

Department of Legislative Services
Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE

House Bill 876

(Frederick County Delegation)

Environmental Matters

Budget and Taxation

Frederick County - Solid Waste Disposal Fee or Tax

This bill authorizes the Board of County Commissioners of Frederick County, by ordinance, to establish, charge, levy, and collect a fee or tax for the reasonably anticipated capital and operating costs for the collection and disposal of solid waste. The bill would apply in all municipal corporations in the county.

The bill takes effect July 1, 2004.

Fiscal Summary

State Effect: None.

Local Effect: If Frederick County uses the authority established by the bill, based on preliminary estimates of needs, fee revenue could increase by \$1.4 million in FY 2005; \$2.8 million in FY 2006 and FY 2007; and \$2.9 million in FY 2008 and FY 2009. The revenue would be used to offset anticipated basic costs of its solid waste program above the level that current revenue sources (tipping fees) can support. Administrative costs would increase by \$180,200 in FY 2005 related to billing activities; out-year administrative costs reflect 5% annual increases in personnel costs.

Small Business Effect: Potential meaningful.

Analysis

Current Law: Frederick County does not have the authority to establish a solid waste disposal fee or tax. Tipping fees collected at the county's landfill are the sole source of revenue for its solid waste program.

Background: The county's solid waste program, which already has significant debt, is facing disposal capacity issues that will have significant implications for the county's Solid Waste Enterprise Fund. That fund, which is the only funding source for the county's solid waste program, relies solely on tipping fees collected at the county's landfill.

In 2000, when the Division of Utilities and Solid Waste Management was established in a reorganization of the county's Public Works Division, several problems surfaced, including the finding that the county's landfill capacity would be exhausted within eight years. In May 2000, the county hired two consultants to evaluate its capacity problems. Based on the consultants' recommendations, the county decided to deploy a temporary waste transfer station and redesign the remaining disposal cells at the landfill to provide more capacity. The county also decided to construct a solid waste transfer station (estimated at \$7 million) and to begin transferring most of the county's solid waste to disposal facilities outside the State. These actions are anticipated to extend the useful life of the county's landfill up to 2045.

In recognition that the serious disposal capacity problems would result in a fiscal shortfall for the Enterprise Fund, in January 2001, the Board of County Commissioners approved several actions, including an increase in specified tipping fees, the elimination of certain tipping fee exemptions, and an increase in the annual residential sticker fee. Although those changes helped avert budget shortfalls in fiscal 2002 and 2003, increased costs associated with the planned transfer station will create even greater shortfalls.

If the county were to set tipping fees at a level to offset its anticipated basic program costs, tipping fees would need to be set at a level higher than what the market can bear; this would drive waste away from the county's landfill. The county advises that the bill's authority would only be used to offset the difference in its anticipated basic program costs and the revenues it is able to generate from assessing market rate tipping fees (estimated at \$63 per ton). Not including costs associated with its recycling program, anticipated costs (including transportation and disposal costs, new and existing debt, landfill closure activities, and landfill/transfer station operations) would result in tipping fees of an estimated \$74 per ton.

Local Fiscal Effect: If Frederick County uses the authority provided by the bill, county revenues for solid waste activities would increase, allowing the county to continue funding its solid waste activities as a separate enterprise within the county government. This would eliminate the need for future general fund subsidies for such activities.

Based on preliminary estimates of basic program costs above that which can be supported by market rate tipping fees (currently estimated at \$2,576,926), the county advises that a fee of \$23.50 per equivalent residential unit (ERU) would likely be set. Such a fee would generate approximately \$1.4 million in fiscal 2005, which assumes fees would be in place only half the year. Out-year revenue estimates, which reflect annualization and anticipated growth in ERUs, total \$2.8 million in fiscal 2006 and fiscal 2007 and \$2.9 million in fiscal 2008 and fiscal 2009.

Administrative expenditures related to assessing such a fee would increase by an estimated \$180,227 in fiscal 2005, which reflects costs to hire a part-time utility billing specialist, contractual services for billing services, and postage. Out-year administrative costs would increase marginally, reflecting 5% annual increases in personnel costs.

Small Business Effect: Small businesses, as generators of solid waste, would be subject to any fees established as a result of the bill. Frederick County advises that a detailed cost of service study, which would estimate the impact of any fees established on small businesses, is not currently available.

Additional Information

Prior Introductions: None.

Cross File: SB 606 (Senator Brinkley) – Budget and Taxation.

Information Source(s): Frederick County, Maryland Association of Counties, Department of Legislative Services

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