

City Council recycles the container tax

by Mary Helen Sprecher, *The Baltimore Guide*, June 23, 2010

The on, then off, then on again, off again, off again bottle tax is on—for keeps. Or so they say. This time the tax, which will be applied to most soda and water bottles sold at retail, is halved to two cents and has a “sunset clause”—the tax would expire in three years if not renewed by Baltimore City Council.

The tax is part of a \$43-million package of tax and fee hikes proposed by Mayor Stephanie Rawlings-Blake in April.

The package included increases in the city energy tax, telephone line tax, parking tax and hotel room tax. The mayor’s office also announced an agreement with Baltimore universities and hospitals to avoid a \$350 a year bed tax. The agreement, called a PILOT or Payment In Lieu Of Taxes, will bring in \$20 million over six years, with \$5.4 million paid each of the first two years.

Of all the tax proposals the bottle tax proved to be the most contentious, thanks to vigorous opposition by the business community, led by Highlandtown grocer Rob Santoni.

“This bill is probably the most publicized vote in modern history in Baltimore, and this is the toughest fiscal environment,” said Santoni, who as chairman of the Maryland Food Dealers Council, helped campaign against the tax.

He is less than pleased with the latest result of the vote. The tax, he claims, never would have been able to generate the \$11 million that Rawlings-Blake said it would, and in its current form, will bring in even less.

“She’s playing with smoke and mirrors with the beverage tax. She’s talking out of both sides of her mouth. Now she has comprised, and she compromised for only one reason and that was because she didn’t want to lose to the beverage and grocery industry — it was very personal for her. She wanted to salvage any victory she could get with total disregard to business. She and Helen Holton have failed Baltimore businesses and residents in their district.”

After the four-cent bottle tax was defeated in City Council on June 14, the mayoral arm-twisting began in earnest. Rawlings-Blake’s office announced that essential city cleaning services—street sweeping, waterway maintenance, weekend trash can collection in business districts, vacant property boarding and graffiti removal—would be severely reduced or eliminated unless the City Council agreed to the bottle tax.

Then Rawlings-Blake indicated her willingness to consider a reduced tax.

In a surprise move, one of the most resolute opponents of the tax reintroduced it Monday night. (Under City Council rules, a bill may be introduced only by someone on the winning side.)

Helen Holton (Eighth) stood up, apologized to her anti-tax constituents, and proposed an amendment featuring the two-cent tax and sunset clause, saying that the city cleaning services were essential and must be maintained.

The amended tax passed by a vote of 9-5. Council members James B. Kraft (First) and Nicholas C. D'Adamo Jr. (Second) voted against the tax; members Ed Reisinger (Tenth) and William H. Cole IV (Eleventh) voted for the tax. City Council President Bernard "Jack" Young abstained because he has a relative in the bottling business.

Legislative aides privately said the mayor was holding essential city services hostage to the bottle tax, and denounced her move as "scare tactics" and "rhetoric."

The beverage tax is not a new issue. According to Santoni, the city originally put a beverage tax into effect in 1989, the same time Baltimore County enacted a similar measure. Neither measure lasted.

"From the end of 1989 through 1990, Baltimore County and Baltimore City ran concurrent beverage taxes," said Santoni. "At the end of 1990, Baltimore County rescinded theirs, and from 1991 to 1995, the city was left with the beverage tax all by itself. It was repealed in 1995 and was phased out by 1997, but even after that, it took years to convince people the city didn't have a beverage tax."

The tax hit merchants hard, according to Jeff Zellmer, legislative director for the Maryland Retailers Association. "The council members who voted heard from their constituents," Zellmer notes. "They wanted jobs saved and they wanted businesses saved. The last time around, a guy on Washington Boulevard told us that he had lost 75% of his beer sales."

"I voted against it 15 years ago," said D'Adamo. "My district surrounds part of the county. Those people – the big stores and the mom and dad shops – they're struggling. We don't need to add to their burden of trying to survive. They don't need us making it harder on them."

But Cole said that his councilmanic vote in favor of the beverage tax was based on the needs of his constituents.

"Primarily the cuts that come from it not passing are going to be on services my district relies on," Cole said, "including graffiti removal, clean-up of the water – we've taken a major step back with that. There are also a handful of services like corner trash can pickup on weekends, street sweeping. I would say the overwhelming majority of e-mails were supportive. Four cents is not going to keep me from buying a can of Coke or bottled water, but the reality of those cuts will sink in the first of the year when corner cans are

overflowing and people are calling their councilman to ask why the trash in the water hasn't been picked up by those boats.”

Kraft says that Rawlings-Blake spoke to him when she originally introduced the bill, and asked for his support of it. Kraft told the mayor that if the tax were part of a package that included a mandatory deposit fee for non-returnable bottles, he would support it; according to Kraft, Rawlings-Blake refused to include such a measure.

“I thought it was the perfect opportunity to kill two birds with one stone,” said Kraft, “She could get her tax and we could get the bottles and cans out of the parks and out of the harbor.”

Those in the pro-tax camp argued that without the tax, at least 70 jobs would be cut from DPW. Bulk trash pickup had already been discontinued, and the word was that it wouldn't be restored without passage of the bottle tax.

“I think you have to look at the quality of life services we will be losing, the jobs that will be lost,” said Councilman Reisinger. “Baltimore City already has the highest unemployment of any subdivision, and those people you're going to put out of a job are blue collar workers, they're men and women who have house payments, children to put through school, everything. I feel like the four cents that they're losing aren't worth that.”

But, said Kraft, the reduced tax won't solve those problems either.

“I know we will have a large deficit again next year and we'll have to cut more services next year. We're just putting off until next year some difficult decisions.”

“I think the council felt that lowering the tax to two cents was a much more reasonable ‘ask’ of the resident for the city,” said Michelle Wirzberger, Legislative Director in the City Council President's office.