

**Department of Legislative Services**  
 Maryland General Assembly  
 2003 Session

**FISCAL AND POLICY NOTE**

Senate Bill 541 (Senator Grosfeld)  
 Education, Health, and Environmental Affairs

**Procurement - Environmentally Preferable Products and Equipment - Report  
 and Purchase**

This bill requires each State unit to purchase environmentally preferable products and equipment if the environmentally preferable products and equipment (EPPs) meet or exceed the performance standards of other products and equipment. The Board of Public Works (the board) must adopt regulations to implement the bill by December 31, 2005 and maintain and make available a current listing of environmental products. These provisions are effective July 1, 2005.

By October 1, 2004, the Secretary of General Services must review, evaluate, and report to the board regarding the actual and potential procurement and use by each State unit of EPPs. Reporting requirements are effective June 1, 2003 and sunset on December 31, 2004.

**Fiscal Summary**

**State Effect:** General fund expenditures would increase \$213,200 in FY 2004 due to review, evaluation, and reporting to the board of actual and potential procurement and use of EPPs by each State unit. Out-year expenditures reflect termination of reporting provisions on December 31, 2004, updating EPP listings, and education/outreach to State agencies.

(in dollars)	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	213,200	230,200	166,000	176,000	186,800
Net Effect	(\$213,200)	(\$230,200)	(\$166,000)	(\$176,000)	(\$186,800)

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

**Local Effect:** None.

**Small Business Effect:** Potential significant.

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## Analysis

**Bill Summary:** EPPs mean products, including supplies, and equipment manufactured and designed for utilization in accordance with a broad range of measures that prevent or minimize environmental degradation. Measures include: (1) resource conservation; (2) source reduction; (3) waste minimization; (4) recycling; (5) use of innovative technology; or (6) use of components that are free of toxic or degrading agents or contain the least amount of toxic or degrading agents necessary to meet applicable job specifications.

Performance standards are defined as the rating of efficiency and overall impact of products and equipment in consideration of: (1) applicable job specifications; (2) initial purchase price, maintenance costs associated with durability and applicable warranties, and delivery options; (3) public health, energy, and environmental benefits over the life of the products or equipment; and (4) contracts awarded to minority and women-owned businesses.

This bill does not require the purchase of EPPs if that purchase will cause denial of federal money or be inconsistent with the requirements of federal law.

Reporting requirements in the bill include: (1) identification and listing of EPPs; (2) the short-term and long-term impacts on the State budget including full cost implications of environmental sustainability efforts; (3) anticipated environmental benefits; (4) the short-term and long-term impacts on the overall economy and business climate of the State; (5) the nature and extent of education, outreach, and management programs necessary to effect environmentally preferable changes throughout all State government; and (6) legislative or regulatory changes necessary for each State unit to maximize its purchase and use of EPPs.

Each State unit is also directed to: (1) provide timely information to the Secretary of General Services in regards to reporting requirements; (2) establish short-term objectives and long-range goals to maximize the use of EPPs; and (3) initiate processes to review internal operations, identify environmental impacts, and make recommendations for the reduction of the environmental impact of its operations.

**Current Law:** The Secretary of General Services, the Secretary of Transportation, and the Chancellor of the University System of Maryland are required to establish a

percentage price preference, not to exceed 5%, for the purchase of products made from recycled materials. Recycled materials include post-consumer material, industrial scrap material, compost, and obsolete inventories.

To encourage the maximum purchase of commodities utilizing recycled materials, the Department of General Services (DGS), in consultation with the Department of the Environment, the University of Maryland, the Maryland Environmental Service, the Department of Transportation (MDOT), the Department of Natural Resources, the Department of Health and Mental Hygiene, and as necessary with representatives of the recycling industry and environmental organizations, shall establish a list of acceptable products that contain recycled materials.

**Background:** Massachusetts instituted environmentally preferable purchasing regulations in fiscal 1993. State expenditures for procurement of EPPs have grown from \$2.8 million in fiscal 1992 to \$68.9 million in fiscal 2001. The state began the program as a means to create stable markets for recyclable materials collected by local jurisdictions and to provide leadership in the purchase and use of recycled and energy efficient products, equipment, and services.

EPPs purchased in Massachusetts include: recycled aluminum sheeting, antifreeze, corrugated boxes, packing supplies, building materials and supplies, carpeting, ceramic tiles, home composting bins, envelopes, flooring/matting, glass beads, industrial/commercial supplies, paper plates/bowls, lottery ticket packing supplies, lottery tickets, motor oil (re-refined), office furnishings and supplies, paper towels, toilet paper, facial tissue, paper, clothing, food service items, and plastic safety vests. Remanufactured items include toner cartridges, hospital supplies, and vehicle parts/accessories. The state highway agency has utilized EPPs such as reclaimed asphalt pavement (RAP); concrete with additives and density fill, controlled density fill/fly ash, loam with compost, pavement millings mulch, pavement with RAP and reclaimed pavement, recycled mulch, rubberized asphalt and roadway materials.

EPP services include integrated pest management, hazardous materials collection services, used carpeting removal services, scrap tire disposal services, and alternative water treatment (pool ionization).

Remanufactured toner cartridges save Massachusetts \$250,000 annually. A study by the Massachusetts Operational Services Division estimated that savings from use of Energy Star compliant computer equipment could reach \$1.3 million annually.

**State Expenditures:** General fund administrative expenditures could increase by an estimated \$213,174 in fiscal 2004, which accounts for the bill's June 1, 2003 effective date.

DGS has determined that seven regular full-time positions are needed to implement this bill. However, the Department of Legislative Services advises that much of the added responsibilities incurred by the reporting provisions in this bill are not permanent and thus could be performed by contractual employees. Instead, this estimate reflects the cost of hiring two contractual agency procurement specialists I to assist in the review, evaluation, and reporting to the board regarding the actual and potential procurement and use by each State unit of EPPs between June 1, 2003 and December 31, 2004.

This estimate also reflects the cost of hiring the following regular employees: one DGS procurement officer lead, one DGS procurement officer I, and one data entry operator Lead to review, evaluate, and report to the board regarding the actual and potential procurement and use by each State unit of EPPs and to manage the ongoing responsibilities of the EPP program beginning July 1, 2005. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Salaries, Wages, and Fringe Benefits	\$104,811
Contractual Employees Salaries	70,000
Operating Expenses	<u>38,363</u>
<b>Total FY 2004 State Administrative Expenditures</b>	<b>\$213,174</b>

Fiscal 2005 expenditures reflect: (1) full salaries with 4.5% annual increases, 3% employee turnover and 6.8% contractual employee turnover; and (2) 1% annual increases in ongoing operating expenses. The contractual positions and associated operating costs will end with the July 1, 2005 effective date for the EPP program.

It is difficult to reliably estimate the bill's effect on expenditures for various procurements at this time. The following discussion is for illustrative purposes only. It is noted that the estimates do not take into account potential savings from the purchase of EPPs. The Department of Human Resources (DHR) indicates that it procured \$11.8 million in commodities, supplies, and equipment in fiscal 2002. It estimates that up to half of its current procurements would comply with the provisions of this bill and that a price increase of up to 10% may be required to bring the remainder of products and equipment into compliance. That level of required compliance would increase expenditures in fiscal 2004 by \$589,750. MDOT indicates that it procured \$82.6 million in commodities, supplies, and equipment in fiscal 2002. Applying the DHR methodology

to MDOT results in a fiscal 2004 expenditure increase of approximately \$4.1 million in total funds.

**Small Business Effect:** Potentially significant increases in revenues for small businesses that provide EPPs. Equivalent decreases for businesses that would not qualify for the price preference.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** HB 348 (Delegates Hubbard and Cardin) – Health and Government Operations.

**Information Source(s):** Department of Human Resources, Morgan State University, University System of Maryland, Board of Public Works, Department of Budget and Management, Department of General Services, Department of Public Safety and Correctional Services, Department of Transportation, Massachusetts Operational Services Division, *Government Finance Review* (February 2002), Department of Legislative Services

**Fiscal Note History:** First Reader - March 5, 2003  
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