

Department of Legislative Services
Maryland General Assembly
2006 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 553 (Senator Pinsky)
Education, Health, and Environmental Affairs

Environment - Diversion of Construction and Demolition Materials

This bill requires the Office of Recycling within the Maryland Department of the Environment (MDE) to, by October 1, 2008, develop and post on MDE's web site a resource guide relating to the diversion of construction and demolition (C&D) materials. Among other things, the resource guide must include model guidelines to assist local governments in developing a plan for the diversion of C&D materials. By October 1, 2010, each county must develop and implement a plan for the management of C&D materials. Each county must submit its plan to MDE for informational purposes only and must post its plan on the county's web site.

Fiscal Summary

State Effect: General fund expenditures could increase by \$59,600 in FY 2007 for MDE to develop the resource guide and model guidelines. Future year expenditures are annualized, adjusted for inflation, and reflect ongoing costs to update and maintain the resource guide and model guidelines. No effect on revenues.

(in dollars)	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	59,600	61,900	65,300	68,900	72,700
Net Effect	(\$59,600)	(\$61,900)	(\$65,300)	(\$68,900)	(\$72,700)

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

Local Effect: Local expenditures could increase, perhaps significantly, to develop and implement the required plan. Local revenues could be affected to the extent counties choose to adjust fees for the disposal of C&D material or impose fines and penalties for violations of the plan. **This bill imposes a mandate on a unit of local government.**

Small Business Effect: Meaningful.

Analysis

Bill Summary: The office must consult with specified entities in developing a model resource guide and model guidelines. After receipt of a county diversion plan, the office must post the plan on MDE's web site.

The bill requires that the county plan include percentage goals for the diversion of C&D materials from disposal in rubble landfills or other solid waste disposal facilities. The plan may include, among other things, an adjustment in fees imposed for the disposal of C&D material and the imposition of fines and penalties for a violation of the plan.

The bill also modifies specified reporting requirements for the office.

Current Law: Each county must have a comprehensive plan for adequately providing throughout the county, among other things, solid waste disposal systems, solid waste acceptance facilities, and systematic collection and disposal of solid waste. MDE is responsible for reviewing and approving these plans.

Each county is required to include in its solid waste plan a recycling plan addressing several specified items. Counties with over 150,000 residents were required to reduce their solid waste by recycling at least 20% of the county's solid waste stream, and counties with less than 150,000 residents were required to reduce their solid waste by recycling at least 15% of the county's solid waste stream. Legislation enacted in 2000 established a voluntary statewide diversion goal of 40% by 2005 (consisting of a 35% recycling rate and a 5% source reduction credit). Counties have the flexibility to determine the best way to reach the required recycling rates.

The Office of Recycling within MDE was established in 1988. Among other things, the office is charged with assisting counties in developing their recycling plans, coordinating the efforts of the State to facilitate the implementation of the recycling goals at the county level, and reviewing the recycling plans.

Current law does not specifically include provisions relating to the recycling of C&D materials. Also known as rubble, C&D material is not considered a solid waste and, therefore, cannot be counted toward a county's recycling percentage if it is recycled.

Background: As part of a federal grant in 1998, MDE researched and developed the Maryland Construction and Demolition Materials Directory to promote the recycling of

C&D materials in the State. The directory was intended to be used as a reference for construction contractors, remodelers, and demolition contractors who were interested in establishing a waste reduction program for their businesses. However, due to a lack of funding, MDE was not able to update and maintain the directory; accordingly, it is no longer used.

According to MDE, in 2004, permitted solid waste acceptance facilities reported that approximately 2.03 million tons of C&D material was accepted for management. Approximately 1.39 million tons of C&D material was reported by counties as having been managed through recycling.

State Expenditures: General fund expenditures could increase by an estimated \$59,627 in fiscal 2007, which accounts for the bill's October 1, 2006 effective date. This estimate reflects the cost of hiring one natural resources planner to research, develop, and update the resource guide and model guidelines; hold meetings with stakeholders; handle web site updates; and maintain related databases. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses, including travel to meetings and contractual services for printing pamphlets.

Salary and Fringe Benefits	\$40,533
Auto Purchase/Operations	11,625
Other Equipment/Operating Expenses	<u>7,469</u>
Total FY 2007 State Expenditures	\$59,627

Future year expenditures reflect: (1) a full salary with 4.6% annual increases and 3% employee turnover; and (2) 1% annual increases in ongoing operating expenses associated with updating and maintaining the resource guide and model guidelines over time.

Local Fiscal Effect: Local expenditures could increase to develop a plan for the recycling of C&D materials by October 1, 2010; the plan must establish percentage goals for the diversion of C&D materials from disposal in rubble landfills or other solid waste acceptance facilities. Costs to develop such a plan will vary from county to county. Some counties (those that have dedicated planners) may be able to handle this additional workload with existing staff; others may need to contract the plan development out to a private firm. Although a reliable estimate of any increase in costs cannot be made at this time, the impact could be significant in some counties.

The bill provides that the plan may include the development of incentives for the promotion of markets for C&D materials and the development of incentives for

construction contractors to participate in the diversion of C&D materials. Because the bill merely authorizes counties to include such incentives in their plans, any impact on county finances cannot be reliably estimated at this time.

The bill provides that the plan may include an adjustment in fees imposed for the disposal of C&D material and the disposition of fines and penalties for a violation of the plan. Accordingly, local revenues could be affected.

Small Business Effect: According to MDE, C&D material is largely handled on a commercial basis, rather than by local governments. The bill could have a direct impact on small businesses engaged in activities that generate, transport, or process C&D materials (such as construction, demolition, and remodeling contractors, waste haulers, recyclers, etc.).

A California report regarding C&D waste diversion in California concluded that the implementation of waste diversion requirements was not only achievable but also economically beneficial. Typically, reduced or eliminated tipping fees offset additional costs of waste management for contractors. For example, one case study showed that a 99.6% C&D waste diversion rate translated into savings of \$104,000 from eliminated tipping fees and a reduction in road base and landscape mulch materials the project would have needed to purchase. The report also concluded that construction firms are finding marketing benefits by achieving high diversion rates, and recyclers are finding numerous markets for various types of C&D material.

A 2004 survey conducted by the New Jersey Department of Environmental Protection showed that builders and contractors save money by recycling C&D waste; the survey indicated that the average cost to recycle construction material like concrete rubble is \$4.85 per ton versus an average of \$75 per ton to dispose of the material in a landfill. The survey showed similar cost savings to recycle other material.

MDE advises that there are seven permitted rubble landfills, five of which are active. There are 10 permitted processing facilities that may manage C&D materials. Some of these facilities may be considered small businesses.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland Department of the Environment, Allegany County, Montgomery County, Prince George's County, New Jersey Department of Environmental Protection, *Construction & Demolition (C&D) Waste Diversion in California* (Dan Burgoyne), Department of Legislative Services

Fiscal Note History: First Reader - February 22, 2006
mll/ljm Revised - Updated Information - February 26, 2006

Analysis by: Lesley G. Cook

Direct Inquiries to:
(410) 946-5510
(301) 970-5510