Senate Bill 394

Statewide Container Recycling Refund Program

MACo Position: **OPPOSE**

Date: February 20, 2014

To: Finance and Education, Health, and Environmental Affairs Committees

From: Leslie Knapp, Jr.

The Maryland Association of Counties (MACo) **OPPOSES** SB 394. The bill would create a statewide container deposit of five cents, to be redeemed through a series of county-operated or licensed redemption centers. The complex fiscal and operational underpinnings of the bill leave counties absorbing substantial expense and risk in this operation, and the new redemption infrastructure could upend Maryland's already very successful efforts to promote citizen acceptance of and participation in recycling efforts.

Maryland has debated, and rejected, various proposals to institute container deposits. SB 394 seeks to add a container deposit where recycling already exists, and places the financial and operational responsibility for the new program on county governments. While the bill envisions an option for commercial and nonprofit enterprises to offer redemption centers, the fiscal note wisely assumes that no more than 20% of redemption centers would be run by such entities, leaving counties as the primary operators.

MACo appreciates the efforts of last year's version of the bill (SB 641 of 2013) to address county cost concerns by providing that a redemption center operated by a local government would be provided with a 3 cent handling fee for each container accepted during its first three years of operation and 2.5 cents per container after the third year. The fiscal note for last year's bill noted that this reimbursement system created a deficit situation for the State after several years of operation and MACo opposed the legislation due to the negative cost impacts on county governments.

This year's bill provides for a 1 cent handling fee, which helps with the State's fiscal impact at the expense of placing more cost burdens on local governments. As the bill's fiscal note indicates, local expenditures are projected to exceed revenues by more than $4.7 million annually beginning in FY 2018, based on a set of *average* cost assumptions. For some areas of the state, the costs could be significantly higher. The start-up costs to purchase facilities and equipment, the challenges of serving sparsely populated areas, and the siting of suitable locations for public redemption access render the county mandate troubling both fiscally and operationally.

Counties already strive to deliver successful recycling programs, to satisfy both public demand and State mandates. The sale of collected materials is a component toward paying for this service – but counties are obliged to support recycling programs through a wide range of general taxes and fees. By withdrawing the most marketable commodities from existing recycling programs (curbside pickup, single stream, etc.), SB 394 would orphan the massive infrastructure investment made in these programs, as well as oblige even larger taxpayer subsidies to cover costs for a reduced material stream.

Maryland has accomplished much through citizen education and program investments to reach its outcomes. Single-stream recycling programs continue to prove popular and accessible to residential users, and remain the widespread direction of county-managed efforts.

According to the Container Recycling Institute, only 10 states currently implement a beverage container deposit program. Delaware repealed its deposit program in 2010 when it created a statewide recycling requirement instead. Vermont is among the 10 states with a container program, but it also recently adopted a statewide recycling requirement and is studying the impact the recycling program will have on its container program.

SB 394 would impose a controversial and unpopular charge on consumers, undermining successful recycling efforts currently underway in Maryland. The bill requires counties to make substantial investments of facilities, equipment, and operations to manage a program built on an unstable fiscal model, without recognition for obviously variable service areas. For these reasons, MACo recommends an **UNFAVORABLE** report on SB 394.