

Department of Legislative Services
Maryland General Assembly
2019 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 954

(Delegate Cassilly)

Environment and Transportation

Education, Health, and Environmental Affairs

Agriculture - Commercial Compost - Prohibition on Per Ton Inspection Fee

This bill prohibits the Secretary of Agriculture from adopting regulations that impose a per ton inspection fee on commercial compost distributed by a private entity in the State. **The bill terminates September 30, 2022.**

Fiscal Summary

State Effect: Minimal decrease in special fund revenues for the Maryland Department of Agriculture (MDA) for three years (from the second quarter of FY 2020 through the first quarter of FY 2023). Expenditures are not materially affected.

Local Effect: Potential minimal decrease in local revenues from the sale of compost for three years (from the second quarter of FY 2020 through the first quarter of FY 2023), as discussed below. Local government expenditures are not affected.

Small Business Effect: Minimal.

Analysis

Current Law: The Secretary of Agriculture, in consultation with the Maryland Department of the Environment (MDE), is authorized to establish product standards for compost intended for commercial use and distribution. The regulations must include certification requirements for operators of composting facilities and a classification scheme for compost. To the greatest extent practicable, the regulations must be consistent with applicable national standards and with relevant standards adopted by neighboring States.

Registration Requirements for Commercial Fertilizer and Soil Conditioner Distributors

Statutory provisions require distributors to pay a registration fee and register each brand and grade of commercial fertilizer and each product name of soil conditioner before distributing it in the State. Generally, the annual registration fee for each brand and grade of commercial fertilizer and for each soil conditioner is \$15; the annual inspection fee is 25 cents per ton.

Registration Requirements for Compost Distributors

Regulations require a person to pay a registration fee and register each brand or classification of compost with MDA before selling or distributing it in the State. The registration fee is \$15 for each brand or classification in bulk or in a package larger than 10 pounds. The registration fee for each brand or product in a package that is 10 pounds or less is \$30. Additionally, each registrant for each compost must submit (1) a semiannual written statement of the tonnage for each brand and classification of compost distributed in the State and (2) an inspection fee of 25 cents for each ton distributed.

Composting in Maryland

Composting is the biological decomposition of organic matter under controlled thermophilic aerobic conditions (growing best in a warm environment). Regulations establish the permitting requirements for constructing and operating composting facilities in the State. The permit has a tiered design, and operational requirements based on the size of the facility and the types of feedstocks composted. In spring 2016, MDE created a general permit for composting and has begun to issue permits for these facilities. The general permit allows for an easier and more streamlined application and permit process to promote composting in the State. According to MDE's website, as of January 2019, 18 facilities are operational, and five more permits have been issued for planned facilities. MDE is required to maintain information on its website to educate the public about composting and to promote composting in the State as part of the department's efforts to encourage waste diversion.

State Revenues: MDA advises that the inspection fees collected under this program offset a portion of its costs to inspect facilities, collect samples, analyze data, and report results. MDA reports that from fiscal 2017 through 2018, inspection fees covered 7.2% of the program's budget; inspection fees related to compost comprised approximately 1.14% of the total. Based on information provided by MDA, special fund revenues decrease by less than \$2,500 annually for three years (from the second quarter of fiscal 2020 through the first quarter of fiscal 2023) as a result of prohibiting the per ton inspection fee on commercial compost distributed by private entities.

Local Revenues: MDE advises that some local governments sell compost and could be placed at a competitive disadvantage due to the bill's changes. For example, MDE reports that Howard County produces and sells a compost product called HoCoGro. Further, the Maryland Environmental Service partners with Montgomery and Prince George's counties to produce and sell Leafgro® compost. Because the bill only prohibits MDA from imposing a per ton inspection fee on commercial compost distributed by *private entities* in the State, the bill may result in a comparative price disadvantage for compost products sold by local governments for a three-year period (from the second quarter of fiscal 2020 through the first quarter of fiscal 2023). However, because the per ton inspection fees for compost products generate less than \$2,500 annually, any impact on local governments is likely minimal.

Small Business Effect: The bill results in a decrease in costs for any small businesses that distribute or sell commercial compost for three years (from the second quarter of fiscal 2020 through the first quarter of fiscal 2023). Because the per ton inspection fees for compost products generate less than \$2,500 annually, any impact on small businesses is minimal.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland Department of Agriculture; Maryland Department of the Environment; Department of Legislative Services

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