

Department of Legislative Services
Maryland General Assembly
2005 Session

FISCAL AND POLICY NOTE

Senate Bill 968

(Senator Hafer)

Education, Health, and Environmental Affairs

Environmental Matters

Mining - Bond Supplement Reserve - Payments and Assessments

This bill increases, from \$300,000 to \$750,000, the end-of-month balance of the Bond Supplement Reserve within the Bituminous Coal Open-Pit Mining Reclamation Fund that triggers the temporary suspension of bond supplement surcharges and deposits of specified assessments into the reserve. It also increases, from \$200,000 to \$500,000, the end-of-month balance that triggers the resumption of surcharges and deposits into the reserve.

Fiscal Summary

State Effect: Because counties receive a portion of the assessments once the cap is reached, special fund revenues could increase due to the increase in the cap. By providing for the continuation of deposits into the reserve beyond the existing cap, the bill would improve the ability of the Maryland Department of the Environment (MDE) to finance reclamation projects.

Local Effect: Allegany and Garrett counties receive a portion of the assessments once the cap is reached; accordingly, by increasing the cap, the bill could result in a decrease in local revenues. However, the bill is not anticipated to have a significant impact on Allegany or Garrett county finances, as only minimal amounts of revenue have been distributed to the counties since 1990.

Small Business Effect: Potential meaningful. Many mining operations are small businesses. Although the bill would not directly affect the mining industry, it could be positively impacted to the extent that it makes it easier for operators to obtain bonds.

Analysis

Current Law: The Bond Supplement Reserve must be used by MDE if funds received from the forfeiture of bonds are not sufficient to reclaim the land affected by the operation, to perform the requirements under the Strip Mining subtitle and its implementing regulations, and to perform any permit condition that the operator has failed to perform.

Under current law, a 17-cent per ton mine reclamation and bond supplement surcharge is assessed on industry production. Unless the end-of-month balance in the reserve has reached the cap of \$300,000, 10 cents per ton is deposited into the reserve, and 7 cents per ton is deposited into the Bituminous Coal Open-Pit Mining Reclamation Fund. When the cap is reached, 11 cents per ton is deposited into the Bituminous Coal Open-Pit Mining Reclamation Fund, and 6 cents per ton is distributed to the county in which the coal is produced. Once the end-of-month balance in the reserve falls below \$200,000, deposits into the reserve are resumed.

Background: MDE advises that the reserve allows the industry to obtain bonds in a difficult bond market. According to MDE, the cost of fuel and general reclamation work has increased since 1990, and the existing cap of \$300,000 no longer provides sufficient assurance of reclamation. The bill was introduced in an effort to protect the integrity of the bond pool concept and to avoid an increase in the bond rate.

According to MDE, since the inception of the reserve in 1990, the existing cap has only been exceeded a few times. MDE advises that since 1990, Allegany County has received \$74,199 in revenues from the assessment and Garrett County has received \$20,758. According to MDE, because the reserve is currently depleted, it will take at least two years before the existing cap is reached.

Additional Information

Prior Introductions: None.

Cross File: HB 1531 (Garrett County Delegation and Allegany County Delegation) – Environmental Matters.

Information Source(s): Maryland Department of the Environment, Allegany County, Garrett County, Department of Legislative Services

Fiscal Note History: First Reader - March 21, 2005
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