

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 1027** HLS 16RS 1701

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

| | |
|------------------------------------------|-----------------------------------|
| Date: April 26, 2016 3:59 PM | Author: MONTOUCET |
| Dept./Agy.: Environmental Quality | Analyst: Matthew LaBruyere |
| Subject: Waste Tires | |

ENVIRONMENT/WASTE TIRES
Provides for the waste tire program

OR +\$5,500,000 SD RV See Note

Page 1 of 2

Proposed law increases the fees in present law from \$2 per passenger/light truck tire to \$3, \$5 per medium truck tire to \$7.50, and \$10 per off-road tire to \$20 and adds a \$1.50 fee for each retreaded tire. Proposed law increases the minimum payment to processors from 7½¢ to 11¢ per pound. Proposed law authorizes the department, in even numbered years, to adjust fees and the minimum payments made to processors after June 1, 2018, by an amount not to exceed the greater of 4% or the annual percentage change in the Consumer Price Index for All Urban Consumers (CPI-U) (All Items - U.S. City Average) maintained by the U.S. Dept. of Labor, Bureau of Labor Statistics. Proposed law prohibits charging an amount above the fees authorized by proposed law for the disposal, transporting, or processing of waste tires. This prohibition shall not apply to the sale or marketing of recycled waste tire material or whole waste tires. Proposed law requires all standard permitted waste tire processing facilities that store waste tire material and have financial assurances as required by department rules and regulations be paid 85% of the total payment at processing (**CONTINUED ON PAGE 2**)

| EXPENDITURES | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 5 -YEAR TOTAL |
|---------------------|--------------------|--------------------|--------------------|--------------------|--------------------|----------------------|
| State Gen. Fd. | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Agy. Self-Gen. | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Ded./Other | \$3,700,000 | \$5,100,000 | \$5,100,000 | \$5,100,000 | \$5,100,000 | \$24,100,000 |
| Federal Funds | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Local Funds | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Annual Total | \$3,700,000 | \$5,100,000 | \$5,100,000 | \$5,100,000 | \$5,100,000 | \$24,100,000 |

| REVENUES | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 5 -YEAR TOTAL |
|---------------------|--------------------|--------------------|--------------------|--------------------|--------------------|----------------------|
| State Gen. Fd. | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Agy. Self-Gen. | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Ded./Other | \$4,000,000 | \$5,500,000 | \$5,500,000 | \$5,500,000 | \$5,500,000 | \$26,000,000 |
| Federal Funds | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Local Funds | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Annual Total | \$4,000,000 | \$5,500,000 | \$5,500,000 | \$5,500,000 | \$5,500,000 | \$26,000,000 |

EXPENDITURE EXPLANATION

The proposed legislation will result in an increase in expenditures for the Waste Tire Management Fund as a result of increasing processor payments from 7.5 cents per pound to 11 cents per pound. Currently, Department of Environmental Quality (DEQ) pays processors an annual average of \$9.8 M based on 130.5 M pounds of recycled waste tire material. To the extent waste tire processors continue to produce 130.5 M pounds of recycled waste tire material in future years, DEQ will pay processors \$13.1 M in FY 17 and \$14.3 M in FY 18 and future fiscal years by increasing payments to 11 cents per pound. This would result in an additional \$3.3 M in payments in FY 17 and \$4.5 M in payments in FY 18 and future fiscal years.

In addition, DEQ is able to use 10% of collections for administrative expenses for the Waste Tire Program. Since current collections average \$10.8 M, the department is able to use \$1,080,000 for administrative expenses. As a result of collections increasing to \$14.8 M in FY 17 and \$16.3 M in FY 18 and future fiscal years, DEQ would be able to use \$1,480,000 in FY 17 and \$1,630,000 M in FY 18 and future fiscal years for administrative expenses, an increase of \$400,00 and \$550,000, respectively.

The total increase in expenditures would be \$3.7 M in FY 17 and \$5.1 M in FY 18 and future years.

(CONTINUED ON PAGE 2)

REVENUE EXPLANATION

The proposed legislation will result in an increase in statutory dedicated revenue for the Waste Fire Management Fund as a result of increasing the fees for tires. The proposed legislation raises the tire fees by \$1 for passenger tires, \$2.50 for medium truck tires, \$10 for off-road tires and adds a \$1.50 fee for retreaded tires.

Currently, the Department of Environmental Quality (DEQ) collects an average of \$10.8 M per year in tire fees. To the extent the average number of tires purchased in future years remains static, DEQ will collect \$14.8 M in FY 17 and \$16.3 M in FY 18 and future fiscal years. This would result in an additional \$4 M collected in FY 17 and \$5.5 M collected in FY 18 and future fiscal years.

In FY 18, the fees can also be increased based on the Consumer Pricing Index for All Urban Consumers (CPI-U) and can be increased in even numbered years after that. To the extent DEQ does adjust the fees, the revenue reflected above will increase.

NOTE: FY 17 collections are lower due to the fee increase starting October 1, 2016.

| | | |
|----------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|--------------|
| <u>Senate</u> | <u>Dual Referral Rules</u> | <u>House</u> |
| <input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S} | |
| <input checked="" type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H} | <input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S} | |

Evan Brasseaux
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Staff Director

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CONTINUED EXPLANATION from page one:

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and the remaining 15% of the total payment once waste tire material reaches end market uses. Proposed law requires the secretary of the department to evaluate the volume of waste tires managed and determine the permitted capacity. Further requires the secretary to give notice to the oversight committees and the public and consider any public comments to this evaluation. Proposed law requires the secretary to consider the available permitted capacity in permitting facilities that manage waste tires and prohibits the secretary from issuing a permit for a new waste tire processing facility above 15% of the total permitted capacity. The 15% is applied on an aggregate basis and not applied during a response to a natural disaster.

CONTINUED EXPENDITURE EXPLANATION FROM PAGE 1:

The proposed legislation requires that processors are to receive payments of 85% at processing and the remaining 15% of payment once the material reaches end market users. Currently, DEQ pays processors when the material reaches end market users. DEQ does not anticipate that processors will not have materials reach end marker users, thus this would have no material effect on payments.

The proposed legislation also changes the process for withholding processor payments. Currently, the department can withhold payments to processors prior to written notification by the department of the reason for withholding funds. Based on the legislation, the department could now withhold only 15% of payments once written notification by the department of the reason for withholding funds is delivered. To the extent a payment would be withheld and resolved in DEQ's favor, the department would only have 15% of the total payment. To receive the 85% paid to the processor, the processor would have to repay DEQ or DEQ would have to take legal action. The impact is indeterminable since it would depend on how many payments are withheld. According to DEQ, the department rarely withholds payments to processors so any impact is not anticipated to be material.

In FY 18, the payments can also be increased based on the Consumer Pricing Index for All Urban Consumers (CPI-U) and can be increased in even numbered years after that. To the extent DEQ does adjust the payments, the expenditures reflected above will increase.

NOTE: FY 17 collections are lower due to the payment increase starting October 1, 2016.

Senate Dual Referral Rules House

- | | |
|----------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|
| <input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S} |
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