

These minutes contain materials which paraphrase and/or summarize statements made during this session. Only text enclosed in quotation marks

report a speaker's exact words. For complete contents of the proceedings, please refer to the tapes.

HOUSE COMMITTEE ON ENVIRONMENT AND ENERGY

February 08, 1991Hearing Room E 1:30 p.m.Tapes 34 - 35

MEMBERS PRESENT:Rep. Parkinson, Chair Rep. Whitty, Vice-Chair Rep. Burton Rep. Courtney Rep. Naito Rep. Norris Rep. Repine Rep. Van Leeuwen Rep. Watt

MEMBER EXCUSED: All members present

VISITING MEMBER:No visiting members

STAFF PRESENT: Kathryn VanNatta, Committee Administrator Andy Sloop, Committee Assistant

MEASURES CONSIDERED: HB 2561 (PAW) HB 2246 (PAW)

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TAPE 34, SIDE A

008 CHAIR PARKINSON: Calls the meeting to order at 1:33 p.m. Reads prepared remarks (EXHIBIT A) about pending Westside Corridor Project legislation.

98Representatives Whitty, Norris and Watt commend Chair Parkinson's remarks.

109 CHAIR PARKINSON: Breaks for press conference on Westside Corridor Project remarks. Reconvenes meeting at 1:45 and opens public hearing on HB 2246.

(Tape 34, Side A) 115 HB 2246 - PUBLIC HEARING Witnesses:Mike Doyle, Les Schwab Warehouse Center, Inc. Deanna Mueller-Crispin, DEQ Waste Tire Program Coordinator Mark Hope, Waste Recovery, Inc.

140 CHAIR PARKINSON: Outlines points for committee to consider during review of the bill.

>The waste-tire program is effectively regulating storage,

transportation and use of waste tires.

>The program may be collecting more money than it needs.

>The fee supporting the program may need to be extended indefinitely.

>There is a "strong possibility" that Oregon is paying to dispose of out-of-state tires. The committee may need to decide whether to expand bureaucracy to deal with this problem, if it is large, or to leave it alone, if it is small.

>Need to deal with out-of-state tires.

169 MIKE DOYLE, LES SCHWAB WAREHOUSE CENTER, INC.: Testifies in support of the waste-tire program and the measure, but voices concerns about the proposed fee level.

190 CHAIR PARKINSON: Is the Les Schwab tire pile in Prineville growing, shrinking or static?

194 DOYLE: We estimate that pile has about 2,250,000 tires. Up to August 1990, we were adding approximately 24,000 to 30,000 a month to that site. Since then, we have reduced that rate to 2,000 to 4,500 tires a month, with the balance of the waste tires from our retail centers going to Waste Recovery, Inc. for alternative uses.

198 REP. WHITTY: Do you have stores from which tires have to be trucked a long way to be recycled? Would you like to talk about those problems? If you lose money in this process, how much do you lose?

211 DOYLE: Our storage site in Prineville is for our retreading facilities and plant rejects only. We do not transport any tires from our retail stores to our Prineville facility for disposal. There are problems around the state because of inadequate disposal sites.

225 REP. WHITTY: It's a loss though, isn't it? There's no way you can come out ahead on it?

231 DOYLE: There is cost, definitely.

234 REP. NORRIS: I understand your company has a chipper. How many stores does that serve?

238 DOYLE: We did have a chipper at one plant at one time, but we do not chip any of our waste tires at any of our sites now.

241 REP. NORRIS: Is a chipper really going to be an essential component of the transition of waste tires into alternative end products?

244 DOYLE: Yes.

250 REP. WATT: How should the \$1 fee be distributed?

256 DOYLE: We know there is going to have to be ongoing administration and enforcement. We are concerned about creating a large discretionary reimbursement fund that could subsidize alternative-use projects that won't contribute to this effort in the long run. We would like to see reimbursement funds kept to a minimum.

271 REP. COURTNEY: What was the size of the Prineville tire pile in

1987 before this bill was passed?

275 DOYLE: We estimated the beginning balance at about 1 million.

280 REP. COURTNEY: DEQ has indicated that pile has not been addressed substantially under this program. Are you working with DEQ to reduce the size of that pile?

283 DOYLE: DEQ has issued us a permit to pile tires at that site until November 1992.

288 REP. COURTNEY: Is it your intention to renew?

290 DOYLE: We'll have to look at conditions at that time.

295 REP. VAN LEEUWEN: Revenue analysis indicates extension of the fee would increase state revenue by more than \$3 million during the 1991-93 biennium. I have heard a complaint that there is no longer a need for the \$1 fee. It looks like one-sixth of the revenue from this fee in the past has been used for reimbursement. I thought reimbursement was supposed to be the main purpose of the project. I have a real problem going on with the bill until some of the financial questions get addressed.

320 CHAIR PARKINSON: Rep. Van Leeuwen, I think we should wait until DEQ testifies to address that issue.

324 REP. BURTON: Your site is a landfill, and that's different than your other sites. Is that landfill designated as a storage or a disposal site?

341 DOYLE: That site is a landfill and disposal site for our plant.

352 REP. BURTON: Are there other fees that you have to pay?

355 DOYLE: No.

357 REP. BURTON: Have you found a military use for those tires?

363 DOYLE: We haven't looked at that yet.

370 CHAIR PARKINSON: Calls Deanna Mueller-Crispin and Bob Danko of DEQ to testify.

376 DEANNA MUELLER-CRISPIN, WASTE TIRE PROGRAM COORDINATOR, DEQ: Responds to questions about program revisions and fiscal impacts under the measure.

390 CHAIR PARKINSON: What happens to the dollar that is collected on each retail tire sale?

398 MUELLER-CRISPIN: Fifteen cents stays with the retail dealer. The rest of it is collected quarterly by the Department of Revenue. The DOR estimates it would keep about \$100,000 of that during this biennium to cover administration expenses.

405 REP. BURTON: Can you break that down into percentages? I'm trying to follow the dollar.

408 MUELLER-CRISPIN: Percentages are complicated because there is a lot

of carryover that is not spent each biennium. Refers to carryover chart (EXHIBIT F)

412 REP. VAN LEEUWEN: I'd still like to see that dollar broken down by percentages.

TAPE 35, SIDE A

025 MUELLER-CRISPIN: Explains dollar breakdown for \$1 and for 60 cent fee scenarios under the proposed extension (EXHIBIT G).

055 REP. COURTNEY: Is it unnecessary to retain the \$1 fee to keep the program going during the 199 1-93 biennium?

64MUELLER-CRISPIN: We have proposed extending the \$1 fee for two more years. That would allow us to keep running the program for three more biennia. The analysis you received today (EXHIBIT G) shows you the level of program achievements that we could obtain with the \$1 fee and with a 60-cent fee. The second page of that handout shows the level of reimbursement that would occur under both the \$1 and the 60-cent scenarios.

77REP. BURTON: It might be helpful to understand that there is a carryover of an unobligated balance here. Look at the 1991-93 biennium only on the chart (EXHIBIT G), and forget about everything else for a minute. You'll notice there would be \$3.3 million in new revenues, which would be added to whatever unobligated balance is carried over from the previous fiscal year. That figure actually would be four or five million dollars with the added carryover. After making the disbursements indicated on that table, DEQ would end up the biennium with a \$1.6 million unobligated balance, which would carryover into the next biennium. The fee would only continue through the 1991-93 biennium and the carryover would sustain the program through 199 7. The policy issue is whether to continue the dollar fee, or reduce it, which would reduce the program across the board, or shift the dollar so that there is more reimbursed and less into clean-up and enforcement.

115 CHAIR PARKINSON: We've been discussing the merits of this bill, so I think I'm going to close the public hearing and open a work session.

120 HB 2246 - WORK SESSION

123 REP. BURTON: Is it correct to say that what is not shown on this table (EXHIBIT G) is the unobligated amount that you would be able to carryover? And that what you're really proposing is that by extending the \$1 fee until June 30, 1993, you would be able to continue the program because you have unobligated fees to carryover?

130 MUELLER-CRISPIN: The analysis on this chart was to show what the program could do under the \$1 and the 60-cent scenario, without taking the carryover into account. We're projecting that the carryover from this biennium will be \$666,000. We're assuming that all of that carryover would be used for reimbursement.

139 REP. BURTON: Would it be fair to say the policy question is: should we extend the current program, in which the majority of the money is going toward programs and less is going to reimbursement, change the level of reimbursement or drop the program altogether? You're proposing to continue the program in it's current form.

149 MUELLER-CRISPIN: I think the tire-pile clean-up and reimbursement percentages versus DEQ expenditures are going to change dramatically by the end of this biennium. Reimbursement expenditures took off slowly when the program began and now they are in a "radical upswing". Our fourth quarter expenditures on reimbursement alone will be about \$160,000. That's almost one-third of what we spent on all facets of the program during its first 1 1/2 years. Expenditures for clean-up also are accelerating dramatically now that we have completed most of the preparations to clean up the larger waste-tire piles around the state and are commencing those clean-up operations.

171 REP. BURTON: Actually, if operating costs remain about the same, and DEQ direct expenses are dropping, then you're shifting expenditures into reimbursement.

178 MUELLER-CRISPIN: That's correct. The clean-up and enforcement components of the program are staff intensive and costly. Within a year, we will have dealt with most clean-up sites and will be dealing more with reimbursement, which is less labor intensive.

217 MUELLER-CRISPIN: The tire fee is collected about a month after the dealer collects it, so there will be an additional quarters worth of revenue in addition to what you see here. That's worth about \$450,000, most of which will be spent on demonstration projects for reimbursement. That's not carryover, but it will be collected in 1991-93. So, the carryover and the money that is collected in 1991-93 from tires sold in 1989-91 is projected to be spent on reimbursement. What we really have in total program funds at the end of 1991-93 is shown on the balance sheet (EXHIBIT G) you have.

266 REP. VAN LEEUWEN: My constituent was left with the impression that the glut of waste tires had been taken care of and yet you're saying there is a bigger glut now than ever.

276 MUELLER-CRISPIN: Clean-up of most of the large piles in the state is currently in progress. Tires from these piles are also increasing demand for reimbursement. The tires are not all off the ground, but they will be soon, so we're getting a kind of glut for reimbursement that's coming in from our clean-up program. Keep in mind that waste tires continue to come into the system at a continuous rate from retail tire dealers.

295 REP. NORRIS: The bill talks about some onerous obligations on the part of the dealer. Is it important to know that I bought four tires from Les Schwab in Hermiston?

304 MUELLER-CRISPIN: We felt it was "very important" to put a requirement into the statute that anyone who generates a waste tire give that tire to a permitted hauler or dispose of it properly himself. In order to enforce this bill, we felt it was also important for dealers to keep records. We don't want to see those records necessarily. We do, however, want to provide for access to those records.

318 REP. NORRIS: I wonder if this is justifiable to ask dealers to keep these kind of records for three years.

325 MUELLER-CRISPIN: The three-year period is the length of time most businesses keep records. Perhaps two years would be enough here, but we need some means of verifying that waste tires are being disposed of

properly.

342 REP. VAN LEEUWEN: I don't get the point of asking the dealer to keep the name and address of customers.

358 MUELLER-CRISPIN: The Department of Revenue requires records of who tires are sold to, and the dollar amount has to appear on those receipts. DEQ doesn't need the names of people who buy tires and would never ask for that kind of information.

369 REP. VAN LEEUWEN: In rural areas, many people have other uses for waste tires. If dealers give tires to rural customers for rural uses, it would skew your records.

373 MUELLER-CRISPIN: The only reason we feel this information is necessary is so that we can do enforcement if we hear someone is dealing improperly with waste tires.

392 MARK HOPE, WASTE RECOVERY, INC: Testifies in favor of the bill, but expresses concerns about reimbursement, and proposes amendments.
(EXHIBIT I)

TAPE 35, SIDE B

61HOPE: Serious consideration should be given to providing this subsidy only to end users of waste tires.

73CHAIR PARKINSON: Could you explain why some Oregon tires went to Washington processing piles when the program began.

75HOPE: That was the abatement procedure at that time because Washington processing facilities came in with better bids than Oregon processors. The competitive edge that they have is that they avoid the cost of true disposal or recycling. Their profit is their avoided cost of disposal. That has since changed because the agency now requires that tires be recovered to receive reimbursement.

85REP. WHITTY: Are there no regulations on piling tires in Washington?

91HOPE: That's right. There are minimum performance requirements for permitting. The Washington Legislature apparently has determined a need to stockpile tires. That tends to undercut recyclers and other disposal mechanisms available today. It's not clear how many Oregon tires are in Washington piles. Obviously, it would be advantageous, from a business point of view, to declare all tires in Washington piles to be Oregon tires in order to claim the Oregon subsidy. Clearly, however, a large percentage of tires in Washington piles are from Washington.

>Different uses get reimbursed at different rates now. Tires should be classified as a recycling use.

>The market based on tipping fees, so whatever happens with the reimbursement from this program, there will always be a mechanism for the market to remain competitive.

>If the current \$1 fee is reduced as I have proposed, and dealers are allowed to keep 15 cents, carryover funds will remain available for reimbursement through 1993. At that point, the program would be terminated and the market allowed to take over. I don't know what level of support, if any, would be required beyond 1993.

211 CHAIR PARKINSON: How do we deal with tires from out of state?

215 HOPE: A lot of that has to do with trust, and a lot of that has fallen through the cracks for years. We are audited regularly and have to report to the SEC, so we keep track of our tires carefully. As far as what other companies are doing, it's hard to tell.

234 REP. BURTON: Is the 15 cents that dealers receive under the program now adequate?

245 HOPE: The 15 cents is supposed to assist the dealer with accounting and administrative expenses. It's never been intended to cover disposal.

255 REP. BURTON: The reimbursement program has created a successful situation now. Is there enough money to deal with existing problems through 1993 when you're talking about weaning the market off of the this program?

280 HOPE: If you exclude the Les Schwab pile in Prineville, the clean-up of which I assume will not be subsidized, only small piles remain to be cleaned up. Many of those small piles will be cleaned up on their own once enforcement pressure is exerted. These factors have reduced DEQ's financial burden substantially.

300 REP. BURTON: Staff has just handed us the classification of reimbursement for various kinds of solid-waste disposal methods. You're just one step above land-filling in this hierarchy. I take it you feel that's not a fair placement.

337 HOPE: Yes. It's obvious that our material is source separated, which bodes well for recycling waste tires. Our operation doesn't just cut up the tires, it transforms them into a marketable product. That product competes with oil, natural gas and coal. We are marketing this into existing pulp, paper and cement industries and not creating new sources of emissions.

341 CHAIR PARKINSON: Calls DEQ representative to testify.

343 CHAIR PARKINSON: Would you describe the process used to set reimbursement rates for different secondary uses of tires?

345 MUELLER-CRISPIN: That's described by administrative rule that was developed through an elaborate process created by the task force that addressed this issue. We did an economic analysis of the effects of providing different reimbursements for different kinds of uses. Our rule says we shall reimburse all uses at the same rate, which is what we do. That rate is a penny a pound. We have, however, allowed ourselves the option of funding "demonstration projects," which would not be energy recovery but would have to be recycling projects in Oregon. We have approved four of these projects, and two of these have been completed. The two that were completed were rubberized asphalt paving projects in Benton County. Those projects were reimbursed at 14 cents a pound, which was an effort to compensate for the difference in cost between using conventional materials versus rubber. We felt that was a good use for the funds.

388 CHAIR PARKINSON: I'm convinced this bill has done an excellent job, but also that it's time for "major tuning". Appoints Rep. Burton to be

a subcommittee of one to do this with DEQ.

390 CHAIR PARKINSON: Closes work session on HB 2246. Adjourns meeting at 3 p.m.

Submitted by: Reviewed by:

Andy Sloop Kathryn VanNatta Committee Assistant Committee
Administrator

EXHIBIT LOG:

A -Public Comments on Westside Corridor Project legislation - Rep.
Fred Parkinson - 3 pages B -HB 2246 - Committee Staff - 6 pages
C -Solid-Waste Control Statutes Pertaining to HB 2246 - Committee
Staff - 8 pages D -Preliminary Staff Measure Summary - Committee
Staff - 1 page E-Revenue Analysis of HB 2246 - Legislative Revenue
Staff - 1 page F-Waste Tire Recycling Account Ledger - Department of
Environmental Quality - 1 page G-Analysis of Waste Tire Fee
Extension - Department of Environmental Quality - 3 pages
H -Memorandum on Reimbursement for Waste Tire Use - Deanna
Mueller-Crispin, Department of Environmental Quality - 19 pages
I -Testimony on HB 2246 - Mark Hope, Waste Recovery, Inc. - 3 pages
J -Dash 1 Amendments to HB 2246 - Rep. Liz Van Leeuwen - 1 page
K -Dash 3 Amendments to HB 2246 - Department of Environmental Quality
- 8 pages