

**NORTH CAROLINA GENERAL ASSEMBLY**

**LEGISLATIVE FISCAL NOTE**

**BILL NUMBER:** SB 127 (First Edition)

**SHORT TITLE:** Dry-Cleaning Solvent Cleanup Act

**SPONSOR(S):** Senators Odom, Albertson, Cooper, Horton, Kinnaird, and Martin of Pitt

**FISCAL IMPACT**

	Yes (X)	No ( )	No Estimate Available ( )		
	<u>FY 1997-98</u>	<u>FY 1998-99</u>	<u>FY 1999-00</u>	<u>FY 2000-01</u>	<u>FY 2001-02</u>
<b>REVENUES</b>					
Dry Cleaning Solvent Cleanup Fund					
(1) Registration	449,500	449,500	449,500	449,500	449,500
(2) Solvent Fees	1,271,643	1,271,643	1,271,643	1,271,643	1,271,643
(3) Recoveries, Gifts, Grants	<u>NA</u>	<u>NA</u>	<u>NA</u>	<u>NA</u>	<u>NA</u>
TOTAL	\$1,721,143	\$1,721,143	\$1,721,143	\$1,721,143	\$1,721,143
<b>EXPENDITURES</b>					
Department of Revenue	(115,000)	(120,000)	(120,000)	(120,000)	(120,000)
Department of Environment, Health & Natural Resources	(160,614)	(160,114)	(160,114)	(160,114)	(160,114)
NET DEPOSIT TO FUND	1,445,529	1,441,029	1,441,029	1,441,029	1,441,029
<b>POSITIONS:</b>					
Revenue	2	3	3	3	3
EHNR	NA	NA	NA	NA	NA

**PRINCIPAL DEPARTMENT(S) &**

**PROGRAM(S) AFFECTED:** Environmental Management Commission, Department of Environment Health and Natural Resources, Department of Revenue/Sales Tax Division, Commissioner of Insurance.

**EFFECTIVE DATE:** The sections of the bill establishing the Dry-Cleaning Solvent Cleanup Fund and the powers of the Environmental Management Commission over this fund are effective upon ratification. Section 2 that establishes the dry-cleaning solvent tax is effective July 1, 1997. The registration of dry cleaning facilities and related fees, the enforcement procedures and penalties, and the reporting requirements to the Environmental Review Commission begin January 1, 1998. The provisions on certification, assessment and remediation, appeals, and risk assessment begin July 1, 1998.

**BILL SUMMARY:** The bill creates a Dry-Cleaning Solvent Cleanup Fund to reimburse persons who cleanup sites polluted with dry-cleaning solvents. The Fund will be administered by the Department of Environment, Health and Natural Resources (DEHNR). The rules governing the Fund will be developed by the Environmental Management Commission. The primary sources of revenue for the new Dry-Cleaning Solvent Cleanup Fund are from registration fees and dry-cleaning solvent taxes. The annual registration fee charged dry cleaners is based on their average number of full time employees. The solvent tax is a per gallon excise tax equal to \$4.25 per gallon of chlorine based solvents (perchloroethylene) and 85 cents per gallon of hydrocarbon or petroleum based solvents.

**ASSUMPTIONS AND METHODOLOGY:**

**REVENUE**

The revenue from the registration fee is based on 627 facilities with dry cleaning operations that are registered with DEHNR. These facilities are required by the Clean Air Act to notify DEHNR of their use of dry cleaning solvents. The N. C. Association of Launderers and Cleaners provided the breakdown by number of employees and by insurance status of the business as shown below. It is anticipated that the Fund will earn \$449,500 a year in registration fees. There is no data on abandoned sites and thus no revenue is projected from the one time \$200 fee that may be paid on such sites.

Type of Facility	Insurable			Uninsurable			Total
	Locations	Fee Amount	Collections	Locations	Fee Amount	Collections	
0 to 5 employees	138	\$ 250.00	\$ 34,500	12	\$2,250.00	\$ 27,000	\$ 61,500
6 to 10 employees	168	\$ 500.00	\$ 84,000	15	\$2,500.00	\$ 37,500	\$121,500
11+ employees	268	\$ 750.00	\$ 201,000	23	\$2,750.00	\$ 63,250	\$264,500
Distributor	3	\$ 750.00	\$ 2,250		\$2,750.00	\$ -	\$ 2,250
	577		\$ 321,750	50		\$ 127,750	\$449,500

For the solvent tax, the Association provided information on the gallonage of solvents consumed by cleaners. The Association surveyed 50 plants that use perchloroethylene and 11 plants that use petroleum based products. This sample was used to construct the average number of gallons in the chart below.

Type of Facility	Perchloroethylene Users			Petroleum Users			Total
	Number	Gallons	Fees	Number	Gallons	Fees	
0 to 5 employees	113	250	\$120,063	38	1,750	\$ 56,525	\$ 176,588
6 to 10 employees	138	400	\$234,600	46	2,750	\$107,525	\$ 342,125
11+ employees	220	550	\$514,250	72	3,900	\$238,680	\$ 752,930
	471		\$868,913	156		\$402,730	\$1,271,643

## **EXPENDITURES**

The Department of Revenue is allowed to spend up to \$225,000 a year to administer this act. The Department has made a preliminary estimate that it will need \$115,000 to \$120,000 each year to collect the new sales and use tax. It will hire two clerical positions in year one for the Returns Processing and Office Exam sections and in year two it will add an auditor in the Field Operations Unit. This number will be revised downward if it is determined that solvents are sold by a limited number of distributors in the state and not by out of state vendors.

On the other hand, the Department of Environment, Health and Natural Resources (DEHNR) is allowed only 10% of the revenue credited to the Dry-Cleaning Solvent Cleanup Fund to administer the program. Based on the Department's experience with the Underground Storage Tank program, DEHNR believes it will need 10 positions to handle the certifications, inspections, assessments, billing, etc. at a cost of \$403,401. After deducting the Department of Revenue administrative expenses, DEHNR would be given only \$160,114 to administer the act.

### **FISCAL RESEARCH DIVISION**

**733-4910**

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**DATE:** March 10, 1997



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