAL SUMMARY

No estimates of the costs to administer this new program have been generated by State departments at this time. However, based on the scope of the program and the broad range of State department activities involved, Finance estimates a need for approximately 100 staff at a cost of \$7.5 million annually. These costs could be funded by revenues to the Electronic Waste Recovery and Recycling Account, which would be established by the bill. Revenues are projected by the Integrated Waste Management Board (Waste Board) to be \$65 million per year.

COMMENTS

Finance defers to CalEPA on this bill because the Agency is in the best position to determine whether the bill would establish an effective electronic waste recovery and recycling system.

The bill would not take effect if the federal government issues regulations for a national program, as specified, or the courts hold that out-of-state manufacturers or retailers may not be required to collect the fee established by the bill. SB 20 also includes a severability clause for its provisions.

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Analyst/Principal	Date	Program Budget Manager	Date
(0623) R. Schladale		Fred Klass	
<i>R. Schladale</i>	9/26/03	<i>Fred Klass</i>	9/26/03
Department Director	Date		
<i>[Signature]</i>	9/30/03		

ENROLLED BILL REPORT

RES :SB20-2904 9/26/2003 5:11 PM

Form DF-43 (Rev 03/95 Pink)

BILL ANALYSIS/ENROLLED BILL REPORT--(CONTINUED)

Form DF-43

AUTHOR

AMENDMENT DATE

BILL NUMBER

B. Sher

September 9, 2003

SB 20

ANALYSIS**A. Programmatic Analysis**

This bill would establish a new program to require the recycling of electronic waste (E-waste), which is defined as a cathode ray tube, flat panel screen, or any similar device (collectively, CRTs) greater than four inches in diameter that, when disposed of, would be a hazardous waste. The program would impose a fee of \$6-10 per device at the point of its first sale to a consumer, with funds deposited in the Electronic Waste Recovery and Recycling Account, which would be established by the bill. These funds would be available, upon appropriation, to fund the activities of State departments in carrying out the bill.

The primary department administering this new program would be the California Integrated Waste Management Board (Waste Board), working in coordination with the Department of Toxic Substances Control (Toxics). The bill contemplates the Waste Board making payments to local public or private entities to collect and recycle E-waste, however, it leaves to the Waste Board and Toxics the task of designing the details of and promulgating regulations for the new program.

The proposed program would constitute a major new state activity. The findings included in the bill cite a Waste Board study indicating that there are over six million obsolete CRTs currently being stored by California residents. The Waste Board also indicates that approximately 7-8 million CRT devices are sold in California each year. At the present time, many obsolete CRTs are collected by local government agencies, but no widespread recycling of the metals, glass and plastics they contain has been implemented. Thus, a new statewide E-waste recycling industry would need to be established by the Waste Board.

This bill is very similar to SB 1523 from the 2001-02 legislative session. The Governor vetoed that bill, and stated his desire to see a new proposal in 2003 that "challenges industry to assume greater responsibility for the recycling and disposal of electronic waste." While this bill originally placed the recycling burden on manufacturers, subsequent amendments deleted manufacturer responsibility.

B. Fiscal Analysis

SB 20 would result in additional duties for the California Integrated Waste Management Board (Waste Board), Department of Toxic Substances Control, Board of Equalization (BOE), other State agencies, and local government entities. Because of significant recent amendments, no fiscal estimates are yet available from affected agencies. However, Finance believes that the magnitude of the proposed statewide program easily could require 100 new positions among all affected State entities, allocated for various outreach, enforcement, inspection, program administration, grant management, contracting, accounting, legal, legislative, fee collection, auditing, and other responsibilities. If we assume the cost of a position and its associated expenses is \$75,000 annually, the bill would result in State staffing costs alone of up to \$7.5 million. Costs to local government entities would not be reimbursable by the State because these entities have the ability to recover their costs through fees or other assessments.

The bill would create a new Electronic Waste Recovery and Recycling Account within the Integrated Waste Management Fund. After July 1, 2004, a fee of between \$6 and \$10 would be collected for each electronic device sold in the state. These fee levels would be reconsidered by the Waste Board on July 1, 2005, and every two years thereafter. A retailer could retain three percent of this fee to

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(3)
BILL ANALYSIS/ENROLLED BILL REPORT--(CONTINUED)

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ANALYSIS (Continued)

B. Fiscal Analysis (Continued)

cover collection costs. The Waste Board could contract with the BOE or any other entity for statewide collection. Fee collection violations could result in civil liabilities or penalties of up to \$5,000 each.

The Waste Board advises that fee revenues are expected to be roughly \$65 million in the first year. This amount could be increased or decreased by the Waste Board depending upon the needs of the program. Assuming \$7.5 million is used for State administrative costs, \$57.5 million would be available each year to fund the collection and recycling effort. The Waste Board has no estimate of the amounts that it would need to pay to recyclers in order to handle the volume of E-Waste that they receive. Consequently, it is impossible to know whether the annual fees generated by this bill would cover the new program's annual costs.

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)							Fund Code
	LA	(Dollars in Thousands)							
	CO	PROP	FC	2003-2004	FC	2004-2005	FC	2005-2006	
1256/Othr Reg Fee	RV	No			- U	\$65,000	U	\$65,000	0499
0860/Equalization	SO	No			See Fiscal Summary				0995
3910/Waste Mgmt	SO	No			See Fiscal Summary				0499
3960/ToxicSubCtrl	SO	No			See Fiscal Summary				0499
8994/St Mandates	SO	No			No/Minor Fiscal Impact				0001
9901/Var Depts	SO	No			See Fiscal Summary				0499
Fund Code	Title								
0001	General Fund								
0499	Pending New Special Funds								
0995	Reimbursements								

SUGGESTED VETO MESSAGE



(as amended September 9, 2003)

I am returning Senate Bill No. 20 without my signature.

OFFICE OF THE GOVERNOR

California faces a significant challenge in finding a way to address the growing volume of obsolete cathode ray tubes associated with television sets and personal computers. These devices contain materials that are hazardous and that could significantly degrade our environment. Moreover, the metals, glass and plastic in these devices could, with proper handling, be recycled and reused.

Last year I vetoed SB 1523, a measure very similar to this bill. Like the present bill, SB 1523 proposed to establish a large new State bureaucracy at a time when State departments are being asked to downsize and reduce their efforts on other, equally important activities.

More importantly, I emphasized that it is essential for the electronics manufacturing industry to become involved in the recovery and recycling of their products. Expertise in the handling of cathode ray tube materials resides in industry, not in State government. The potential market for recycled electronic materials lies primarily within the electronics industry. The knowledge of electronics manufacturing processes, and how those processes might be altered in order to produce less waste and use more recycled materials lies entirely within the electronics manufacturing industry. If the responsibility for recovering and recycling electronic waste is transferred to government, the incentive and opportunity for the industry to deal most effectively with the issue of electronic waste will be lost.

California is home to many of our nation's leading electronics manufacturers, and I am proud of their contributions to our state, and their accomplishments. Therefore, I reiterate the request I made last year in vetoing SB 1523: that industry bring its knowledge and expertise to bear, and work with the California Environmental Protection Agency to design a system of incentives and processes that will effectively reduce, recover, and recycle electronic waste.