

Department of Legislative Services
 Maryland General Assembly
 2002 Session

FISCAL NOTE
Revised

House Bill 1454 (Delegate Conway)

Commerce and Government Matters

Finance

Low Interest Revolving Loan Account - Funding - Tire Surcharge

This bill increases the tire recycling fee through fiscal 2007, renames the fee as the tire recycling and emergency response fee, and provides that the increase in the fee (\$0.60 per tire) would be paid into the Low Interest Revolving Loan Account under the Volunteer Company Assistance Fund. The amount of the tire fee paid into the Used Tire Cleanup and Recycling Fund in the Maryland Department of the Environment (MDE) would remain unchanged.

The bill takes effect July 1, 2002.

Fiscal Summary

State Effect: Special fund revenue increase of \$3.1 million annually from FY 2003 through FY 2007 from the increase in the fee. Special fund expenditures for loans to volunteer ambulance, fire, and rescue companies would increase correspondingly.

(\$ in millions)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
SF Revenue	\$3.1	\$3.1	\$3.1	\$3.1	\$3.1
SF Expenditure	3.1	3.1	3.1	3.1	3.1
Net Effect	\$0	\$0	\$0	\$0	\$0

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

Local Effect: None.

Small Business Effect: Meaningful. Loans to volunteer ambulance, fire, and rescue companies will increase by an estimated \$3.1 million annually from FY 2003 through FY 2007.

Analysis

Bill Summary: For fiscal 2003 and fiscal 2004, the bill increases the fee from a maximum of \$0.40 per tire to \$1 per tire. The \$0.40 per tire fee would continue to be paid into the Used Tire Cleanup and Recycling Fund (Tire Fund), while the increase (\$0.60 per tire) would be paid into the Low Interest Revolving Loan Account. For fiscal 2005 through fiscal 2007, the bill increases the fee from \$1 per tire to \$1.60 per tire. The \$1 per tire fee would be paid into the Tire Fund, while the increase (\$0.60 per tire) would be paid into the Low Interest Revolving Loan Account. At the start of fiscal 2008, the fee would revert back to \$1 per tire, all of which would be paid into the Tire Fund.

The bill also modifies the allowable revenue sources for the Low Interest Revolving Loan Account and provides that a volunteer company may not have more than \$500,000 in outstanding loans from the account at any one time. Beginning in 2003, on or before September 1 of each year, the Maryland State Firemen's Association must submit a report to the Governor and specified committees of the General Assembly on specified information relating to the Low Interest Revolving Loan Account.

The bill also repeals the sunset date applicable to the current tire recycling fee of \$.40, which is scheduled to revert back to \$1 in fiscal 2005.

Current Law: A tire recycling fee of up to \$.40 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 cost of administration, to the Tire Fund within MDE. The fund may only be used for specified activities such as licensing of persons who transport, process, or recycle scrap tires, enforcement of proper disposal and storage, stockpile cleanups, remedial action, and public information distribution.

The Low Interest Revolving Loan Account, which is administered by the Maryland State Firemen's Association, is used to award loans to volunteer ambulance, fire, and rescue companies to assist with up to 75% of the cost of purchasing or refurbishing apparatus and upgrading or replacing facilities needed to store equipment.

Background: Chapter 667 of 1989 established the Tire 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 fund was originally supported through a tire recycling fee of up to \$1 assessed by a tire dealer on the first sale of each new tire in the State. Chapter 627 of 1997 expanded the allowable uses of the fund and provided that the tire recycling fee terminated on July 1, 2000. The fund was limited to a maximum of \$15 million. If the sum of unallocated funds and the projected fees for the next fiscal year exceeded that amount, the Board of Public Works was required to adjust the fees for the next fiscal year. Despite those limitations, the fund had a substantial

balance. According to MDE, the implementation of tire-related projects 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 2000, the beginning fund balance was approximately \$9.5 million which grew to \$11.4 million at the beginning of fiscal 2001.

In response to concerns about the significant fund balance and the delay in implementing tire-related projects, Chapter 235 of 2000 reduced the tire fee through fiscal 2004 to a maximum of \$.40. Further, the bill reduced the maximum limit of the fund to \$10 million, clarified the allowable uses of the fund, and required MDE to accelerate expenditures from the fund. The \$1 tire recycling fee generated approximately \$5.1 million in special fund revenues annually. The reduced fee was expected to generate approximately \$2 million in special fund revenues annually through fiscal 2004. In fact, the fees generated \$2.1 million in fiscal 2001, and the fund ended fiscal 2001 with a fund balance of \$6.2 million. The tire recycling fee is scheduled to revert back to \$1 at the start of fiscal 2005.

State Fiscal Effect: An estimated 5.2 million new tires are sold annually in the State. Special fund revenues would increase by \$3.1 million annually from fiscal 2003 through fiscal 2007 as a result of the increase in the tire fee (from \$0.40 per tire to \$1.00 per tire for fiscal 2003 and fiscal 2004, and from \$1.00 per tire to \$1.60 per tire for fiscal 2005 through fiscal 2007).

Under the bill, the increase in the fee (\$0.60 per tire) would be paid into the Low Interest Revolving Loan Account. That account, which is administered by the Maryland State Firemen's Association, is used to award loans to volunteer ambulance, fire, and rescue companies to assist with up to 75% of the cost of purchasing or upgrading equipment or facilities. It is assumed that loan awards would increase by \$3.1 million annually from fiscal 2003 through fiscal 2007 as a result of this bill.

Revenues paid into the Tire Fund will not be affected. Under current law, the tire recycling fee is scheduled to revert to \$1 at the start of fiscal 2005.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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