

**Department of Legislative Services**  
 Maryland General Assembly  
 2002 Session

**FISCAL NOTE**

House Bill 1429 (Delegate Oaks, *et al.*)  
 Environmental Matters

**State Used Tire Cleanup and Recycling**

This bill increases the upper limit on the tire recycling fee required to be imposed by a tire dealer on the first sale of a new tire in the State from \$.40 to \$1.00. The bill also increases the maximum limit on the Used Tire Cleanup and Recycling Fund from \$10 million to \$15 million and requires the Maryland Department of the Environment (MDE) to distribute 60% of the revenues to the Maryland Environmental Service (MES) to establish a scrap tire collection, processing, and recycling facility.

**Fiscal Summary**

**State Effect:** Special fund revenues would increase by approximately \$2.2 million in FY 2003 and \$3.1 million in FY 2004. State special fund expenditures would increase by approximately \$2.3 million in FY 2003 and \$3.1 in FY 2004 and subsequent fiscal years.

(\$ in millions)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
SF Revenue	\$2.2	\$3.1	\$0	\$0	\$0
SF Expenditure	2.3	3.1	3.1	3.1	3.1
Net Effect	(\$.1)	\$0	(\$3.1)	(\$3.1)	(\$3.1)

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

**Local Effect:** To the extent that the increase in the tire recycling fee results in additional funding of local tire-related projects, local jurisdictions could benefit. To the extent that funds are required to be distributed to MES, funds available for local tire-related projects could decrease.

**Small Business Effect:** None.

## Analysis

**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 forwards all fees, less the cost of administration, to the Used Tire Cleanup and Recycling Fund administered by 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.

**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 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.

**State Fiscal Effect:** Assuming the fee is increased to \$1.00, special fund revenues from the tire recycling fee would increase by \$2.25 million in fiscal 2003 and \$3.1 million in fiscal 2004. The fiscal 2003 revenue increase reflects the October 1, 2002 effective date of the bill. Revenues would not increase beyond fiscal 2004, because the fee limit was already scheduled to revert to \$1.00 at the start of fiscal 2005.

It is assumed that the new maximum limit of the fund (\$15 million) will not be exceeded.

State expenditures would increase by 60% of the fund's annual revenue for distributions to MES to establish a scrap tire collection, processing, and recycling facility. Annual fund revenues are estimated to be \$5.2 million, of which 60% is \$3.1 million annually. Accounting for the October 1, 2002 effective date of the bill, fiscal 2003 expenditures would increase by \$2.3 million. To the extent that the bill increases the tire recycling fee, State special fund expenditures could also increase for clean up of remaining illegal scrap tire stockpiles, implementing scrap tire projects, and expanding the scrap tire recycling system.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** SB 871 is identified as a cross file although it is not identical.

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

**Fiscal Note History:** First Reader - March 19, 2002  
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