



NORTH CAROLINA GENERAL ASSEMBLY

2025 Session

Legislative Fiscal Note

Short Title: County Waste Management Assistance.
Bill Number: Senate Bill 706 (First Edition)
Sponsor(s): Sen. David W. Craven, Jr., Sen. Bill Rabon, and Sen. Michael V. Lee

SUMMARY TABLE

FISCAL IMPACT OF S.B. 706, V.1 (\$ in millions)															
	FY 2025-26			FY 2026-27			FY 2027-28			FY 2028-29			FY 2029-30		
State Impact															
General Fund Revenue	(7.3)	to	(7.3)	(10.1)	to	(10.1)	(10.7)	to	(10.7)	(11.3)	to	(11.3)	(12.0)	to	(12.0)
Less Expenditures	-	to	-	-	to	-	-	to	-	-	to	-	-	to	-
General Fund Impact	(7.3)	to	(7.3)	(10.1)	to	(10.1)	(10.7)	to	(10.7)	(11.3)	to	(11.3)	(12.0)	to	(12.0)
Highway Fund Revenue	-	to	3.0	-	to	5.6	-	to	6.3	-	to	7.1	-	to	8.0
Less Expenditures	-	to	-	-	to	-	-	to	-	-	to	-	-	to	-
Highway Fund Impact	-	to	3.0	-	to	5.6	-	to	6.3	-	to	7.1	-	to	8.0
Special Fund Revenues	4.3	to	7.3	4.5	to	10.1	4.4	to	10.7	4.2	to	11.3	4.0	to	12.0
Less Expenditures	-	to	-	-	to	-	-	to	-	-	to	-	-	to	-
Special Fund Impact	4.3	to	7.3	4.5	to	10.1	4.4	to	10.7	4.2	to	11.3	4.0	to	12.0
NET STATE IMPACT							No Fiscal Impact								

FISCAL IMPACT SUMMARY

Senate Bill (S.B.) 706 has no net State fiscal impact. S.B. 706 alters the distribution formula for proceeds received from the scrap tire disposal tax, removing the General Fund as a recipient of tax proceeds. S.B. 706 directs 30% of net tax proceeds previously credited to the General Fund to the Scrap Tire Disposal Account at the Department of Environmental Quality (DEQ). Additionally, any funds exceeding \$300,000 in the Scrap Tire Disposal Account are to be transferred to the Highway Fund at the conclusion of each fiscal year.

FRD estimates S.B. 706 would reduce General Fund revenue by \$7.3 million in Fiscal Year (FY) 2025-26, and by \$10 million to \$12 million in each of the following four fiscal years. This revenue instead will be credited to either The Scrap Tire Disposal Account at DEQ or the Highway Fund, depending on the frequency and amount of local government grants issued using funds in the Scrap Tire Disposal Account.

FISCAL ANALYSIS

After accounting for the Department of Revenue's administrative expenses incurred, current law directs 30% of the net proceeds of the scrap tire disposal tax to the General Fund and 70% to counties on a per capita basis for the disposal of scrap tires. The North Carolina Department of Revenue (NCDOR) remits the proceeds on a quarterly basis. This bill would alter the distribution formula, directing the 30% previously credited to the General Fund to the Scrap Tire Disposal Account at DEQ. Additionally, any



funds exceeding \$300,000 in the Scrap Tire Disposal Account are to be transferred to the Highway Fund at the conclusion of each fiscal year.

This bill becomes effective October 1, 2025, so there is no fiscal impact in the current fiscal year. Since tax proceeds are distributed quarterly, the first year of enactment will see a partial fiscal impact.

In FY 2023-24, General Fund revenue from the scrap tire disposal tax totaled \$8.9 million, which the Consensus Revenue Forecast projects to increase to \$9.7 million in FY 2025-26 and \$10.1 million in FY 2026-27. Using General Fund data from the past five fiscal years, approximately 25% of the total revenue received from the scrap tire disposal tax is typically deposited in the first quarter of each fiscal year. Therefore, due to the tax's quarterly distribution and the implementation date for the distribution changes, under S.B. 706, FRD anticipates one quarterly payment would be made to the General Fund in FY 2025-26. FRD estimates General Fund revenue would be reduced by \$7.1 million in FY 2025-26, and DEQ revenue would increase by the same amount.

To estimate the impact of S.B. 706 in future years, FRD assumes General Fund revenue from the scrap tire disposal tax will continue to increase each year. The compound annual growth rate for the past ten years of scrap tire tax collections is 5.8%. Thus, FRD assumes General Fund revenue from the scrap tire disposal tax would increase each year outside the consensus forecast period by 5.8%. The following table shows the estimated scrap tire disposal tax revenue deposited in the General Fund under current law versus under S.B. 706.

Estimated Scrap Tire Disposal Tax Net General Fund Revenue					
	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
Estimated Revenue (Current Law)	\$9,700,000	\$10,100,000	\$10,689,652	\$11,313,728	\$11,974,239
Estimated Revenue (S.B. 706)	\$2,425,000	-	-	-	-

The bill directs DEQ to split the revenue as follows:

- **Local Grants** - 75% for grants to local governments to offset the cost of operating a scrap tire disposal program
- **Use Grants** - 15% for grants to encourage the use of processed scrap tire materials
- **Administrative Costs** - \$175,000 for administrative costs
- **Cleanup** - The remainder to clean up illegal scrap tire collection sites

The following table shows the distribution of the estimated scrap tire tax revenue:

Distribution of Estimated Scrap Tire Tax Revenue					
	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
Estimated Revenue	\$7,275,000	\$10,100,000	\$10,689,652	\$11,313,728	\$11,974,239
75 % for Local Grants	\$5,456,250	\$7,575,000	\$8,017,239	\$8,485,296	\$8,980,679
15% for Use Grants	\$1,091,250	\$1,515,000	\$1,603,448	\$1,697,059	\$1,796,136
Administrative Costs	\$175,000	\$175,000	\$175,000	\$175,000	\$175,000
Remaining for Cleanup	\$552,500	\$835,000	\$893,965	\$956,373	\$1,022,424

Local Grant Program

The General Assembly currently appropriates \$420,000 annually for grants to local governments to help offset the cost of their scrap tire disposal programs. Counties can apply if their cost to operate the program exceeds the revenue available for it. In FY 2023-24, 76 counties applied for a total of \$3.4 million. The following table shows the application information since FY 2021-22 (data for FY 2021-22 was not available).

Applications for Scrap Tire Grants				
	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24
Number of Counties	78		76	76
Operating Costs	\$9,455,073	Data Not Available	\$10,655,827	\$12,174,229
Revenue	\$6,884,509		\$7,790,429	\$8,735,747
Difference	(\$2,570,564)		(\$2,865,398)	(\$3,438,482)

The proposed legislation would allow DEQ to use up to 75% of the scrap tire tax revenue for the Local Grant Program. Local grants under the revised program established in the bill may not exceed the local government's scrap tire program operating deficit. Under the current program, the average total amount requested for the three years for which data was available since FY 2020-21 was \$2,958,148. This amount is assumed to be the average total operating deficit for the counties that apply for grants.

The following table shows the average total amounts reported and requested by applicants for local government grants, adjusted for inflation. The average total revenue was adjusted by 5.8% each year (the compound annual growth rate for the past ten years of scrap tire tax collections).



Estimated Operating Costs and Revenue for Applicants for Local Government Grants						
	3-Year Average	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
CPI		2.23%	2.52%	2.39%	2.19%	2.02%
Total Operating Costs	\$10,761,710	\$11,001,696	\$11,278,939	\$11,548,505	\$11,801,418	\$12,039,806
Annual Growth Rate		5.80%	5.80%	5.80%	5.50%	5.80%
Total Revenue	\$7,803,562	\$8,256,168	\$8,735,026	\$9,241,658	\$9,749,949	\$10,315,446
Total Est. Operating Deficit	(\$2,958,148)	(\$2,745,528)	(\$2,543,913)	(\$2,306,848)	(\$2,051,469)	(\$1,724,361)

Based on the estimates in the above table, the amount available for local government grants will exceed the operating deficits each year. The following table illustrates the difference. To the extent that operating costs are greater than the average estimated total, the difference may be less.

Scrap Tire Tax Revenue - Local Grant Program					
	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
Estimated Revenue	\$7,275,000	\$10,100,000	\$10,689,652	\$11,313,728	\$11,974,239
Local Grant Funds Available (75%)	\$5,456,250	\$7,575,000	\$8,017,239	\$8,485,296	\$8,980,679
Est. Local Grants Funds Used	\$2,745,528	\$2,543,913	\$2,306,848	\$2,051,469	\$1,724,361
Difference	\$2,710,722	\$5,031,087	\$5,710,391	\$6,433,827	\$7,256,318

Use Grants

15% of the scrap tire tax revenue transferred to DEQ may be used for grants to encourage the use of processed scrap tire materials. There are not grant maximums or other restrictions on the use of this portion of the revenue in the legislation. Therefore, it is assumed that DEQ will use the entire amount available for this purpose each fiscal year. The following table shows the estimated amount available for use grants.

Use Grants					
	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
Estimated Revenue	\$7,275,000	\$10,100,000	\$10,689,652	\$11,313,728	\$11,974,239
Use Grants	\$1,091,250	\$1,515,000	\$1,603,448	\$1,697,059	\$1,796,136

Administrative Costs

\$175,000 of the scrap tire tax revenue transferred to DEQ may be used for administrative costs and to support a position for implementation of the requirements of the bill. It is assumed that DEQ will use the entire amount available for this purpose each year.

Cleanup

Remaining revenue in the account (after local grants, use grants, and administrative costs) can only be used to clean up illegal scrap tire collection sites that the Department determines are a nuisance. Currently, DEQ can use some of the funds appropriated to cleanup nuisance sites. The proposed legislation limits cleanup to illegal sites. It is not known how many illegal sites there are and what the estimated cleanup costs for those sites would be. The Department of Environmental Quality reports that cleanup at large sites generally costs around \$30,000 per site. The following chart shows the estimated amount available for cleanup for each year.

Distribution of Estimated Scrap Tire Tax Revenue					
	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
Estimated Revenue	\$7,275,000	\$10,100,000	\$10,689,652	\$11,313,728	\$11,974,239
Est. Local Grants Funds Used	\$2,745,528	\$2,543,913	\$2,306,848	\$2,051,469	\$1,724,361
Use Grants	\$1,091,250	\$1,515,000	\$1,603,448	\$1,697,059	\$1,796,136
Admin	\$175,000	\$175,000	\$175,000	\$175,000	\$175,000
Remaining for Cleanup	\$3,263,222	\$5,866,087	\$6,604,356	\$7,390,200	\$8,278,742

Transfer to Highway Fund

Under the proposed legislation, funds in the Scrap Tire Account in excess of \$300,000 at the end of each fiscal year will transfer to the Highway Fund. So any funds not used for local grants, use grants, administrative costs, or cleanup in excess of \$300,000 would transfer to the Highway Fund. Since it is not known how much of the funds available would be used for cleanup, only a range can be estimated for the transfer to the Highway Fund. If all of the funds are used for grants, administration, and cleanup, nothing would transfer to the Highway Fund. However, if at least \$300,001 is unspent, than an amount between \$1 and \$2,963,222 might be transferred. The following table provides the estimated maximum amount that may transfer to the Highway Fund in each year as a result of this bill.



Distribution of Estimated Scrap Tire Tax Revenue					
	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
Estimated Revenue	\$7,275,000	\$10,100,000	\$10,689,652	\$11,313,728	\$11,974,239
Use Grants (15%)	\$1,091,250	\$1,515,000	\$1,603,448	\$1,697,059	\$1,796,136
Admin	\$175,000	\$175,000	\$175,000	\$175,000	\$175,000
Est. Local Grants Funds Used	\$2,745,528	\$2,543,913	\$2,306,848	\$2,051,469	\$1,724,361
Remaining for Cleanup OR	\$3,263,222	\$5,866,087	\$6,604,356	\$7,390,200	\$8,278,742
Maximum Transferred to Highway Fund	\$2,963,222	\$5,566,087	\$6,304,356	\$7,090,200	\$7,978,742

TECHNICAL CONSIDERATIONS

The bill directs that any amount in the account over \$300,000 at the end of the fiscal year will be credited to the Highway Fund. Without additional language specifying otherwise, this transfer would occur regardless of whether funds were obligated or encumbered.

The base budget includes a recurring appropriation to the Scrap Tire Account from the General Fund of \$420,000. Without language to remove that appropriation, those funds would continue to be appropriated in addition to the transfers made from the Scrap Tire tax.

DATA SOURCES

The North Carolina Financial System, the North Carolina Department of Environmental Quality, the North Carolina Department of Revenue, Moody's Analytics, and the Consensus Revenue Forecast.

LEGISLATIVE FISCAL NOTE – PURPOSE AND LIMITATIONS

This document is an official fiscal analysis prepared pursuant to Chapter 120 of the General Statutes and rules adopted by the Senate and House of Representatives. The estimates in this analysis are based on the data, assumptions, and methodology described in the Fiscal Analysis section of this document. This document only addresses sections of the bill that have projected direct fiscal impacts on State or local governments and does not address sections that have no projected fiscal impacts.

CONTACT INFORMATION

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