

Department of Legislative Services
Maryland General Assembly
2016 Session

FISCAL AND POLICY NOTE
Third Reader

Senate Bill 631

(Senator Hershey)

Budget and Taxation

Appropriations

Local Facility Closure Reserve Funds - Investments and Reinvestments

This bill authorizes local governments to contract with external asset managers to manage or invest money designated for local facility closure reserve funds in the same manner that they invest funds for employee pensions, other postemployment benefits, trust funds, and self-insurance purposes. The bill further authorizes local governments to create pooled facility closure reserve investment funds with separate accounts for each local government that participates in the fund. Funds dedicated to a local facility closure reserve fund are excluded from the statutory definition of “public funds” for the purpose of restricting their investment.

Fiscal Summary

State Effect: None.

Local Effect: Revenues for certain local government entities may be minimally affected. Local expenditures are not affected.

Small Business Effect: None.

Analysis

Current Law: Local governments are required to establish and follow an investment policy for specified public funds that is consistent with guidelines established by the State Treasurer. For this requirement, local government includes Baltimore City, counties, municipalities, community colleges, the Washington Suburban Sanitary Commission, public corporations, and authorities of the State that issue debt. The public funds subject

to the required policy do not include funds held as part of a pension fund, other postemployment fund, trust fund account, or funds held for self-insurance purposes.

Background: Local facility closure reserve funds set up by a local government are used to fund the long-term liabilities resulting from the closure of local facilities such as landfills. In addition to the costs of capping and closing these facilities in a manner that protects the environment, a local government will also incur additional postclosure liabilities as a result of fulfilling State and federal laws to monitor, inspect, and maintain the landfill and its protective systems for at least 30 years following the facility closure.

As shown in **Exhibit 1**, Baltimore City and county landfill closure and postclosure liabilities totaled approximately \$391 million at the end of fiscal 2015.

Exhibit 1
Estimated County Landfill Closure/Postclosure Liabilities
(\$ in Thousands)

County	FY 2015
Allegany	\$206
Anne Arundel	35,867
Baltimore City	23,347
Baltimore	16,393
Calvert	2,408
Caroline	2,232
Carroll	12,459
Cecil	8,568
Charles	7,477
Dorchester	11,176
Frederick	14,332
Garrett	3,098
Harford	48,080
Howard	31,862
Kent	870
Montgomery	15,406
Prince George's	98,288
Queen Anne's	8,000
St. Mary's	1,201
Somerset	1,961
Talbot	6,100
Washington	15,402
Wicomico	8,358
Worcester	17,648
Total	\$390,739

Local Fiscal Effect: The bill will have no fiscal effect on local governments that do not hold local facility closure reserve funds; those that do will have greater flexibility to invest those funds in equities and other high-yield, high-risk assets. In general, the impact on revenues will be minimal.

Additional Information

Prior Introductions: None.

Cross File: HB 835 (Cecil County Delegation) - Appropriations.

Information Source(s): Allegany, Cecil, Prince George's, and Washington counties; Baltimore City; Maryland Municipal League; Department of Legislative Services

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