

Department of Legislative Services
 Maryland General Assembly
 2009 Session

FISCAL AND POLICY NOTE

House Bill 1092 (Delegates Frush and V. Clagett)
 Environmental Matters

Environment - Recycling Receptacles - Events and Forests and Parks

This bill requires any unit or subunit of State government to provide recycling receptacles at any event open to the public in which recyclable beverage containers are served. It also requires the Department of Natural Resources (DNR) to provide recycling receptacles at State forests and parks.

Fiscal Summary

State Effect: Special fund expenditures increase by \$694,900 in FY 2010 and by more than \$881,400 annually thereafter for DNR and the Maryland Department of the Environment (MDE) to implement the bill. State expenditures (all funds) also increase beginning in FY 2010 for the cost of other State agencies to procure recycling receptacles and retain contractual services to handle recyclable materials collected. State revenues (all funds) may increase in future years to the extent that a State agency is able to profit from the sale of recyclable materials. These impacts cannot be reliably quantified at this time.

(in dollars)	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
GF/SF Rev.	-	-	-	-	-
SF Expenditure	\$694,900	\$881,400	\$902,700	\$924,900	\$947,800
GF/SF Exp.	-	-	-	-	-
Net Effect	(\$694,900)	(\$881,400)	(\$902,700)	(\$924,900)	(\$947,800)

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

Local Effect: None.

Small Business Effect: Potential minimal beneficial impact to the extent that additional business is generated for small business recyclable material haulers, collectors, processors, and transfer stations.

Analysis

Bill Summary: The bill defines a State agency as any permanent or temporary State office, department, division or unit, bureau, board, commission, task force, authority, institution, State college or university, and any other unit of State government, whether executive, legislative, or judicial, and includes any subunits of State government.

The State agency that provides the recycling receptacles must transfer the recyclable containers collected to an appropriate location for reuse or recycling. MDE must adopt regulations to implement the bill, except as to the provision of receptacles in State forests and parks, for which the regulations must be adopted jointly by MDE and DNR.

Current Law/Background: Beginning January 1, 1992, each State agency was required to implement a recycling plan created in part by the Office of Recycling to reduce through recycling the amount of the solid waste stream generated for disposal by the State government by at least 20% or to an amount that is determined practical and economically feasible, but in no case less than 10%.

In 1988, the Maryland Recycling Act required each county to submit a recycling plan. Jurisdictions with more than 150,000 residents were required to reduce their solid waste by 20%, and jurisdictions with less than 150,000 residents were required to reduce their solid waste by 15%. According to MDE, by 2000, every county had met or exceeded their percentage requirements under the Maryland Recycling Act. Additional legislation enacted in 2000 established a voluntary statewide diversion goal of 40% by 2005. Counties have the flexibility to determine the best way to reach the required recycling rates.

The Container Recycling Institute (CRI) notes that nationwide recycling campaigns in the 1980s caused a surge in recycling rates which reached a peak of 54% in 1995. Recycling rates have steadily declined since 1995 and were at 34% by 2006. MDE reports that, in 2005, Maryland had a recycling rate of 39.2% and a waste diversion rate of 42.6%. The 39.2% recycling rate included the recycling of 104,652 tons of containers.

In addition to the issue of landfill diversion, recycling is encouraged due to the potential for significant reductions in virgin material extraction, energy use, and emissions of greenhouse gases. For example, according to CRI, recycling an aluminum soda can uses 75% less energy than the production of a new soda can. The recycling of a single can saves enough energy to run an average laptop computer for four hours.

Recycling rates have decreased since the summer of 2008 as global commodity values have fallen substantially, thereby reducing the incentive and profitability of substituting recycled scrap materials for virgin materials. For example, the *New York Times* reports

that the value of tin fell by more than 98%, from \$397 to about \$5 in 2008. In addition, in a public filing with the U.S. Securities and Exchange Commission, Waste Management Incorporated noted that recycling market prices decreased year-on-year by about 60% in November 2008.

State Fiscal Effect:

The Department of Natural Resources

Special fund expenditures increase by \$647,988 in fiscal 2010, which accounts for the bill's October 1, 2009 effective date. This estimate reflects the cost of contractual employees to empty recycling bins, retaining contractual services for handling and transporting recyclable materials collected, and procurement costs for 73 bins and other equipment and supplies.

DNR advises that the Maryland State Park Service has implemented a successful environmental stewardship program at all State parks since 1993 that emphasizes being "trash free." Although the program encourages all park patrons to take all trash with them on leaving the park, park rangers provide biodegradable bags to patrons and a limited number of strategically located recycling bins. Park rangers report that providing too many recycling bins, or locating them in certain places, encourages patrons to disregard the trash-free ethic and leads to commingling of recyclable materials and trash. Thus, compliance with the bill may have a significant operational impact on existing Maryland Park Service programs. In addition, there may be a fiscal impact to the extent that commingling of trash and recycling affects the contractual costs of handling, transporting, or processing recyclable materials collected at State Parks.

The Maryland Department of the Environment

Special fund expenditures increase by \$49,946 in fiscal 2010, which accounts for the bill's October 1, 2009 effective date, and by more than \$59,620 annually thereafter. This estimate reflects the cost of hiring one natural resources planner in MDE to develop regulations and provide technical assistance to other State agencies. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses. Currently, the MDE recycling division consists of two permanent technical staff and part-time oversight by one program manager. The fiscal 2008 ending fund balance for the Maryland Recycling Trust Fund was \$548,475 and the fiscal 2009 appropriation was \$810,000; this estimate assumes the additional personnel cost to implement the bill can be covered by the fund. To the extent it cannot be covered, general fund support would be needed instead.

	<u>FY 2010</u>	<u>FY 2011</u>
MDE Salary and Fringe Benefits	\$40,786	\$55,391
MDE Operating Expenses	6,160	4,229
DNR Contractual Employees	233,063	302,362
DNR Contractual Services	380,250	512,070
DNR Receptacles and Supplies	<u>34,675</u>	<u>7,373</u>
Total DNR and MDE Expenditures	\$694,934	\$881,425

Future year expenditures reflect full salaries with 4.4% annual increases; 3% turnover for full-time employees and 6.8% employee turnover for contractual employees; and 1% annual increases in ongoing operating expenses.

The Department of General Services

The Department of General Services (DGS) advises that additional expenditures to procure recycling receptacles and retain contractual assistance for the handling of recyclable materials will be incurred by the various State agencies. In instances where a State agency contracts with DGS for procurement or other services to implement the bill, the State agency reimburses DGS.

Other State Agencies

State expenditures (all funds) may increase beginning in fiscal 2010 to implement the bill. As shown in **Exhibit 1**, of the State agencies that have provided a fiscal impact, some will incur additional costs while most will not, either because of existing recycling programs or because they do not hold events covered under the bill.

The Department of Legislative Services (DLS) advises that a reliable estimate of the State expenditures at other State agencies cannot be made at this time. Some agencies did not respond to the request for fiscal information, other agencies were not solicited for fiscal information, and some agencies who responded did not provide adequate detail regarding their level of need, or were otherwise unable to quantify the level of expenditures that may be incurred as a result of the bill. In addition, DLS is unable to verify that those agencies, shown in Exhibit 1 as already administering recycling programs are also complying with the bill's specific requirements. For example, many agencies may recycle plastic, aluminum *or* glass, but not *all* of these materials, as required by the bill.

Exhibit 1
Fiscal Impact on Various State Agencies

<u>Impact</u>	<u>State Agency</u>
<u>Expenditure Increase</u>	Department of Labor, Licensing and Regulation Department of Legislative Services Maryland Department of Planning Maryland Transportation Authority
<u>Existing Program</u>	Maryland Aviation Administration Maryland Department of Aging Maryland Department of Agriculture Baltimore City Community College Department of Education* Maryland Port Authority Maryland Public Broadcasting Commission Maryland Department of Transportation
<u>No Events Under the Bill</u>	Department of Business and Economic Development Department of Disabilities Maryland Transit Administration Department of Veterans Affairs
<u>No Impact (No Reason Provided)</u>	Board of Public Works Department of Budget and Management Department of Health and Mental Hygiene Department of Juvenile Services Department of Public Safety and Correctional Services Department of Public Works Department of State Police Judiciary Maryland Environmental Service Maryland Institute for Emergency Medical Services Systems Morgan State University Office of the Attorney General

*Existing program does not include glass, which the contracted company does not cover.

Nevertheless, fiscal estimates provided by several agencies provide context useful in evaluating the impact on State expenditures. There are 491 State entities including executive departments, independent agencies, commissions, committees, task forces, advisory boards, constitutional offices, colleges, universities, legislative entities and judicial entities; however, this does not include many subunits covered in the bill. In addition, there are 449 State buildings being serviced by DGS and a significant but indeterminate number of additional buildings owned or operated by a unit of State government. In addition, cost estimates for the price of each receptacle range from \$60 to \$200, and the cost of renting a bin from one company providing services to DLS is \$3 per month. Costs related to the handling of collected recyclable materials vary widely based on whether and to what extent services are provided by contractual employees as opposed to outside contractual firms, with different firms charging different rates.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Office of the Attorney General; Maryland Department of Agriculture; Baltimore City Community College; Department of Business and Economic Development; Board of Public Works; Department of Budget and Management; Department of Human Resources; Department of Natural Resources; Maryland Department of Planning; Maryland State Department of Education; Maryland Department of the Environment; Maryland Institute for Emergency Medical Services Systems; Maryland Food Center Authority; Governor's Office; Department of General Services; Department of Housing and Community Development; Maryland Higher Education Commission; Department of Disabilities; Department of Health and Mental Hygiene; Comptroller's Office; Judiciary (Administrative Office of the Courts); Department of Juvenile Services; Department of Labor, Licensing, and Regulation; Maryland Energy Administration; Maryland Environmental Service; Military Department; Department of State Police; Morgan State University; Maryland Department of Aging; Maryland Public Broadcasting Commission; Department of Public Safety and Correctional Services; Maryland School for the Deaf; Maryland Stadium Authority; St. Mary's College; Maryland Department of Transportation; University System of Maryland; University of Maryland Medical System; Department of Veterans Affairs; Department of Legislative Services

Fiscal Note History: First Reader - March 5, 2009
ncs/ljm

Analysis by: Evan M. Isaacson

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