

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2005

Legislative Fiscal Note

BILL NUMBER: House Bill 1136 (Third Edition)

SHORT TITLE: Mercury Switch Removal-2.

SPONSOR(S): Representatives Culpepper, Hackney, and Hunter

| | FISCAL IMPACT | | | | |
|---|-------------------|-------------------|---------------------------|-------------------|-------------------|
| | Yes (X) | No () | No Estimate Available () | | |
| | <u>FY 2005-06</u> | <u>FY 2006-07</u> | <u>FY 2007-08</u> | <u>FY 2008-09</u> | <u>FY 2009-10</u> |
| REVENUES: | \$73,700 | \$140,379 | \$132,935 | \$123,013 | \$113,606 |
| EXPENDITURES: | \$163,204 | \$169,149 | \$175,171 | \$181,244 | \$187,395 |
| POSITIONS (cumulative): | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 |
| PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: | | | | | |
| EFFECTIVE DATE: The requirement to develop a mercury minimization plan becomes effective January 1, 2006. Other provisions become effective when bill becomes law. | | | | | |

BILL SUMMARY:

House Bill 1136 would require manufacturers of vehicles sold in the State to develop, submit, and implement a mercury minimization plan (plan) that provides for the removal, collection, and recovery of mercury switches from end-of-life vehicles in order to reduce the quantity of mercury that is released into the environment. The bill would also require: (i) vehicle recyclers and scrap metal recycling facilities subject to an approved plan to remove all accessible mercury switches from end-of-life vehicles, and specifies procedures for inaccessible switches; (ii) maintenance of certain records by manufacturers, vehicle recyclers, and scrap metal recycling facilities; and (iii) that mercury switches be removed from end-of-life vehicles so as to achieve a capture rate of at least 90%. The bill would make it unlawful for anyone to: knowingly flatten, crush, bale, or shred a vehicle from which accessible mercury switches have not been removed; willfully fail to remove switches if required to do so; willfully fail to maintain records as required; knowingly make a false report that a switch has been removed from an end-of-life vehicle. The bill would create various reporting requirements. The bill's provisions sunset on July 1, 2026.

ASSUMPTIONS AND METHODOLOGY:

Revenues: The bill provides that manufacturers of vehicles sold in North Carolina shall reimburse DENR one dollar (\$1.00) for each mercury switch removed by a vehicle recycler as partial compensation for costs incurred in administering and enforcing the bill's provisions. Because mercury switches are not currently removed from end-of-life vehicles, there is no historical data that would indicate the number of switches removed each year. However, the Clean Car Campaign has estimated the number of mercury switches that will be retired each year. Assuming that a 90% capture rate is achieved, Table 1 estimates the number of mercury lighting switches removed each year and the corresponding reimbursement provided to DENR by vehicle manufacturers. This estimate is based on the assumption that manufacturer reimbursements would not begin until after the mercury minimization plan requirement becomes effective on January 1, 2006; therefore, DENR would only realize about half of expected reimbursements in the first fiscal year.

Table 1: Estimated Cost Reimbursement to DENR

| Year | Mercury Lighting Switches Retired* | Mercury Switches Recovered (90%) | Reimbursement to DENR (\$1/switch) |
|------|------------------------------------|----------------------------------|------------------------------------|
| 2006 | 163,778 | 147,400 | \$73,700 |
| 2007 | 155,977 | 140,379 | \$140,379 |
| 2008 | 147,705 | 132,935 | \$132,935 |
| 2009 | 136,681 | 123,013 | \$123,013 |
| 2010 | 126,229 | 113,606 | \$113,606 |

*Based on Clean Car Campaign estimates.

Note that U.S. automobile manufacturers voluntarily discontinued the domestic use of mercury switches in new automobiles in 2003 after the enactment of the Maine Mercury Switch Removal Act of 2002. Some companies, mainly in Japan, have never used mercury switches. Consequently, the number of mercury switches in the nation's motor fleet will diminish over time.

Expenditures: Based on the experience of other states, DENR estimates that 3.0 FTEs—1.0 Waste Management Specialist, 2.0 Environmental Engineer II—would be needed to complete the following tasks: writing program rules, review and approval of mercury minimization plans, inspection of recycling facilities to ensure compliance, review of annual reports of manufacturers, and preparation of annual reports to the legislature. Each position would also need approximately \$6,000 per year for various operating expenses. Table 2 summarizes the expected expenditures required in FY 05-06 to implement this bill. This estimate assumes the minimum salary for each salary grade.

Table 2: Estimated FY 05-06 Expenditures

| | Salary Grade | Base Salary | Fringes | Operating | Total |
|---------------------------|--------------|-------------|----------|-----------|-----------|
| Waste Specialist | 71 | \$34,284 | \$8,048 | \$6,000 | \$48,332 |
| Environmental Engineer II | 76 | \$42,307 | \$9,129 | \$6,000 | \$57,436 |
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| | | \$118,898 | \$26,306 | \$18,000 | \$163,204 |

Table 3 shows the estimated annual expenditures for FY 05-06 through FY 09-10, taking into account the impact of inflation.

Table 3: Estimated Annual Expenditures

| | FY 05-06 | FY 06-07 | FY 07-08 | FY 08-09 | FY 09-10 |
|--------------------------|------------------|------------------|------------------|------------------|------------------|
| Salaries | \$118,898 | \$123,773 | \$128,724 | \$133,744 | \$138,826 |
| Salary Inflation Rate | | 4.1% | 4.0% | 3.9% | 3.8% |
| Fringes | \$26,306 | \$26,962 | \$27,629 | \$28,305 | \$28,989 |
| Operating Expenses | \$18,000 | \$18,414 | \$18,819 | \$19,195 | \$19,579 |
| Operating Inflation Rate | | 2.3% | 2.2% | 2.0% | 2.0% |
| | \$163,204 | \$169,149 | \$175,171 | \$181,244 | \$187,395 |

SOURCES OF DATA: Clean Car Campaign, DENR, Economy.com

TECHNICAL CONSIDERATIONS: None

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DATE: May 18, 2005



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