

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 109
SPONSOR(S): Baxley
TIED BILLS:

Fees Imposed on Tire and Battery Sales
IDEN./SIM. BILLS: SB 786

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) Environmental Regulation Committee	6 Y, 0 N	Kliner	Kliner
2) Finance & Tax Committee			
3) Agriculture & Environment Appropriations Committee			
4) State Resources Council			
5) _____			

SUMMARY ANALYSIS

The bill will exempt any retail seller of tires and/or batteries to pay the \$1.00 fee imposed on the retail sale of any new motor vehicle tire and/or the \$1.50 fee imposed on the retail sale of any new or remanufactured lead acid battery that is sold to a governmental entity.

Revenues to state government from these fees would be decreased. Revenue loss to the Solid Waste Management Trust Fund (tire fee) will be (\$271,308) annually. Revenue loss to the Water Quality Assurance Trust Fund (battery fee) will be (\$76,305) annually. State, county, city, school board, and special district governmental entities would be exempt from these fees, decreasing expenditures by these governmental entities.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. HOUSE PRINCIPLES ANALYSIS:

Limited government: The bill exempts governmental entities from the disposal fee for vehicle tires and lead-acid batteries. Department of Management Services (DMS) personnel will no longer need to track whether tire and battery sellers charged the disposal fee to governmental entities.

Lower Taxes: Those persons selling batteries and tires to state, county, city, school board and special district governmental entities would be exempt from those tire and battery disposal fees.

B. EFFECT OF PROPOSED CHANGES:

Present Situation

General

The Department of Environmental Protection (DEP) regulates the collection, storage, transportation, and disposal of solid waste that, due to the quantity, concentration, or physical characteristics, may be hazardous to humans and the environment, through Part IV of Chapter 403, Florida Statutes. Two such waste products include motor vehicle tires and lead-acid batteries.

Vehicle Tires

According to a DEP-generated report titled Waste Tires in Florida - State of the State¹ dated March 24, 2004, 15 million automobile, light truck, and smaller tires, plus 900,000 medium truck and larger tires, are removed from vehicles in Florida annually. Of this number, the DEP estimates that 271,308 represent tires are replaced annually from local and state governmental vehicles.²

The DEP's Waste Tire Management Program has several components: a regulatory program that addresses how waste tires can be moved, stored, processed, used, or disposed of; an abatement or cleanup program that assists in cleaning up illegal tire piles; and a market development program that works with potential end users for waste tires. In addition, there is a waste tire grant program that distributes funding to counties to assist them in local waste tire management efforts. "Waste tire" means a tire that has been removed from a motor vehicle and has not been re-treaded or re-grooved. "Waste tire" includes used tires and processed tires.

To every person who engages in the business of making retail sales of vehicle tires, the state imposes a \$1 fee for every new tire sold. The vendors remit the fee to the Department of Revenue (DOR) and, deducting its administrative expenses, the DOR deposits the remainder of the fees into the Solid Waste Management Trust Fund.

¹ http://www.dep.state.fl.us/waste/quick_topics/publications/shw/tires/SOSfinal2004.pdf

² This estimate is derived from a total of 203,481 governmental vehicles (cars, buses, trucks and boat trailers) multiplied by 4 tires per vehicle with a three year service life. This estimate takes into account that trucks and buses may have more than four tires each and that boat trailers may have less than four tires each. Aircraft tires are not subject to the fee. Military entities probably do not purchase tires from retail sources.

Lead-Acid Batteries

According to the DEP's Annual Hazardous Waste Management Needs Assessment Report dated January 1, 2003, lead-acid batteries contain a liquid acid electrolyte and are prohibited from disposal in landfills or municipal waste combustors (s. 403.708, Florida Statutes). Battery retailers are also required to take back spent batteries as trade-ins. In addition, some scrap dealers buy back spent lead-acid batteries, and county programs accept these batteries at solid waste/household hazardous waste facilities and collections. A mature, close-looped recycling infrastructure that is driven by economic incentives within the lead-acid battery industry and convenient collection locations ensures that nearly all lead and plastic casings that are reclaimed from recycled batteries are used to make new batteries. According to the Battery Council International website "...the typical new lead-acid battery contains 60 to 80 percent recycled lead and plastic."³ The recycling rate for vehicular lead-acid (VLA) batteries has been estimated by the U.S. Environmental Protection Agency to be nearly 97 percent nationally since 2000.

According to DEP estimates, 50,870 batteries from governmental vehicles (cars, buses, trucks, and boats) are subject to the fee on an annual basis. Pursuant to s. 403.7185, Florida Statutes, retailers who sell these batteries are required to collect a fee of \$1.50 for each battery sold, which is remitted to the DOR. The DOR deducts its administrative expenses and then deposits the remainder into the state's Water Quality Assurance Trust Fund.

According to a representative from the DMS, the state contracts with manufacturers to meet the state's tire and battery replacement needs. The cost of fees, such as the waste tire and waste battery fee, are figured into the contract's terms. Therefore, the tire and battery sellers are responsible for the disposal fee that is submitted to the DOR, which is not paid by the state entity when the tires or batteries are replaced. In a sense, the fee is paid twice; once by the state in its contract with the manufacturer, and again by the retail seller, however, the only monies that are sent to the Trust Funds are those paid in by the retail sellers. According to the DMS representative, some sellers have charged the fee anyway, which resulted in a "double payment" of that particular fee.

Effect of Proposed Change

The bill will exempt any retail seller of tires and/or batteries to pay the \$1.00 fee imposed on the retail sale of any new motor vehicle tire and/or the \$1.50 fee imposed on the retail sale of any new or remanufactured lead acid battery that is sold to a governmental entity. Revenues to state government from these fees would be decreased. Revenue loss to the Solid Waste Management Trust Fund (tire fee) will be (\$271,308) annually. Revenue loss to the Water Quality Assurance Trust Fund (battery fee) will be (\$76,305) annually. State, county, city, school board, and special district governmental entities would be exempt from these fees, decreasing expenditures by these governmental entities.

C. SECTION DIRECTORY:

Section 1: Amends s. 403.718, Florida Statutes, exempting a governmental entity from having to pay the statutory \$1.00 fee imposed on every retail vehicle tire sold to the governmental entity for its fleet of vehicles.

Section 2: Amends s. 403.7185, Florida Statutes, exempting a governmental entity from having to pay the statutory \$1.50 fee imposed on every retail vehicle battery sold to the governmental entity for its fleet of vehicles.

Section 3: Provides an effective date of July 1, 2005.

³ <http://www.batterycouncil.org/recycling.html>

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

Nonrecurring: None.

<u>Recurring</u> :	<u>2005</u>	<u>2006</u>	<u>2007</u>
Solid Waste Management Trust Fund	(\$271,308)	(\$271,308)	(\$271,308)
Water Quality Assurance Trust Fund	(\$76,305)	(\$76,305)	(\$76,305)
<u>Total</u>	(\$347,613)	(\$347,613)	(\$347,613)

2. Expenditures:

Non-recurring: None.

Recurring: State revenue decreases (\$347,613) would also be expenditure decreases (savings) for the governmental entities that had formerly paid these fees. State, county, city, school board, and special district governmental entities' expenditures would decrease by \$347,613.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

Non-recurring: None.

Recurring: None.

2. Expenditures:

Non-recurring: None.

Recurring: A \$347,613 decrease in state and local government annual expenditures for the fees for the purchase of motor vehicle tires and new or remanufactured lead acid batteries is anticipated. At this time, data was not available in sufficient detail to estimate what portion of this \$347,613 expenditure decrease would accrue to state versus local governmental entities.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

None.

D. FISCAL COMMENTS:

This bill results in a decrease in annual revenues from tire and battery fees to the Solid Waste Management Trust Fund (estimated at \$271,308) and the Water Quality Assurance Trust Fund (estimated at \$76,305), which may reduce funding available for programs funded from these revenues.

According to the DEP, revenues to state government from these fees would be decreased. State, county, city, school board and special district governmental entities would be exempt from these fees, thereby decreasing expenditures by these governmental entities. Revenue loss to the Solid Waste

Management Trust Fund (\$271,308) is minimal in terms of overall fund revenues. Revenue loss to the Water Quality Assurance Trust (\$76,305), while also minimal, represents a revenue loss in a fund where the unobligated balance is relatively low.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

Not applicable because this bill does not appear to: require cities or counties to spend funds or take actions requiring the expenditure of funds; reduce the authority that cities or counties have to raise revenues in the aggregate; or reduce the percentage of a state tax shared with cities or counties.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

No additional rulemaking authority is required to implement the provisions of this bill.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/COMMITTEE SUBSTITUTE & COMBINED BILL CHANGES

None.