

Department of Legislative Services
 Maryland General Assembly
 2009 Session

FISCAL AND POLICY NOTE

House Bill 1306 (Delegate Carter, *et al.*)
 Environmental Matters and Economic
 Matters

Recycling - Restaurants and Bars - Aluminum, Glass, and Plastic Bottles

This bill requires the owner or manager of a bar or restaurant to recycle aluminum, glass, and plastic bottles that would otherwise be disposed of. The Maryland Department of the Environment (MDE) is required to facilitate coordination between local governments and the bars and restaurants within their jurisdictions, and must also adopt regulations for the enforcement of the bill. MDE may exempt a bar or restaurant if it finds that the bar or restaurant is unable to find a recycling facility to accept its recyclable materials or if the required recycling would create an undue financial hardship. A first violation is punishable by a fine of up to \$100, and any subsequent violation is punishable by a fine of up to \$250, with total fines capped at \$500.

Fiscal Summary

State Effect: Special fund expenditures increase by \$49,300 in FY 2010 for additional staffing in MDE to implement the bill. Future expenditures reflect annualization and inflation. Special fund revenues increase beginning in FY 2010 due to the bill's administrative penalties.

(in dollars)	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
SF Revenue	-	-	-	-	-
SF Expenditure	\$49,300	\$63,200	\$66,000	\$69,000	\$72,200
Net Effect	(\$49,300)	(\$63,200)	(\$66,000)	(\$69,000)	(\$72,200)

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

Local Effect: Local government workload and expenditures may increase to assist in the implementation of the bill.

Small Business Effect: Minimal adverse impact on small business restaurants and bars to purchase recycling receptacles, contract for removal of collected recyclable materials, or pay any fines for noncompliance. Minimal beneficial impact on recycled material haulers, transporters, and processors.

Analysis

Current Law: 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. Further legislation enacted in 2000 established a voluntary statewide diversion goal of 40% by 2005.

Counties have flexibility to determine the best way to reach the required recycling rates. However, the county recycling plan must address specified issues such as the feasibility of composting mixed solid waste, methods for the separate collection and composting of yard waste, and methods of financing county recycling efforts. County recycling plans are currently revised on a triennial basis.

Background: 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%.

In 2007, the municipal solid waste stream totaled just over 6.9 million tons statewide. Data from the U.S. Environmental Protection Agency indicates that beverage containers constitute, on average, 4.7% of the municipal solid waste stream. Based on that percentage, there were approximately 322,579 tons of beverage containers in Maryland in 2007. MDE reports that 112,006 tons of beverage containers were recycled in 2007 (an estimated 35% of the total).

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, and 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 Expenditures: Special fund expenditures increase by \$49,287 in fiscal 2010, which accounts for the bill's October 1, 2009 effective date. This estimate reflects the cost of hiring one natural resources planner within the MDE Recycling Division to assist in the development of regulations, conduct outreach with restaurants and bars, administer the waiver process, and coordinate with MDE enforcement personnel. 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.

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MDE Salary and Fringe Benefits	\$40,786
MDE Start-up Costs and Operating Expenses	<u>8,501</u>
Total MDE FY 2010 Expenditures	\$49,287

Future year expenditures reflect a full salary with 4.4% annual increases, 3% employee turnover, and 1% annual increases in ongoing operating expenses.

State Revenues: State Recycling Trust Fund revenues increase by an indeterminate amount annually beginning in fiscal 2010 due to additional fine collections under the bill. According to the 2002 Maryland Economic Census there were 8,694 food service and drinking establishments. *For illustrative purposes only*, if 1% of restaurants and bars failed to comply with the bill once, and half of those establishments remained out of compliance permanently, then revenues may increase by \$26,300 in fiscal 2010. MDE advises that the penalty amounts set in the bill are not likely to discourage noncompliance given the significantly greater cost of contracting with a recycled material hauler. Therefore, revenues may increase by a significantly greater amount each year to the extent that far more restaurants and bars choose to pay the maximum penalty of \$500 rather than contract for the removal of recyclable materials.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland Department of the Environment, Comptroller's Office, Judiciary (Administrative Office of the Courts), Maryland Environmental Service, North East Maryland Waste Disposal Authority, Department of Legislative Services

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Analysis by: Evan M. Isaacson

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