

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1620-01
Bill No.: HB 661
Subject: Business and Commerce; Environmental Protection; Motor Vehicles; Natural Resources Dept.
Type: Original
Date: February 17, 2009

Bill Summary: Modifies provisions relating to waste and scrap tires

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | |
|---|------------|------------|------------|
| FUND AFFECTED | FY 2010 | FY 2011 | FY 2012 |
| | | | |
| | | | |
| Total Estimated Net Effect on General Revenue Fund | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON OTHER STATE FUNDS | | | |
|---|------------|------------|------------|
| FUND AFFECTED | FY 2010 | FY 2011 | FY 2012 |
| Scrap Tire Fund (0569) | \$0 | \$0 | \$0 |
| | | | |
| Total Estimated Net Effect on <u>Other</u> State Funds | \$0 | \$0 | \$0 |

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 7 pages.

| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | |
|---|----------------|----------------|----------------|
| FUND AFFECTED | FY 2010 | FY 2011 | FY 2012 |
| | | | |
| | | | |
| Total Estimated Net Effect on <u>All</u> Federal Funds | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE) | | | |
|---|----------------|----------------|----------------|
| FUND AFFECTED | FY 2010 | FY 2011 | FY 2012 |
| | | | |
| | | | |
| Total Estimated Net Effect on FTE | 0 | 0 | 0 |

Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

| ESTIMATED NET EFFECT ON LOCAL FUNDS | | | |
|--|----------------|----------------|----------------|
| FUND AFFECTED | FY 2010 | FY 2011 | FY 2012 |
| Local Government | \$0 | \$0 | \$0 |

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Elementary and Secondary Education** assume there will be no fiscal impact to their agency.

Officials from the **Department of Natural Resources (DNR)** assume this proposal would continue collection of the existing tire fee. No new or additional fees or taxes are imposed by this proposal.

The proposed legislation includes modification to the allocation formula allowing for shifts of funding between categories of services (i.e., program administration, education, scrap tire clean-up, grants for products derived from scrap tires or use scrap tires as a fuel or fuel supplement, and resource recovery activities pursuant to 260.276, RSMo). Movement of funds between these categories of service would be determined by need for the service and would be reviewed, at a minimum, prior to the beginning of each fiscal year and again at mid-year.

Per the recommendations of the 2009 Scrap Tire Advisory Group Report, the department would request 3.00 FTE to increase inspection activity to further reduce illegal dumping of tires. It is assumed costs for these new FTE would begin in FY11. Funding for these positions would be shifted from clean up activities which are expected to continue to decrease as additional inspection activities occur (Funding for clean up activities is included in the Solid Waste Management PSD Core. As the number of scrap tire clean ups and the number of tires from each clean up is expected to continue to decrease from these additional inspection staff, the department would anticipate increasing the funding provided for market development grants. The core appropriation detailed on the fiscal estimate worksheet shows current revenue and expenditure projections. The proposed legislation would allow for the department to request through the annual budget process specific appropriation authority for the Solid Waste Management Program Operations Core and the Solid Waste Management PSD Core and would detail the specific level of funding for each category of service.

| Fiscal Year | Tire Fees Revenue |
|--------------|---|
| 2008 | \$2,193,714 |
| Est. 2009 | \$2,190,000 |
| Est. 2010(1) | \$2,190,000/2 = \$1,095,000 (July 1 - Dec. 31, 2009 - Prior to sunset.) |
| Est. 2010(2) | \$2,190,000/2 = \$1,095,000 (Jan. 1 - June 30, 2010 - With proposed legislation.) |
| Est. 2011 | \$2,190,000 |
| Est. 2012 | \$2,190,000 |

ASSUMPTION (continued)

(NOTE: If the scrap tire fee sunsets January 1, 2010 and is not renewed, approximately \$2.1 million will be lost in Scrap Tire Fee revenue coming into the department each fiscal year.)

For purposes of this fee extension fiscal note, we limited annual expenditures to annual revenue. In this scenario, the department would be unable to spend the full program specific distribution (PSD) appropriation because total fund spending would exceed the revenue estimate (\$2,190,000). We are spending down the fund balance in FY09 but didn't assume continuing this in FY10, FY11, and FY12 for purposes of this fiscal note.

Costs for FY10 include the six month period January 1, 2010 through June 30, 2010 limited to half the FY2010 estimated revenue.

An estimated 250,000 tires per year would need appropriate disposal. The total funding available to the department is not expected to increase, however flexibility in allocating funds to specific scrap tire activities would be used as described below.

With the continuation of the tire fee, the number of staff responsible for scrap tire activities would see no change in FY10. Currently, a total of 7.98 FTE are assigned these functions. In FY11, through use of flexibility contained in the proposed legislation, the department would request an additional 3.00 FTE . These staff would be in addition to current inspection staff and would allow for more timely inspections of tire retailers and scrap tire transporters to ensure scrap tires are properly disposed of and are not illegally dumped. Department budget requests for FY11, FY12, and future periods would include these 3.00 additional FTE. This request is consistent with the recommendations of the 2009 Scrap Tire Advisory Group Report to increase inspection activity to further reduce illegal dumping of tires.

Oversight assumes this can be done with current staff allocations.

PROGRAM SPECIFIC DISTRIBUTION:

The department assumes by using the flexibility language contained in the proposed legislation related to funding allocations between categories of services (i.e., program administration, education, scrap tire clean-up, grants for products derived from scrap tires or use scrap tires as a fuel or fuel supplement, and resource recovery activities pursuant to 260.276, RSMo) that additional funds would be made available for grants to assist in developing end markets for scrap tire derived products as the number of tire clean ups continues to decrease as a result of additional inspections.

ASSUMPTION (continued)

FY08 Estimated per tire cleanup cost is \$1.98 (\$978,977 cleanup costs/492,625 tires cleaned up)
= \$1.98

FY10 est per tire cleanup cost $\$1.98 \times 1.03 \times 1.03 = \2.09

FY11 est per tire cleanup cost $\$2.09 \text{ FY10 est. cost per tire} \times 1.03 = \2.15

FY12 est per tire cleanup cost $\$2.15 \text{ FY11 est. cost per tire} \times 1.03 = \2.21

FY10 Cleanup = \$261,250 (250,000 est tires/2) x \$2.09)

FY11 Cleanup = \$537,500 (250,000 est tires x \$2.15)

FY12 Cleanup = \$552,500 (250,000 est tires x \$2.21)

FY10 Education = \$54,750 (\$109,500 [5% formula allocation]/2)

FY11 & 12 Education = \$109,500 (5% formula allocation)

| | Expenditures based on Estimated Annual Revenue | | |
|---------------------------------|--|-------------|-------------|
| | FY10 | FY11 | FY12 |
| Tire Cleanups | \$261,250 | \$ 537,500 | \$ 552,500 |
| Education | \$ 54,750 | \$ 109,500 | \$ 109,500 |
| New Operations Costs | | \$ 240,042 | \$ 237,828 |
| Grants (remaining \$ available) | \$394,882 | \$ 484,915 | \$ 474,343 |
| Total | \$710,882 | \$1,371,957 | \$1,374,171 |

Officials from the **Department of Transportation, Department of Conservation, State Treasurer's Office** and **Department of Health and Senior Services** did not respond to our request for fiscal impact from their agencies.

| <u>FISCAL IMPACT - State Government</u> | FY 2010 (10 Mo.) | FY 2011 | FY 2012 |
|---|----------------------|----------------------|----------------------|
| SCRAP TIRE FUND (0569) | | | |
| <u>Revenue - Department of Natural Resources</u> | | | |
| Scrap Tire Subaccount Fees (0569) | \$1,095,000 | \$2,190,000 | \$2,190,000 |
| <u>Cost - Department of Natural Resources</u> | | | |
| Scrap Tire Subaccount (0569) | <u>(\$1,905,000)</u> | <u>(\$2,190,000)</u> | <u>(\$2,190,000)</u> |
| ESTIMATED NET EFFECT ON SCRAP TIRE FUND (0569) | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |

| <u>FISCAL IMPACT - Local Government</u> | FY 2010 (10 Mo.) | FY 2011 | FY 2012 |
|---|---------------------|-------------------|-------------------|
| | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

The proposed legislation appears to have no fiscal impact.

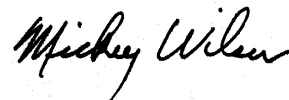
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Elementary and Secondary Education
Department of Natural Resources

NOT RESPONDING

Department of Transportation
Department of Conservation
State Treasurer's Office
Department of Health and Senior Services



Mickey Wilson, CPA
Director
February 17, 2009