

Department of Legislative Services
 Maryland General Assembly
 2004 Session

FISCAL AND POLICY NOTE
Revised

House Bill 811 (Delegate Cardin, *et al.*)
 Health and Government Operations Education, Health, and Environmental Affairs

**Procurement - Percentage Price Preference - Environmentally Preferable
 Products or Equipment**

This bill requires the Secretary of General Services, the Secretary of Transportation, and the Chancellor of the University System of Maryland (USM) to establish a price preference for the purchase of environmentally preferable products and equipment (EPPs). The bill directs the Board of Public Works (BPW) to adopt specified regulations and requires units of State government to review specifications for the procurement of goods and services currently in place and adjust those specifications to the maximum degree possible to increase the purchases of EPPs.

Fiscal Summary

State Effect: General fund expenditures could increase by \$77,100 in FY 2005. Potential minimal increase in procurement costs for supplies and equipment. Future year expenditures reflect annualization, inflation, and continued updates to the EPP list.

(in dollars)	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	77,100	101,400	107,400	113,700	120,600
Net Effect	(\$77,100)	(\$101,400)	(\$107,400)	(\$113,700)	(\$120,600)

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

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: EPPs are 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) recycling; (2) resource conservation; (3) source reduction; (4) 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 recycling; (5) use of innovative technology; (6) use of renewable resources; and (7) waste minimization.

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 Maryland Department of the Environment, USM, the Maryland Environmental Service, Maryland Department of Transportation, 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: The Commonwealth of 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.

DGS procures approximately \$250 million worth of 850 different types of commodities that would be subject to the provisions of this bill.

State Expenditures: General fund expenditures could increase by \$77,064 in fiscal 2005, which accounts for the bill's October 1, 2004 effective date. This estimate reflects the cost of hiring one procurement specialist lead and one agency procurement specialist to develop a list of EPPs and annually update the product list. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Salaries and Fringe Benefits	\$71,244
Other Operating Expenses	<u>5,820</u>
Total FY 2005 State Expenditures	\$77,064

Future year expenditures reflect: (1) full salaries with 4.6% annual increases and 3% employee turnover; and (2) 1% annual increases in ongoing operating expenses.

To the extent that the State purchases EPPs, when less expensive non-EPPs are available, State procurement costs could increase. This would be mitigated to an unknown degree due to reduced energy costs and the purchase of remanufactured products. There is currently no reliable estimate of the extent to which the State is already procuring items that would be included on an EPP list. Several USM institutions already have informal policies to purchase recycled paper and toner cartridges.

Additional Information

Prior Introductions: In 2003, HB 348, a similar bill, passed the House with amendments and was referred to the Education, Health, and Environmental Matters committee.

Cross File: None.

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

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