

Department of Legislative Services
 Maryland General Assembly
 2000 Session

FISCAL NOTE

House Bill 1077 (Delegate Oaks. *et al.*)

Environmental Matters

State Used Tire Cleanup and Recycling Fund

This bill transfers the State Used Tire Cleanup and Recycling Fund from the Maryland Department of the Environment (MDE) to the Maryland Environmental Service (MES), limits the uses of the fund to scrap tire recycling projects, and provides for the continuation of the tire recycling fee.

The bill takes effect July 1, 2000.

Fiscal Summary

State Effect: Special fund revenues of \$5.1 million annually would be maintained beginning in FY 2001 due to the continuation of the tire fee. The Governor’s proposed FY 2001 budget assumes \$5.1 million in receipts from the fee. Expenditures of \$1.5 million would continue in FY 2001 for ongoing permitting and enforcement and ongoing administrative expenditures related to collecting the fee. Future year estimates reflect ongoing costs of permitting and enforcement, ongoing costs related to collecting the tire fee, and after FY 2003, estimated costs for scrap tire recycling projects.

(in dollars)	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
GF Revenues	\$0	\$0	\$0	\$0	\$0
SF Revenues	5,100,000	5,100,000	5,100,000	5,100,000	5,100,000
Expenditures	1,482,000	1,512,900	1,544,900	4,578,300	4,612,900
Net Effect	\$3,618,000	\$3,587,100	\$3,555,100	\$521,700	\$487,100

Note: () = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: Because the bill limits the uses of the fund, some local projects such as fire cessation activities will no longer be able to be supported. To the extent that the bill reduces the funding of local projects, local jurisdictions could incur increased costs. Legislative Services advises, however, due to the expiration of the tire fee on July 1, 2000, under current law the fund would no longer be able to support those projects after FY 2002.

Small Business Effect: Minimal.

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.

Background: Chapter 667 of 1989 established the State Used Tire Cleanup and Recycling Fund within MDE 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 tire recycling fee generates approximately \$5.1 million annually, most of which is deposited into the fund. Under current law, 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. 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. MDE contracts with MES to manage specified aspects of the scrap tire recycling program such as the stockpile cleanups and demonstration projects.

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, allowing for the continued collection of approximately \$5.1 million annually beginning in fiscal 2001. Of this amount, it is estimated that approximately \$200,000 will be retained by the Comptroller to cover administrative costs; the remaining \$4.9 million will be forwarded to the Used Tire Cleanup and Recycling Fund. The Governor’s proposed fiscal 2001 budget assumes \$5.1 million in receipts from the tire fee.

State Expenditures: Special fund expenditures of \$200,000 related to the Comptroller’s administrative costs to collect the tire recycling fee would continue. The Governor’s proposed budget for fiscal 2001 provides \$3.2 million from the Used Tire Cleanup and Recycling Fund for tire-related projects. However, the bill would prohibit some of the currently allowed uses of the fund, including: removal, restoration, emergency or remedial action, site maintenance and monitoring, and fire cessation activities. The fund could only be used, with the approval of the Board of Public Works, for projects approved by MES to reduce, recover, and recycle scrap tires and for costs related to the implementation of scrap tire recycling systems. These uses are allowed under current law and, as a result of this bill, would continue through MES. In the absence of a specific plan by MES, however, the actual amount that MES will spend on scrap tire recycling projects is unknown. For purposes of this estimate, it is assumed that MES will spend approximately \$3 million annually on scrap tire recycling activities. This estimate is based on fiscal 1999 actual expenditures for stockpile cleanups, MES projects, and administrative costs. The estimated fiscal 2001 ending fund balance is \$12.9 million (see **Exhibit 1**).

Exhibit 1
Used Tire Cleanup and Recycling Fund
Estimated Revenues and Expenditures
(\$ in millions)

	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Estimated Beginning Fund Balance	\$11.0	\$12.9	\$14.8	\$16.7	\$18.6
Estimated Gross Revenue	\$5.1	\$5.1	\$5.1	\$5.1	\$5.1
Estimated Net Revenue - MES	\$4.9	\$4.9	\$4.9	\$4.9	\$4.9
Total Funds Available	\$15.9	\$17.8	\$19.7	\$21.6	\$23.5
Total Estimated Costs	\$3.0	\$3.0	\$3.0	\$3.0	\$3.0
Estimated Ending Fund Balance	\$12.9	\$14.8	\$16.7	\$18.6	\$20.5

Although the bill transfers the special fund out of MDE, MDE would still be responsible for permitting and enforcement activities related to the scrap tire law. Because MDE would no

longer be able to pay for these activities from the special fund, MDE expenditures will increase by an estimated \$1.3 million in fiscal 2001. This estimate includes salaries and fringe benefits for six permanent employees and five contractual employees involved in permitting and enforcement. It also includes ongoing operating expenditures and indirect costs that MDE currently charges the special fund.

Salaries and Fringe Benefits	\$450,900
Ongoing Operating Expenses - Permitting/Enf.	357,800
Indirect Charges	<u>473,300</u>
Total FY 2001 State Expenditures	\$1,282,000

Legislative Services advises, however, that it is possible that a portion of these costs could be reimbursed by MES through the tire fund to the extent that any costs are eligible to be paid out of the fund. It is unclear, however, what portion, if any, of the costs would be reimbursed from the special fund.

Future year estimates reflect: (1) ongoing administrative costs (\$200,000) for the Comptroller to collect the fee; (2) ongoing MDE costs related to permitting and enforcement, adjusted for inflation; and (3) estimated expenditures for scrap tire recycling projects that would otherwise cease due to the termination of the tire recycling fee. For purposes of this estimate, it is assumed that, due to the termination of the fee, the fund balance will not be able to support scrap tire recycling activities after fiscal 2003. Although the fee expires in fiscal 2001, Legislative Services advises that, based on data provided by MDE, the estimated ending fund balance for fiscal 2000 is sufficient to support the projected expenditures for scrap tire projects at least through fiscal 2003.

Additional Information

Prior Introductions: None.

Cross File: SB 663 (Senator Della) - Economic and Environmental Affairs.

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

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