

Scrap Tire Advisory Group

Scrap Tire Fee Recommendations

December 30, 2008

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I. Scrap Tire Advisory Group

The Scrap Tire Advisory Group is made up of entities with an interest in the tire program. Participants include representatives of the tire industry, solid waste management districts, cement kilns, electric utilities, the Missouri Recycling Association (MORA), the Environmental Improvement and Energy Resources Authority (EIERA), and the general public. Various state agencies with an interest in scrap tire issues also participate, including: Department of Transportation, Department of Economic Development, Department of Conservation, State Fire Marshall's Office and Office of Administration.

The Department of Natural Resources meets periodically with the Group to obtain advice and feedback on implementation of the program.

The Group works to assist the department in:

- Evaluating the focus and accomplishments of the current Scrap Tire Program and making recommendations for legislative, rule or procedural changes to assist the department;
- Establishing eligibility requirements and application priorities for a Scrap Tire Grant Program (reviewed annually);
- Recommending future workgroup members to fill vacancies;
- Serving as the scoping group for all scrap tire rulemakings; and
- Inviting individuals from other areas of the tire industry as necessary to actively participate and provide other needed perspectives regarding specific topics.

The subject of recent meetings has been the future of scrap tire management and control in Missouri. With the tire fee sunset date of January 1, 2010, the Group's discussions have focused on an extension of the tire fee and future direction of the scrap tire program.

Members of the Scrap Tire Advisory Group included:

Name	Organization Represented	Business Sector
Angie Gehlert	Missouri Recycling Association	Public
Dean Smart	Midwest Environmental Consultants	Consultant
Denise Bennett	Macon County Economic Development Corp.	Local government
Jim Gerking	EnTire	Tire processor
David Coleman	Granuband	Tire processor
John Klick	Klick Trucking	Tire hauler
Les Gordon	AFS	Tire processor
Mike Sorcher	M.A. Associates	Tire derived fuel broker
Mike Tomasovic	AmerenUE	Electric utility
Norville Brown	Tire Shredders, Inc.	Tire processor
Roger Rash	MFR Tire	Tire hauler
Steve Brooks	Aquila	Electric utility
Abby Herl	Aquila	Electric utility
Gene Beck	Beck Tire	Tire processor/used sales

Name	Organization Represented	Business Sector
Mike Archer	Codyman Tire	Tire hauler
John Schnarre	Holcim	Cement kiln
Tim Mahoney	Welch Products	Iowa processor-playground material
Chris Smith	ABC Tire	Tire hauler/processor
Gary Champlin	Champlin Tire	Tire hauler
Mike Tucker	Tucker Tire Service	Tire hauler/retreader
Greg Carroll	Fire Marshall	State government
John Scott	MVE	State government
Kevin Wideman	MODOT	State government
Joe Schroer	MODOT	State government
Kristin Allan-Tipton	EIERA	Quasi-state government
Mark VanPatten	MDC	State government
Rob Didriksen	OA	State government
Tammy Snodgrass	SW District	Body corporate and politic
Dave Overfelt	MO Retailers	Lobbyist
Paul Lewis	AFS	Lobbyist
David Johnson	Codyman	Attorney
Ron Reiling	MO Tire Industry Assoc.	Exec. Director

II. Scrap Tire Advisory Group Recommendations

The Scrap Tire Advisory Group is recommending and supports an extension of the fee at its current rate. However, the Group recommends changes to language in the law related to the allocation percentages used for Scrap Tire Subaccount funds distribution. Specifically, the Group supports increasing flexibility to allow the department to adjust funds between expenditure categories to ensure needs are timely addressed. This flexibility would allow the department to increase the amount of funds used for operation of the program, adding staff to conduct more timely inspections of tire retailers and scrap tire transporters to ensure scrap tires are properly disposed of and are not illegally dumped. The Group recognized that the department will always need some funding to clean up tire sites that may be identified at a later date.

The Group also recognized a need to assist local governments, specifically cities and counties, to provide funding for the disposal of illegally dumped scrap tires, subject to funds availability, and have addressed this issue by recommending a change in the language to allow for reimbursement to these local governmental entities for the disposal of such illegally dumped scrap tires.

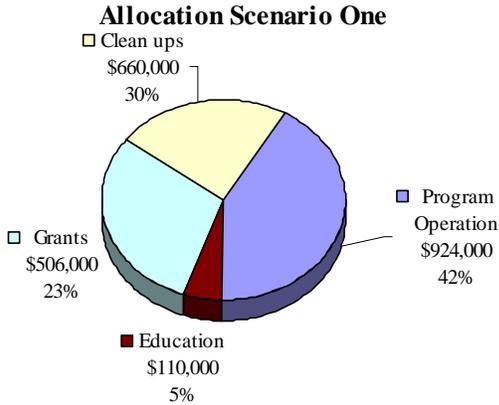
The Group supports legislation to implement these suggestions and is hopeful it will be introduced and acted upon during the 2009 legislative session. Below are three scenarios demonstrating how flexibility in the funding allocations as outlined in the Group's recommendations could be used by the department to meet the changing needs for inspections, grants, and cleanups.

As recommended by the Group, revenue from scrap tire fees may be allocated based upon the following percentages:

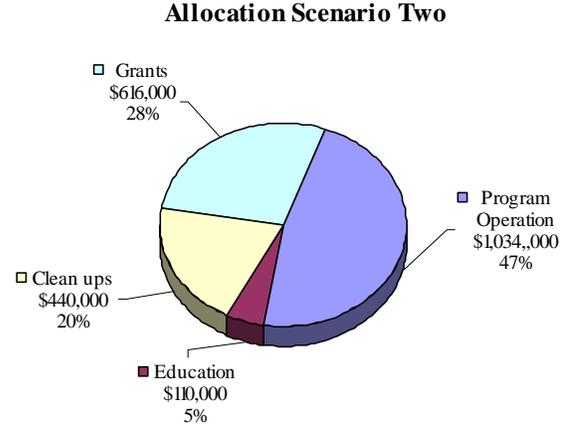
- Up to 50 percent- program operation costs;
- Up to 45 percent- grants;
- Up to 5 percent- educational programs and curriculum regarding solid waste management; and
- All remaining moneys shall be allocated for cleaning up scrap tires.

III. Proposed Scrap Tire Subaccount Allocation Scenarios

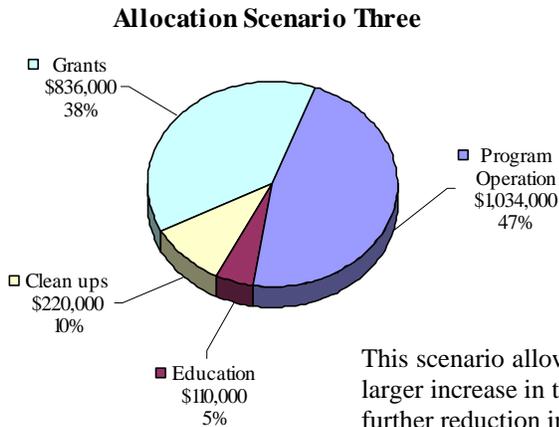
Below are three funding allocation scenarios demonstrating the ability to shift funding to address program needs as they arise. The scenarios are based upon receiving \$2,200,000 (i.e., a revenue amount approximately that received in SFY 2008 rounded to the nearest \$100,000). While cleaning up scrap tires will remain the focus of the program, we anticipate by increasing inspection staff and assisting the development of end-user markets through grants the number of illegally dumped tires will continue to decrease.



This scenario allows for two additional inspection staff to be hired, an increase in the number and types of grants to be awarded, and a reduction in the amount set aside for cleanups.



This scenario allows for three additional inspection staff to be hired, for a larger increase in the number of grants to be awarded and a further reduction in the amount set aside for cleanups.



This scenario allows for three additional inspection staff, a larger increase in the number of grants to be awarded and a further reduction in the amount set aside for cleanups.

IV. Future Activities

The United States Environmental Protection Agency estimates one tire per person is generated each year. Based on Missouri's population, approximately 5.5 million tires are generated in the state every year.

Information contained in the Department's 2009 Legislative Report regarding its scrap tire activities demonstrates the progress made in cleaning up scrap tire dumps in Missouri. Even though the majority of known illegal tire dumps have been cleaned up, it is our experience that some scrap tires will continue to be dumped and previously unknown tire dump sites will continue to be found. As evidenced in our state when the tire program previously lapsed and experiences of other states that have allowed their tire programs to lapse, tire dumps will come back and progress made is soon lost. We need to remain vigilant, maintain a consistent and timely inspection and enforcement presence, and have an adequate source of funds available to clean up these newly found or created tire dumps.

One of the primary uses of scrap tires has been as tire derived fuel. With recent changes to regulatory requirements for air emission controls at power plants, the use of tire derived fuel material is declining. During the first half of 2008, increased oil prices saw a corresponding increase in the cost of asphalt for roadways creating an interest in using rubber modified asphalt for highway construction projects. With the recent downturn in the economy and return of oil prices to 2007 levels, the momentum to produce a rubber modified asphalt to compete directly with petroleum-based asphalt is expected to dwindle, as historically the rubber modified product has had a higher cost. Other markets using crumb rubber remain small. Further research and development of viable and sustainable uses for scrap tire material is needed to transition these materials to an established and readily marketable commodity. We must ensure scrap tire materials become a commonly used business feedstock to prevent the illegal dumping of scrap tires into the environment, use of limited landfill space, and the unnecessary use of virgin materials.