

**NORTH CAROLINA GENERAL ASSEMBLY**

**LEGISLATIVE FISCAL NOTE**

**REVISED**

**BILL NUMBER:** House Bill 1583 (First Edition)

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

**SPONSOR(S):** Representative Gibson

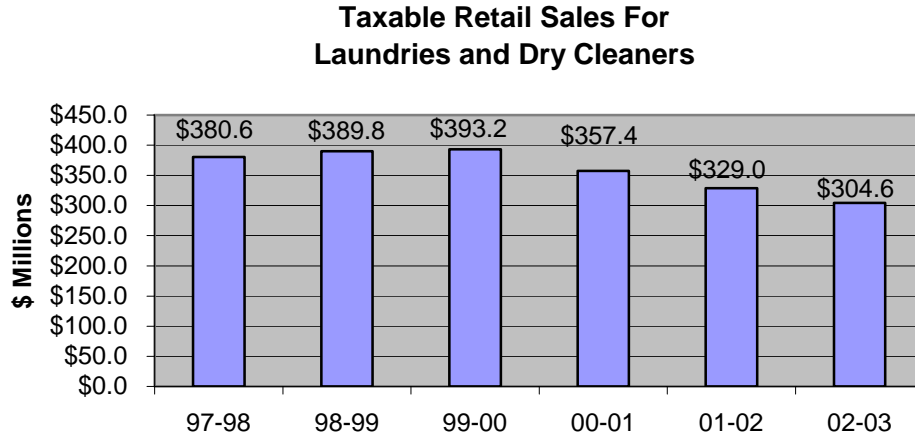
<b>FISCAL IMPACT</b>					
	<b>Yes ( )</b>	<b>No (X)</b>	<b>No Estimate Available ( )</b>		
	<b><u>FY 2004-05</u></b>	<b><u>FY 2005-06</u></b>	<b><u>FY 2006-07</u></b>	<b><u>FY 2007-08</u></b>	<b><u>FY 2008-09</u></b>
<b>REVENUES:</b>					
<b>EXPENDITURES:</b>					
<b>POSITIONS:</b>					
<b>PRINCIPAL DEPARTMENT(S) &amp; PROGRAM(S) AFFECTED:</b>	Department of Environment and Natural Resources, Division of Waste Management				
<b>EFFECTIVE DATE:</b>	July 1, 2004				

**BILL SUMMARY:** This proposal increases the annual cap on payments from the Dry-Cleaning Solvent Cleanup Fund for costs ("past costs") incurred in connection with dry-cleaning solvent assessment and remediation activities pursuant to a notice of violation or enforcement action during the period between October 1, 1997 and June 30, 2001. Current law provides that such payments shall not exceed 10% of revenues deposited to the fund in the previous fiscal year. This bill would raise the cap to 25% of the previous year's fund revenues.

**ASSUMPTIONS AND METHODOLOGY:** This bill has no fiscal impact since it does not impact the current funding streams for the Cleanup Fund; rather, the bill proposes changing how the monies within the fund may be spent. The following analysis explains how this bill would impact the amount of funding available to pay "past cost" claims.

**Dry-Cleaning Solvent Cleanup Fund Revenue Sources**

**Sales Tax:** Effective April 1, 2003, the Cleanup Fund receives 60% of the net State sales and use taxes collected on dry-cleaning and laundry services during the previous fiscal year. Taxable retail sales for laundries and dry cleaners increased nominally between FY 1997-98 and FY 1999-00 and have since declined.

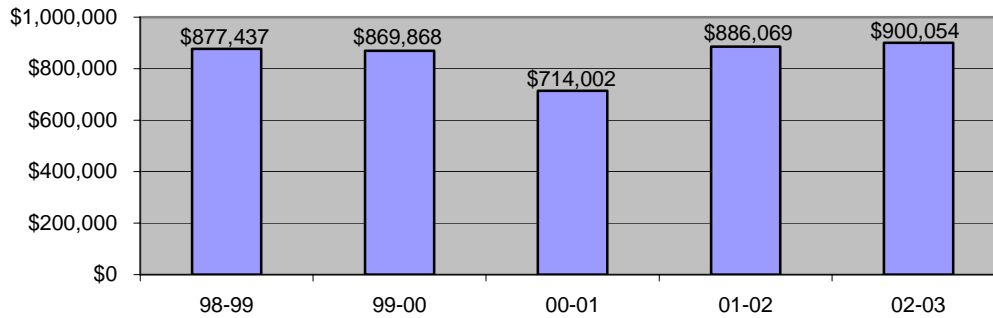


Taxable retail sales in the current fiscal year (FY 2003-04) are on pace to finish at \$300 million. This fiscal note assumes a no growth scenario for the next five years and annual taxable retail sales of \$300 million. Table A below summarizes the projected State sales tax collections on laundry and dry-cleaning services for FY 2002-03 through FY 2006-07.

<b>Table A: State Sales Tax Collections on Laundry and Dry-Cleaning Services (in millions)</b>			
<b>Fiscal Year</b>	<b>Taxable Sales</b>	<b>Sales Tax Rate</b>	<b>Sales Tax Collections</b>
02-03 (act.)	\$304.6	4.5%	<b>\$13.7</b>
03-04 (est.)	\$300.0	4.5%	<b>\$13.5</b>
04-05 (est.)	\$300.0	4.5%	<b>\$13.5</b>
05-06 (est.)	\$300.0	4.0%	<b>\$12.0</b>
06-07 (est.)	\$300.0	4.0%	<b>\$12.0</b>

**Privilege Tax on Dry-cleaning Solvents:** The Cleanup Fund also receives the taxes collected on dry-cleaning solvents. There is a tax of \$10 on each gallon of solvent purchased that is chlorine-based and \$1.35 on each gallon of solvent that is hydrocarbon-based. For the past five years, annual revenues have fluctuated around an average of \$850,000. This fiscal note assumes a no growth scenario and annual collections of \$850,000.

**Dry Cleaning Solvent Tax Collections**



**Other Revenue Sources:** G.S. 142-215.104C states the Cleanup Fund may also receive revenues from cost recovery, gifts and grants, and interest income earned on the cash balance. Due to the uncertain nature of these revenue sources, this fiscal note assumes that no revenues will be generated through these means.

Table B summarizes the projected annual revenues deposited into the Cleanup Fund.

Fiscal Year	Solvent Tax	Sales Tax	Total
03-04	0.85	\$8.2	<b>\$9.07</b>
04-05	0.85	\$8.1	<b>\$8.95</b>
05-06	0.85	\$8.1	<b>\$8.95</b>
06-07	0.85	\$7.2	<b>\$8.05</b>
07-08	0.85	\$7.2	<b>\$8.05</b>

**Funds Available to Reimburse Past Costs**

A total of \$2.6 million in eligible "past cost" claims were submitted to the Department of Environment and Natural Resources before the July 1, 2002 deadline. After excluding the \$50,000 per site deductible, total reimbursements due are \$1.9 million. The Cleanup Fund received revenues of \$1.07 million in FY 2002-03; therefore, under current law approximately \$107,000 in reimbursements are payable in FY 2003-04. Table B summarizes the amount of funds that would be available to pay pending claims in future years under the current 10% and proposed 25% caps.

Fiscal Year	Under 10% Cap	Under 25% Cap
04-05	\$907,420	\$2,268,550
05-06	\$895,000	\$2,237,500
06-07	\$895,000	\$2,237,500
07-08	\$805,000	\$2,012,500
08-09	\$805,000	\$2,012,500

Under the current 10% cap, it would take until FY 2005-06 to pay all "past cost" claims; under the 25% cap, all pending claims otherwise reimbursable under the Dry Cleaning Solvent Cleanup Act

would be paid in FY 2004-05. As of May 28, 2004, the Cleanup Fund had a cash balance of \$13.4 million.

**SOURCES OF DATA:** Department of Revenue; Department of Environment and Natural Resources; Dry-Cleaning Solvent Cleanup Act Program 2003 Annual Report

**FISCAL RESEARCH DIVISION: (919) 733-4910**

**PREPARED BY:** Jennifer Haygood

**APPROVED BY:** James D. Johnson, Director  
Fiscal Research Division



**DATE:** June 9, 2004

**Signed Copy Located in the NCGA Principal Clerk's Offices**