

**BILL #** HB 2558

**TITLE:** waste tires; funding formula

**SPONSOR:** Binder

**STATUS:** House Engrossed

**REQUESTED BY:** House

**PREPARED BY:** Bob Hull

	<b>FISCAL YEAR</b>		
	<b>2001</b>	<b>2002</b>	<b>2003</b>
<b>REVENUES</b>			
Solid Waste Fee Fund	\$-0-	\$12,400	\$12,400

### **FISCAL ANALYSIS**

#### **Description**

The House engrossed bill would increase the maximum waste tire collection fee charged by retail sellers of new motor vehicle tires from \$2 to \$2.50. The House engrossed bill would also establish a waste tire funding study committee which is to study certain aspects of the waste tire program and to report their findings and recommendations by November 1, 2001.

#### **Estimated Impact**

The House engrossed bill would increase total annual revenues \$354,700 to the waste tire fund beginning in FY 2002, including distributions of \$12,400 to the Department of Environmental Quality's (DEQ) Solid Waste Fee Fund and up to \$342,300 to the counties. The estimates are speculative, however, as we lack solid data on the number of tires sold at various price ranges.

#### **Assumptions**

A retail seller of new motor vehicle tires currently collects a fee of 2% of the purchase price for each tire sold up to a cap of \$2 per tire, which makes a maximum cost of \$100 per tire subject to the 2% fee before the \$2 cap takes effect. The House engrossed bill would raise the fee cap from \$2 to \$2.50 per tire, and thereby raise the maximum cost per tire which would be subject to the 2% fee to \$125 per tire.

These fees are deposited into the waste tire fund, from which up to 3.5% is transferred to DEQ for deposit in the Solid Waste Fee Fund to monitor and enforce the waste tire disposal program. The director of DEQ may also use up to 5% or \$250,000, whichever is less, for tire fire cleanup expenses if no other funds are available. The remainder of the monies is distributed to the counties for their waste tire program.

A total of \$5,674,500 in fees were collected in FY 2000, of which \$198,600 was distributed to DEQ and \$5,475,900 to the counties. The Department of Revenue was not able to provide any hard data on the price distribution of new tires sold at retail. After talking with one large Firestone dealer, we have assumed that 80% of new tires cost \$100 or less, with 2,837,280 tires being sold at an average cost of \$75 per tire. It is further assumed that 20% of new tires cost more than \$100 per tire, with 709,320 tires being sold at an average cost greater than \$125 per tire. Given that we were only able to get data from one tire dealer, this assumption is speculative.

The House engrossed bill would produce total annual fee revenues of \$6,029,200, which is an annual \$354,700 increase in fee revenues over the current fee revenues of \$5,674,500. The total distribution to DEQ would become \$211,000, for an increase of \$12,400 over the current \$198,600. The total distribution to the counties would become \$5,818,200, for an increase of \$342,300 over the current \$5,475,900.

(Continued)

**Assumptions (Continued)**

The House engrossed bill would not result in any increased costs to DEQ for overseeing the counties' waste tire programs.

The House engrossed bill would be effective immediately on the signature of the governor or, in the event of a gubernatorial veto, on the subsequent affirmative vote of at least 3/4ths of each house of the legislature.

**Local Government Impact**

Total Annual revenues to counties would become \$5,818,200, for an increase of \$342,300 over the current \$5,475,900 beginning in FY 2002.

**Amendments**

The House Rules Committee amendment would require at least a two-thirds affirmative vote to pass the House engrossed bill. The Representative Binder floor amendment would remove a provision of the original bill that would have changed the basis on which monies are distributed to counties from the number of registered vehicles in each county to the tonnage of tires collected by each county. The Representative Binder floor amendment would also establish a waste tire funding study committee.

3/21/01