

Department of Legislative Services
 Maryland General Assembly
 2003 Session

FISCAL AND POLICY NOTE

House Bill 1184 (Delegate Conway, *et al.*)
 Environmental Matters

Voluntary Company Assistance Fund - Funding - Tire Recycling and Emergency Response Fee

This bill increases the tire recycling fee to \$2 per tire, renames the fee as the tire recycling and emergency response fee, and provides that the fee revenues be distributed equally between the State Used Tire Cleanup and Recycling Fund (Tire Fund) in the Maryland Department of the Environment (MDE) and the Low Interest Revolving Loan Account under the Volunteer Company Assistance Fund. The bill also repeals the termination provision applicable to the current tire recycling fee of \$.40, which is scheduled to increase to \$1 in fiscal 2005.

The bill takes effect July 1, 2003.

Fiscal Summary

State Effect: Special fund revenue increase of \$8.3 million in FY 2004 as a result of the fee increase (\$3.1 million to the Tire Fund and \$5.2 million to the Low Interest Revolving Loan Account). Beginning in FY 2005, special fund revenues would increase by \$5.2 million annually, all of which would be paid into the Low Interest Revolving Loan Account. Special fund expenditures would increase correspondingly.

(in dollars)	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
SF Revenue	\$8,300,000	\$5,200,000	\$5,200,000	\$5,200,000	\$5,200,000
SF Expenditure	8,300,000	5,200,000	5,200,000	5,200,000	5,200,000
Net Effect	\$0	\$0	\$0	\$0	\$0

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

Local Effect: To the extent the increase in the fee results in additional funding of local tire-related projects in FY 2004, local jurisdictions would benefit.

Small Business Effect: Meaningful. Loans to volunteer ambulance, fire, and rescue companies will increase by an estimated \$5.2 million annually.

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. A tire dealer is allowed to retain 0.6% of the fees it collects. The fees are collected by the Comptroller who forwards 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 equipment and upgrading or replacing facilities needed to store equipment.

Background: Chapter 667 of 1989 established the Tire Fund in 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 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 to a maximum of \$.40 through fiscal 2004, after which the fee returns to \$1. 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. In fiscal 2001, MDE spent \$7.1 million from the fund, resulting in a fund balance of \$6.2 million at the end of fiscal 2001. The Budget Reconciliation and Financing Act of 2002 transferred \$2.5 million to

the general fund. The fiscal 2002 ending balance was \$3.3 million. The projected fiscal 2003 ending balance is \$1.3 million.

State Fiscal Effect: An estimated 5.2 million new tires are sold annually in the State. The current tire recycling fee of \$.40 per tire generates an estimated \$2.1 million annually. Beginning in fiscal 2005, when the fee reverts to \$1, fee revenues will total an estimated \$5.2 million annually. Under this bill, by increasing the fee to \$2 per tire beginning in fiscal 2004, fee revenues will total an estimated \$10.4 million annually. Accordingly, special fund revenues would increase by \$8.3 million in fiscal 2004 and by \$5.2 million annually thereafter. The distribution of the increase is described below.

Tire Fund

Under the bill, half of the fee revenues, or an estimated \$5.2 million annually, would be paid into the Tire Fund. Currently, revenues from the tire recycling fee (estimated at \$2.1 million in fiscal 2004 and \$5.2 million annually thereafter) are paid into the Tire Fund. Accordingly, special fund revenues to the Tire Fund would increase by \$3.1 million in fiscal 2004; revenues would not be affected thereafter because under current law, the fee will be \$1 anyway. It is assumed that special fund expenditures for tire-related projects would increase correspondingly in fiscal 2004.

Low Interest Revolving Loan Account (Volunteer Company Assistance Fund)

The other half of the fee revenues (\$5.2 million annually) 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 \$5.2 million annually beginning in fiscal 2004 as a result of this bill.

Additional Information

Prior Introductions: A similar bill was introduced during the 2002 session as HB 1454. The bill passed the House with amendments and was referred to the Senate Finance Committee. No further action was taken.

Cross File: None.

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

Fiscal Note History: First Reader - April 3, 2003
mld/jr

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