

Department of Legislative Services
Maryland General Assembly
2000 Session

FISCAL NOTE
Revised

Senate Bill 136 (Chairman, Economic and Environmental Affairs Committee)
(Departmental - Environment)

Economic and Environmental Affairs

State Used Tire Cleanup and Recycling Fund

This departmental bill provides for the continuation of the tire recycling fee through fiscal 2004, and reduces the fee from a maximum of \$1 to a maximum of \$.40 per tire. The bill also clarifies the allowable uses of the Used Tire Cleanup and Recycling Fund to include activities related to scrap tire recycling programs, including, research, planning, monitoring, public education, market development, and associated administrative costs. The bill also reduces the maximum limit of the fund from \$15 million to \$10 million. It also requires the Maryland Department of the Environment (MDE) to accelerate expenditures from the fund related to cleaning up remaining illegal scrap tire stockpiles; implementing projects for reducing, recovering, and recycling scrap tires; and expanding the scrap tire recycling system on a regional basis. The bill also limits MDE's ability to recover specified costs through reimbursements. Finally, the bill changes the date by which MDE is required to submit an annual report to the General Assembly from July 1 to November 1, and requires MDE to include in the report an account of specified expenditures.

Except for Section 2, the bill takes effect July 1, 2000. Section 2 takes effect December 31, 2000. Section 1 sunsets June 30, 2004.

Fiscal Summary

State Effect: Special fund revenues of \$2 million annually through FY 2004 would be collected due to the continuation and reduction of the tire fee. (The FY 2001 budget assumes \$5.1 million in receipts from the fee.) Reimbursements to the special fund could decrease by at least \$30,000 in FY 2001. Special fund expenditures of \$200,000 annually through FY 2004 would continue for administrative costs to collect the tire fee. Potential significant acceleration of special fund expenditures for specified scrap tire-related projects.

Local Effect: Due to the reinstatement of the fee through FY 2004, the bill provides for the continued State funding of local tire-related programs that would otherwise cease when the fund balance is depleted. To the extent that the bill results in the acceleration of local tire-related projects or additional projects, local jurisdictions could benefit.

Small Business Effect: MDE has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment. (The attached assessment does not reflect amendments to the bill.)

Analysis

Current Law: A tire recycling fee of up to \$1 is required to be imposed by a tire dealer on the first sale of a new tire in the State. The fee is collected by the Comptroller who is required to forward all fees, less the costs of administration, to the Used Tire Cleanup and Recycling Fund. The fund can only be used for specified activities. Chapter 627 (SB 734) of 1997 expanded the allowable uses of the fund and provides that the tire recycling fee terminates on July 1, 2000. MDE is required to submit a status report on the fund to the General Assembly on or before July 1 of each year. The fund is limited to a maximum of \$15 million. If the sum of unallocated funds and the projected fees for the next fiscal year exceeds that amount, the Board of Public Works is required to adjust the fees for the next fiscal year.

Background: Chapter 667 of 1989 established the State Used Tire Cleanup and Recycling Fund to support activities related to the cleanup of stockpiled scrap tires and for the collection, transportation, recycling, and processing of scrap tires in the State. The \$1 tire recycling fee generates approximately \$5.1 million annually, most of which is deposited into the fund.

In recent years, the fund has had a substantial balance. According to MDE, the implementation of tire-related projects has occurred more slowly than anticipated. In fiscal 1997, the fund balance was adequate enough that \$7 million was transferred to the general fund to support other environmental activities. In fiscal 1999, the beginning fund balance was almost \$8.5 million. In fiscal 2000, the beginning fund balance was approximately \$9.5 million. The projected beginning fund balance for fiscal 2001 is almost \$11 million.

According to MDE, through fiscal 1999, MDE had recovered a total of 7.1 million scrap tires from nearly 300 illegal stockpiles in the State. An estimated 1.2 million scrap tires currently remain at 72 sites. Although 1 million tires are expected to be recovered during fiscal 2001

and fiscal 2002, MDE advises that new sites are being added to the cleanup list regularly. In addition to stockpile cleanups, the special fund is used to support other projects including the cleanup of scrap tires on publicly owned land, the Scrap Tire Amnesty Day program to collect scrap tires from residents, the construction of landfills using recycled tires, the development of a scrap tire projects catalog, and the construction of scrap tire playgrounds.

State Revenues: Approximately \$5.1 million is generated annually through the collection of a \$1 fee imposed on the purchase of each new tire in the State. Under current law, the tire recycling fee expires July 1, 2000. This bill reinstates the tire recycling fee through fiscal 2004 and reduces it to a maximum of \$.40 per tire, allowing for the collection of approximately \$2 million annually through fiscal 2004. Of this amount, it is estimated that approximately \$200,000 will be retained by the Comptroller to cover administrative costs; the remaining \$1.8 million will be forwarded to the Used Tire Cleanup and Recycling Fund. (The fiscal 2001 budget assumes \$5.1 million in receipts from the tire fee.)

It is assumed that the new maximum limit of the fund (\$10 million) will not be exceeded.

As a result of the bill, MDE would no longer be able to seek reimbursement for specified scrap tire expenditures of \$10,000 or less. MDE advises that it has identified three existing projects that would no longer be required to reimburse MDE for those costs. Accordingly, reimbursements to the special fund could decrease by at least \$30,000 in fiscal 2001. Legislative Services advises that because MDE continues to identify scrap tire sites, it is likely that additional sites will be identified in the future that will be exempt from cost recovery pursuant to the bill.

State Expenditures: Special fund expenditures of an estimated \$200,000 annually through fiscal 2004 would continue for the Comptroller's administrative costs related to the collection of the tire recycling fee.

The fiscal 2001 budget provides \$3.7 million from the fund for site cleanups and tire-related projects. To the extent that the bill accelerates the expenditure of funds for cleaning up remaining illegal scrap tire stockpiles, implementing scrap tire projects, and expanding the scrap tire recycling system on a regional basis, special fund expenditures could vary. For example, MDE advises that it intends to accelerate the cleanup of one illegal scrap tire site from fiscal 2002 to fiscal 2001. By accelerating that cleanup, special fund expenditures would increase by an estimated \$723,000 in fiscal 2001 and decrease by a commensurate amount in fiscal 2002. Although MDE also intends to accelerate other projects, such as local cleanup and recycling projects, landfill projects, and other projects for reducing, recovering, and recycling scrap tires, any impacts on expenditures cannot be reliably estimated at this time.

The cost of expanding the scrap tire recycling system on a regional basis cannot be reliably estimated until the current system is evaluated and recommendations are made based on a cooperative process among MDE, the Maryland Environmental Service, industry, and local governments. Legislative Services advises, however, that costs could be significant, especially if new facilities are constructed.

Additional Comments: The fiscal 2001 budget includes a total of \$6.4 million in special funds, (\$5 million in PAYGO special funds for nutrient removal projects and \$1.4 million in special funds for nutrient management planning and nutrient reduction research) contingent upon the enactment of legislation expanding the allowable uses of the tire fund. No such legislation was enacted, however.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland Department of Environment, Department of Legislative Services

Fiscal Note History: First Reader - January 31, 2000
jir/jr Revised - Senate Third Reader - March 29, 2000
Revised - Enrolled Bill - May 2, 2000

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