

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based only on the provisions contained in the legislation as of the latest date listed below.)

Date: March 16, 1998 Revised: _____

Subject: Lead-acid Battery Fee

	<u>Analyst</u>	<u>Staff Director</u>	<u>Reference</u>	<u>Action</u>
1.	<u>Green</u>	<u>Voigt</u>	<u>NR</u>	<u>Favorable</u>
2.	<u>_____</u>	<u>_____</u>	<u>WM</u>	<u>_____</u>
3.	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>
4.	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>
5.	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>

I. Summary:

The bill specifies that the \$1.50 lead-acid battery fee currently assessed on the retail sale of these batteries will be imposed on the sale of new and remanufactured batteries and may only be imposed one time on any battery. The impact of the bill would be to remove requirements for the collection and remittance of the fee from businesses that deal with the sale of used batteries that are being resold for a second time such as used car dealers.

The bill will have an estimated \$3.3 million negative fiscal impact on the Water Quality Assurance Trust Fund.

The bill amends ss. 403.717 and 403.7185, F.S.

II. Present Situation:

A lead-acid battery is defined in s. 403.717, F.S., as “those lead-acid batteries designed for use in motor vehicles, vessels, and aircraft, and includes such batteries when sold as a component part of a motor vehicle, vessel, or aircraft, but not when sold to recycle components.” While there have been past problems with battery recycling, the rate for recycling lead-acid batteries is repeatedly estimated by the U.S. Environmental Protection Agency and the battery industry to exceed 90 percent. No estimates of the battery recycling rate in Florida are presently known.

The lead-acid battery fee was established through the passage of chapter 88-393, Laws of Florida. The original \$1.00 fee was to address certain concerns. A 1987 analysis of the funding for the Water Quality Assurance Trust Fund (“WQATF”) indicated that expenditures would exceed revenues in fiscal year 1987-88. The former Department of Environmental Regulation (“DER”) indicated that contamination of sites by several other types of materials, including

lead-acid batteries, was generating little or no revenue to the fund while representing a significant portion of fund expenditures. As a result of these concerns, DER recommended expanding the tax base.

Chapter 89-171, Laws of Florida, increased the fee to \$1.50 for each new or remanufactured lead-acid battery sold at retail within the state. Receipts from the lead-acid battery fee are deposited into the WQATF as required under s. 376.307(4)(d), F.S. The WQATF, pursuant to s. 376.307, F.S., funds a variety of activities including the investigation, assessment, cleanup, restoration, maintenance, and monitoring of any site contaminated with hazardous wastes, hazardous substances, and pollutants, and for the restoration or replacement of potable water supplies.

The lead-acid battery fee is one of six revenue sources for the WQATF. Other sources include fees levied on the following: solvents, petroleum products, ammonia, chlorine, and pesticides. Historically, the battery fee has accounted for approximately 29 percent of total revenues to the WQATF.

In 1991, the Legislature modified the application of the battery fee. Chapter 91-112, Laws of Florida, amended the statutes to strike language applying the fee to “new or remanufactured” lead-acid batteries. This had the effect of levying the fee on each lead-acid battery sold at retail within the state. As a result, the fee is often levied more than once on the same battery.

Specific data that reflects what fees are collected from new batteries versus remanufactured or resold batteries is not maintained by the Department of Revenue. The following table indicates the collections from the lead-acid battery fee since FY 1994-95, as provided by the Department of Revenue.

Fiscal Year	Lead-acid Battery Fees
1994-95	\$8.25 M
1995-96	\$8.34 M
1996-97	\$8.28 M
1997-98*	\$8.33 M

*Estimated

III. Effect of Proposed Changes:

Section 1 of the bill amends the definition of a lead-acid battery in s. 403.717, F.S., to include “such batteries when sold *new* as a component part of a motor vehicle...”

Section 2 of the bill amends s. 403.7185, F.S., to require the fee be assessed on the retail sale of “new or remanufactured” batteries. Establishes that the fee may only be assessed “one time” per

battery at retail. Ensures the bill applies prospectively by striking language that makes the law applicable beginning October 1, 1989.

The bill takes effect on October 1, 1998.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

This bill would narrow the current requirements for the application of the \$1.50 lead-acid battery fee by directing that it be assessed on the retail sale of new or remanufactured batteries and may only be assessed once on a battery.

B. Private Sector Impact:

The \$1.50 lead-acid battery fee would apply only once to new or remanufactured battery sales and avoid situations where the fee is applied on a continuous basis in subsequent sales transactions. This would reduce companies' administrative costs associated with the collection and reporting of the lead-acid battery fees. In addition, the bill would reduce the amount of fees paid by those companies or individual consumers.

Negative fiscal impacts for the private sector, according to the Department of Environmental Protection ("DEP"), include reduced property values due to existing non-rehabilitated contamination, possible increased health care expenditures due to the reduced ability of the DEP to respond to emergency hazardous waste and toxic releases, and the increased cost of obtaining clean drinking water.

C. Government Sector Impact:

By narrowing the requirements for the application of the lead-acid battery fee, less money would be available to the WQATF. The Senate Ways and Means Committee staff estimated on 4/15/97 that the provisions of this bill would negatively impact the following funds:

	FY 1998-99
Water Quality Assurance Trust Fund	(\$3.3 M)
General Revenue Fund	(\$500,000)
TOTAL	(\$3.8 M)

Based on a Revenue Impact Conference on April 17, 1997, the DEP also estimates this bill would have an annual negative fiscal impact of \$3.3 million to the WQATF. Moreover, the DEP contends that any reduction in WQATF revenues will reduce the amount of funding available for the DEP's water restoration program and site rehabilitation activities at hazardous waste sites contaminated with pollutants.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Amendments:

None.