

Date of Hearing: August 21, 2019

**ASSEMBLY COMMITTEE ON APPROPRIATIONS**

Lorena Gonzalez, Chair

SB 667 (Hueso) – As Amended July 1, 2019

Policy Committee: Natural Resources

Vote: 11 - 0

Urgency: No

State Mandated Local Program: No

Reimbursable: No

**SUMMARY:**

This bill enacts the Organic Waste Diversion Infrastructure Investment Act to create incentives and financing mechanisms for the development of organic waste infrastructure. Specifically, this bill:

- 1) Requires CalRecycle to support technology advancement and infrastructure and develop, by January 1, 2021, a five-year needs assessment to support the state's 2025 organic waste reduction goal.
- 2) Requires CalRecycle, in coordination with the State Treasurer and the California Pollution Control Financing Authority (Authority), to develop financial incentive mechanisms to fund and accelerate public and private capital for organic waste diversion and recycling infrastructure, by June 1, 2021.
- 3) Establishes the California Recycling Infrastructure Investment Account to be administered by the Authority and specifies funding priorities and requirements.
- 4) Requires the State Treasurer, in coordination with CalRecycle, to coordinate recycling infrastructure financing with the states of Nevada, Oregon and Washington.

**FISCAL EFFECT:**

- 1) Unknown cost pressures, likely in hundreds of millions of dollars, for the Authority to subsidize and provide incentives for organic waste recycling infrastructure.
- 2) Annual ongoing costs ranging from \$600,000 to \$1.2 million GF for the Authority to implement the provisions of the bill.
- 3) Ongoing annual costs of approximately \$665,000 (Integrated Waste Management Account) for CalRecycle to implement the provisions of this bill.

The Integrated Waste Management Account (IWMA) has a structural imbalance, with expenditures exceeding revenues by several million dollars annually. The major revenue source for the IWMA, the tipping fee (the fee paid for disposal of waste in a landfill) is at its statutory maximum. Any additional cost pressures will exacerbate the account's structural deficit.

**COMMENTS:**

- 1) **Background.** Existing law establishes a statewide goal to reduce organic waste landfill disposal 75% below 2014 levels by 2025. CalRecycle estimates the reduction goal requires the state to reduce organic waste disposal to no more than 5.7 million tons by 2025. This will require the reduction, reuse or recovery of approximately 20 million tons of organic waste per year by 2025. To meet the reduction goal, CalRecycle estimates organic waste collection and recycling infrastructure and capacity will need to double. Capital costs in excess of \$20 billion are estimated for waste management entities to increase organic waste infrastructure capacity to these levels.

CalRecycle anticipates adopting regulations in 2019 to implement the 2025 organic waste reduction goal; however, per statute, the regulations will not take effect until 2022. The proposed regulations will require state and local governments, waste haulers and facilities and generators of edible food to divert at least 20% of edible food from disposal and send at least 75% of organic waste to compost facilities.

The Authority issues tax-exempt private activity bonds to facilitate low-cost financing for qualified waste and recycling projects.

The 2019 Budget Act includes \$25 million in Greenhouse Gas Reduction Funds (GGRF) for grants to waste management entities to increase organic waste infrastructure.

- 2) **Purpose.** According to the author:

California is facing a crisis due to a lack of infrastructure for local jurisdictions to meet our solid and organic waste diversion goals. Californians must dispose of no more than 2.7 pounds per day in order to meet the statewide 75% recycling goals. That's a reduction of almost 24 million tons per year. The lack of organic waste infrastructure is only one part of the equation.

In 2018, China enacted strict contamination limits and an import ban on various types of solid waste, plastics and unsorted mixed papers. This has led to the stockpiling of materials at solid waste and recycling facilities in California. Previously, our recycling policies were built around the idea that China would buy our recyclable materials, but now California must take the necessary steps to address this decline and ensure we have the necessary tools to meet our recycling needs. Unfortunately, local jurisdictions do not have the resources to effectively handle these compounding issues. California needs to invest in domestic markets as well as partner with local and private entities to address this crisis. SB 667 addresses this by requiring CalRecycle to develop a five-year investment strategy for infrastructure necessary to meet our organic and solid waste reduction goals. Through this strategy, California can develop the infrastructure necessary to properly manage all of our waste as our recycling needs increase.

- 3) **Organic Waste.** California's most recent waste characterization study was conducted in 2014. According to that study, organic materials make up over half of the waste stream

(54.8%); food continues to be the greatest single item disposed, comprising approximately 18% of materials landfilled. Paper makes up another 17.4% of the disposed waste stream. Leaves, grass, prunings and trimmings represent just under 7% of the total waste stream.

Local governments are required to submit source reduction and recycling elements and comprehensive annual reports to CalRecycle to identify the programs and plans to ensure they meet the state's 50% diversion requirement for local jurisdictions and to assist CalRecycle in meeting the state's 75% diversion goal.

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