



**Colorado
Legislative
Council
Staff**

SB17-047

FISCAL NOTE

FISCAL IMPACT: State Local Statutory Public Entity Conditional No Fiscal Impact

Drafting Number: LLS 17-0357
Prime Sponsor(s): Sen. Coram

Date: January 31, 2017
Bill Status: Senate Agriculture
Fiscal Analyst: Erin Reynolds (303-866-4146)

BILL TOPIC: ADDITIONAL INCENTIVES BENEFICIAL USE WASTE TIRES

| Fiscal Impact Summary | FY 2017-2018 | FY 2018-2019 |
|---|---------------------------------|---------------------------------|
| State Revenue | <u>\$2,232,500</u> | <u>\$4,465,000</u> |
| Cash Funds | 2,232,500 | 4,465,000 |
| State Expenditures | <u>up to \$2,232,500</u> | <u>up to \$4,465,000</u> |
| Cash Funds | up to 2,232,500 | up to 4,465,000 |
| TABOR Impact | \$2,232,500 | \$4,465,000 |
| Appropriation Required: See State Appropriations section. | | |
| Future Year Impacts: Ongoing revenue and expenditure increase. | | |

Summary of Legislation

The bill modifies the state's waste tire management system by updating the waste tire fee ranges and fund allocation schedule in current statute and set by the Solid and Hazardous Waste Commission within the Department of Public Health and Environment (CDHPE). These modified fee ranges and fund allocations are shown in Table 1.

| Time Period | Fee | Distribution |
|--------------------|----------------|---|
| 8/9/17 to 12/31/21 | \$1.50 or less | 30% to the Waste Tire Administration, Enforcement, and Cleanup Fund 65% to the End Users Fund 5% to the Waste Tire Market Development Fund |
| 1/1/22 to 12/31/22 | \$1.25 or less | 36% to the Waste Tire Administration, Enforcement, and Cleanup Fund 55% to the End Users Fund 9% to the Waste Tire Market Development Fund |
| 1/1/23 to 12/31/23 | \$1.00 or less | 30% to the Waste Tire Administration, Enforcement, and Cleanup Fund 65% to the End Users Fund 5% to the Waste Tire Market Development Fund |
| 1/1/24 and onward | | 45% to the Waste Tire Administration, Enforcement, and Cleanup Fund 0% to the End Users Fund (fund repeals) 55% to the Waste Tire Market Development Fund |

The bill also eliminates the January 1, 2018, repeal of the Waste Tire Market Development Fund and modifies the grant and loan program financed by the fund to specify that:

- the commission must, by rule, allocate a minimum percentage of the fund's revenue to the grant and loan program; and
- if the loan recipient complies with the loan terms during an initial period, convert the loan to a grant.

Finally, the bill extends the repeal date of the End Users Fund to January 1, 2024, and redefines the term "end user" to include those who use waste tires for agricultural purposes.

Background

Recent reorganization of the waste tire management system. House Bill 14-1352 repealed and reenacted the state's waste tire laws to move the program's administration from the Department of Revenue to the CDPHE and its Solid and Hazardous Waste Commission. Relevant to this fiscal note, HB 14-1352:

- modified the distribution of the \$1.50 waste tire fee to three new cash funds as follows through December 31, 2017:
 - 30 percent to the Waste Tire Administration, Enforcement, and Cleanup Fund;
 - 65 percent to the End Users Fund; and
 - 5 percent to the Waste Tire Market Development Fund; and
- then modified the amount of the waste tire fee to \$0.55 beginning January 1, 2018, to be distributed 100 percent to the Waste Tire Administration, Enforcement, and Cleanup Fund, and letting the other two funds repeal.

Overview of waste tire funds. There are three funds in the waste tire management system currently receiving a disbursement of the waste tire fee.

Waste Tire Administration, Enforcement, and Cleanup Fund. This fund is used to cover the administrative costs of the waste tire program, including fee collection, inspections, enforcement, and reporting.

End Users Fund. This fund provides monthly rebates, in an amount currently set by the Solid and Hazardous Waste Commission at \$75 per ton, to incentivize processors and end users of Colorado waste tires.

Waste Tire Market Development Fund. This fund is used for waste tire innovative technology business development grants, loans, and incentive funding programs.

State Revenue

The bill will increase state cash fund revenue collected from the waste tire fee by an estimated \$2,232,500 in FY 2017-18, and \$4,465,000 in FY 2018-19. This revenue will be split between three funds as outlined above in Table 1. Projected revenue increases through FY 2024-25 are shown in Table 2.

Assumptions. The fiscal note assumes that the Solid and Hazardous Waste Commission will set the waste tire fee at the cap amount, and that the average annual amount of waste tires is 4.7 million.

| Fiscal Year | Revenue Increase | Fee Change |
|--------------------|-------------------------|---|
| FY 2017-18 | \$2,232,500 | Increase mid-fiscal year from \$0.55 to \$1.50 |
| FY 2018-19 | 4,465,000 | N/A |
| FY 2019-20 | 4,465,000 | |
| FY 2020-21 | 4,465,000 | |
| FY 2021-22 | 3,877,500 | Reduction mid-fiscal year from \$1.50 to \$1.25 |
| FY 2022-23 | 2,702,500 | Reduction mid-fiscal year to \$1.00 |
| FY 2023-24 | 2,115,000 | N/A |
| FY 2024-25 | 2,115,000 | |

Loan to grant conversions. To the extent that Waste Tire Market Development Fund loans are converted to grants, revenue to the fund will be reduced. This reduction has not been estimated.

TABOR Impact

This bill increases state cash fund revenue from the waste tire fee, which will increase the amount of money required to be refunded under TABOR for FY 2017-18 and FY 2018-19. TABOR refunds are paid out of the General Fund. TABOR refund obligations have not been estimated for FY 2019-20 and beyond. Since the bill increases the TABOR refund obligation without a corresponding change in General Fund revenue, the amount of money available in the General Fund for the budget will decrease by an identical amount.

State Expenditures

The bill will increase state cash fund expenditures by up to \$2,232,500 in FY 2017-18, and \$4,465,000 in FY 2018-19 for the Department of Public Health and Environment. The Departments of Personnel and Administration and Transportation will also have increased expenditures in future fiscal years, as discussed below.

Department of Public Health and Environment (CDPHE). Under current law, the waste tire fee reduction to \$0.55 and the repeal of the End Users and Market Development funds scheduled for January 1, 2018, resulted in a reduction in the department's FY 2017-18 budget request relative to the waste tire funds. Under the bill, the increased waste tire fee and continuation of these funds will bring in additional revenue to be divided among three funds. The fiscal note uses the projected revenue to estimate this expenditure increase, as outlined in Table 2.

Departments of Personnel and Administration (DPA) and Transportation (CDOT).

Both DPA and CDOT purchase a certain amount of tires on an annual basis. From 2018-19 through FY 2020-21, which are the years where the difference between current law and the bill is \$0.95 per tire, these departments will have increased expenditures of approximately \$13,000 for DPA and \$1,000 for CDOT. If this minimal per tire cost increase cannot be accomplished within existing appropriations, the fiscal note assumes this will be addressed during the annual budget process.

Local Government Impact

Loans and rebates available to local governments previously set to expire on January 1, 2018, will continue through calendar year 2023, after which loans will continue to be available in greater amounts. The bill also allows the recipient of a loan to convert a loan to a grant if it complies with the loan terms during an initial period, which would create a potential cost savings for local governments who participate and comply. The precise impact to local governments has not been estimated in this fiscal note.

Effective Date

The bill takes effect August 9, 2017, if the General Assembly adjourns on May 10, 2017, as scheduled, and no referendum petition is filed. It applies to conduct occurring on or after this date.

State Appropriations

In FY 2017-18, the Department of Public Health and Environment requires a cash fund appropriation of up to \$2,232,500 from three cash funds: the Waste Tire Administration, Enforcement, and Cleanup Fund; the End Users Fund; and the Waste Tire Market Development Fund.

State and Local Government Contacts

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|-------------------------------|----------------|------------------------|
| Agriculture | Counties | Information Technology |
| Law | Municipalities | Personnel |
| Public Health and Environment | Public Safety | Special Districts |
| Transportation | Treasury | |