
SENATE COMMITTEE ON APPROPRIATIONS

Senator Anthony Portantino, Chair
2019 - 2020 Regular Session

SB 667 (Hueso) - Greenhouse gases: recycling infrastructure and facilities

Version: April 29, 2019

Urgency: No

Hearing Date: May 13, 2019

Policy Vote: E.Q. 7 - 0

Mandate: No

Consultant: Paul Jacobs

Bill Summary: This bill would require the Department of Resources Recycling and Recovery (CalRecycle) (1) on or before January 1, 2020, to develop a five-year strategy to meet the state's organic waste and diversion goals by supporting organic waste infrastructure development, and (2) on or before June 1, 2021, to coordinate with the Treasurer's Office on developing financial incentives for in-state recycling infrastructure. Additionally, the bill would create the California Recycling Infrastructure Investment Account in the State Treasury, to be administered by the Treasurer.

Fiscal Impact:

- Annual costs (General Fund and special funds) of \$400,000 for fiscal year (FY) 2019-20 and around \$1 million annually thereafter for the State Treasurer to administer the investment strategy and perform other coordination responsibilities.
- One-time special fund costs (Integrated Waste Management Account) of around \$900,000 in both FY 2019-20 and FY 2020-21 for CalRecycle to develop the strategy and financial incentive required in the bill.
- Unknown, likely significant cost pressures resulting from developing a strategy to financially support the state's organic waste infrastructure development.

Background: For three decades, CalRecycle has been tasked with reducing disposal of municipal solid waste and promoting recycling in California through the Integrated Waste Management Act of 1989 (IWMA). Under IWMA, the state has established a statewide 75% source reduction, recycling, and composting goal by 2020 and over the years the Legislature has enacted various laws relating to increasing the amount of waste that is diverted from landfills. According to CalRecycle's *State of Disposal and Recycling in California 2017 Update*, 42.7 million tons of material were disposed into landfills in 2016.

Due to a lack of domestic markets for recycled content materials, California traditionally exports approximately one-third of its recycled material. Historically, China has been the largest importer of recycled materials. In 2017, China received 56 percent of California's exported recyclable materials.

In February 2017, China announced a campaign to improve their environment and reduce recycling of imported contaminated materials. Referred to as National Shield, China prohibited the import of 24 types of materials and limited contamination rates of allowable recycling materials to 0.5 percent for most materials. National Shield has resulted in the collapse of the recycling markets for certain plastics and mixed paper.

For example, from 2017 to 2018, California exports of #3-7 plastics declined by approximately 70 percent, while the market prices for these plastics declined from \$20 per ton to \$-10 per ton. According to CalRecycle, most of the recyclable material not being exported from California is likely ending up in landfills.

Additionally, the future for exporting recycled content materials from California looks grim. India, China, Thailand, Malaysia, and Vietnam are all planning full bans on plastic and other recyclable material imports in the near future. If California wants to successfully and responsibly manage its own recyclable materials, new policies are required to build domestic infrastructure and markets for the manufacture of recycled materials.

Proposed Law: This bill:

- 1) Requires CalRecycle to develop, on or before January 1, 2021, a five-year investment strategy to drive innovation and support technological development and infrastructure in order to meet the organic waste reduction targets and recycling goals, as specified.
- 2) Requires CalRecycle, on or before June 1, 2021, to develop financial incentive mechanisms, to fund organic waste diversion and recycling infrastructure, as specified.
- 3) Establishes the California Recycling Infrastructure Investment Account in the State Treasury for the Treasurer to administer.
- 4) Requires the Treasurer, in coordination with CalRecycle, to coordinate with the States of Nevada, Oregon, and Washington on infrastructure financing to support the recycling needs of the region, and to create an advisory stakeholder committee to support development of interstate recycling infrastructure and markets for recyclable materials.

Staff Comments: According to the State Treasurer's Office, the California Pollution Control Financing Authority (CPCFA) would be the most appropriate entity within the Treasury to carry out the responsibilities of this bill. CPCFA states that while they have the skill set currently to assume this responsibility, they would need to add additional personnel to ensure adequate staffing to meet the consultation, coordination, and development timelines, and implement and oversee the investment strategy including the process and monies involved. Is not clear whether the investment strategy will include revenue to support CPCFA's administrative expenditures, or if these costs will be funded from the General Fund.

Although CalRecycle stated they would need ongoing resources to implement the requirements from this bill, staff finds that these resources are likely one-time and temporary through FY 2020-21. The ongoing requirement to coordinate with the Treasurer can likely be absorbable with existing staff.

Additionally, this bill would likely create significant cost pressure for the Legislature to provide the necessary funding to meet the financial needs identified in the investment strategy developed by CalRecycle.

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