

March 18, 2010

Implementation of the Green Chemistry Initiative

LEGISLATIVE ANALYST'S OFFICE

Presented to:

Senate Budget and Fiscal Review Subcommittee No. 2
On Resources, Environmental Protection, and Energy
Hon. Joe Simitian, Chair

Senate Environmental Quality Committee
Hon. Joe Simitian, Chair





Current Funding for Green Chemistry Implementation

| Green Chemistry Funding Sources by Department | | | |
|---|--------------|----------------|----------------|
| <i>(In Thousands All Funds)</i> | | | |
| | 2008-09 | 2009-10 | 2010-11 |
| Department of Toxic Substances Control | | | |
| Toxic Substances Control Account | \$496 | \$1,500 | \$748 |
| Hazardous Waste Control Account | 165 | 905 | 450 |
| Subtotals | (\$661) | (\$2,405) | (\$1,198) |
| Office of Environmental Health Hazard Assessment | | | |
| Used Oil Recycling Fund | \$136 | \$272 | \$272 |
| Toxic Substances Control Account | — | 135 | 135 |
| General Fund | 68 | — | — |
| Subtotals | (\$204) | (\$407) | (\$407) |
| Total Expenditures | \$865 | \$2,812 | \$1,605 |

- Two Departments Are Working on Green Chemistry Implementation.** The Department of Toxic Substances Control (DTSC) and the Office of Environmental Health Hazard Assessment (OEHHA) are currently working to implement the two major “green chemistry” bills enacted in 2008—Chapter 559, Statutes of 2008 (AB 1879, Feuer), and Chapter 560, Statutes of 2008 (SB 509, Simitian). Funding for implementation over the three-year period from 2008-09 through 2010-11 was requested in the 2009-10 budget. The funding request reflected a redirection of existing funding; no new appropriations were requested.
- Funding Currently Comes From Three Special Funds.** Funding for green chemistry implementation currently comes from the Toxic Substances Control Account (TSCA), the Hazardous Waste Control Account, and the Used Oil Recycling Fund. The figure shows the funding in both DTSC and OEHHA. A small amount of General Fund was used in 2008-09 to support OEHHA’s activities.



Issues for Legislative Consideration— Funding Beyond January 2011

- No Funding Source Requested Beyond January 2011.*** The administration's initial funding requests were made as part of the 2009-10 budget process for the development of the green chemistry program up to January 2011. The administration has not submitted a funding request as part of the 2010-11 budget to cover the program's funding for January through June 2011. Rather, the administration has stated its intent to present its budget requests for this period after the regulations for alternatives analysis (a requirement of Chapter 559) have been adopted by DTSC, which is expected to happen by the end of the calendar year.

- Legislature Would Lose Opportunity for Review Before Regulations Adopted.*** If the administration does not submit an additional request for support in the May Revision process, the Legislature will not have an opportunity to review the funding requirements necessary to fully support the implementation of regulations that will have been adopted for the program. This is of concern because the implementation of the alternatives analysis regulations during the second half of the budget year and beyond imposes additional workload requirements that are not currently funded.

- Recommend Legislature Direct Administration to Present Funding Proposal During May Revision.*** In light of these concerns, we recommend that the Legislature direct the administration to return with a funding proposal during the May Revision process that addresses the program's funding requirements for the whole budget year.



Issues for Legislative Consideration— Funding Source

- Fund Source for Implementation of Regulations Proposed to Be TSCA.*** In discussions with the administration, it has indicated the fund source for the implementation of the green chemistry regulations would be TSCA. This account is primarily funded through a tax on essentially all businesses with more than 15 employees in the state, commonly referred to as the “environmental fee.”

- Funding Green Chemistry Through TSCA May Require an Increase in the Environmental Fee.*** A large number of programs are already supported through TSCA and the fund is currently operating with a structural deficit (that is, annual expenditures are currently greater than annual revenues). Therefore, increasing expenditures from TSCA to pay for green chemistry programs would eventually require either a reduction in other program expenditures funded from TSCA and/or an increase in the level of the environmental fee.

- “Polluter Pays” Approach May Be a More Appropriate Funding Model.*** In considering a funding source for green chemistry programs, the Legislature may wish to consider whether a different (or new) funding source is more appropriate than TSCA. The Legislature has previously applied the funding principle of polluter pays to environmental programs, and this may be an appropriate model to consider with regard to funding the implementation of the green chemistry regulations. Again, absent a 2010-11 budget proposal from the administration at this time, the Legislature does not have a funding proposal to evaluate.