

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1647-01
Bill No.: HB 681
Subject: Fees; Department of Natural Resources
Type: Original
Date: March 1, 2019

Bill Summary: This proposal extends the expiration date for the fee imposed on new tire sales.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Solid Waste Management - Scrap Tire Subaccount (0569)	\$1,103,239	\$2,206,477	\$2,206,477
Total Estimated Net Effect on <u>Other</u> State Funds	\$1,103,239	\$2,206,477	\$2,206,477

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Natural Resources (DNR)** state the following regarding this proposal:

Renewal of the tire fee allows for continuation of proper scrap tire management and protection of the environment through cleanup of illegal scrap tire dumps across Missouri by the program. Additionally, this fee allows for creation and maintenance of jobs in the scrap tire industry, such as tire processors, haulers, and development of end user markets.

Extension of the fee will allow the Department to remain vigilant through continuation of activities to prevent new tire dumps from accumulating and allow for clean up of existing scrap tire dump sites. These dump sites may harbor mosquitoes or other disease vectors and may result in illegal open burning of tires, all posing significant environmental and health hazards to the public.

A lapse in funding did occur from 2004 to 2006, and substantial scrap tire accumulations resulted. A timely extension would prevent a lapse in program funding and potential scrap tire accumulations recurring after January 1, 2020.

Since the fee was established, the number and size of scrap tire dumps to be cleaned up have changed. The number of large scrap tire dumps has decreased, but we anticipate a need to continue cleaning up smaller dumps. Sites having larger numbers of scrap tires are less costly per tire cleaned up than sites with fewer scrap tires, or smaller sites that are spread across larger areas.

Additionally, the markets for tire-derived material have also changed since the inception of the fee and continuation of the fee is necessary to support these changing markets. While the markets for tire-derived fuel used in utility boilers and cement kilns continues to decline as a result of changes to the federal air laws and regulations, the demand for crumb rubber for playground material surfacing and rubberized asphalt, as well as other civil engineering uses continues to increase.

This proposal will extend the \$0.50 fee on the sale of new tires at retail for five years from January 1, 2020 through December 31, 2025. Less collection costs by the retailer and the Department of Revenue, the Department estimates approximately \$2.1 million will be collected for the fee on new tires sold at retail annually as revenue to the Scrap Tire Subaccount.

ASSUMPTION (continued)

Assumptions used to arrive at fiscal impact:

Revenue collections are detailed for state fiscal years 2016 through 2018 in the below table.

<u>Fiscal Year</u>	<u>Fees from New Tires Sold at Retail</u>
2016	\$2,217,207
2017	\$2,276,853
2018	\$2,125,370

Oversight notes the fund balance in the Solid Waste Management - Scrap Tire Subaccount Fund (0569) as of January 2019 was \$4,011,279.

Oversight notes that the authority to collect the fees in Section 260.273, RSMo expires on January 1, 2020. This proposal extends that expiration date to December 31, 2025. Therefore, Oversight will reflect a revenue extension (continuance) of \$2,206,477 (average fee collected over the past three full fiscal years) beginning January 2, 2020 for this proposal.

Officials from the **Office of Administration - Budget and Planning** assume this proposal has no impact on their organization, has no direct impact on General or Total State Revenues and will not impact the calculation pursuant to Article X, Section 18(e).

Officials from the **Department of Elementary and Secondary Education** and **Department of Revenue** each assume the proposal will have no fiscal impact on their respective organizations.

In response to a similar proposal from 2019 (SB 211), officials from the **Attorney General's Office** assumed the proposal would have no fiscal impact on their organization.

Oversight notes that the agencies mentioned above have stated the proposal would not have a direct fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note for these agencies.

<u>FISCAL IMPACT - State Government</u>	FY 2020 (6 Mo.)	FY 2021	FY 2022
SOLID WASTE MANAGEMENT - SCRAP TIRE SUBACCOUNT FUND			
<u>Revenue Extension</u> - DNR - Extension of Fee (\$260.273) from 1/1/2020 to 12/31/2025	<u>\$1,103,239</u>	<u>\$2,206,477</u>	<u>\$2,206,477</u>
ESTIMATED NET EFFECT ON THE SOLID WASTE MANAGEMENT - SCRAP TIRE SUBACCOUNT FUND	<u>\$1,103,239</u>	<u>\$2,206,477</u>	<u>\$2,206,477</u>
 <u>FISCAL IMPACT - Local Government</u>	 FY 2020 (6 Mo.)	 FY 2021	 FY 2022
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

The Department of Natural Resources notes renewing the fee on new tires sold at retail will ensure proper management of scrap tires that create and maintain jobs for scrap tire processors, haulers, and end user markets. Scrap tire processors and haulers also provide cleanup services for illegally dumped scrap tires.

Small tire retailers will continue to be responsible for collection of the fee. Tire retailers are allowed to retain six percent of the fees collected to offset their costs of collecting the fee.

FISCAL DESCRIPTION

This bill extends from January 1, 2020, to December 31, 2025, the expiration of the fee collected from retailers for the disposal of old tires.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Natural Resources
Office of Administration - Budget and Planning
Department of Revenue
Department of Elementary and Secondary Education
Attorney General's Office

Kyle Rieman
Director
March 1, 2019



Ross Strobe
Assistant Director
March 1, 2019