



**THE INTER-DISTRICT  
WASTE TIRE  
MANAGEMENT PROGRAM**  
REGIONALRECYCLING.ORG

**2019**

**Pulaski Inter-District Tire Program Cost Analysis**

1. The Pulaski Inter-District Waste Tire Management Program (District) covers nine counties: Clark, Faulkner, Garland, Hot Spring, Lonoke, Monroe, Prairie, Pulaski, and Saline.
2. The District processed 888,333 tires in calendar year 2019, 9,173 of which were classified as "fee paid," leaving 879,160 tires processed, for which the District was reimbursed by DEQ.
3. DEQ's reimbursement to the District totaled \$1,837,444, or \$2.09 per tire.
4. The District paid Davis Rubber Co. (Davis) hauling and processing costs totaling \$1,754,757.
5. In addition, the District incurred other administration expenses of \$17,805 for equipment maintenance, financial service charges, research and development of the state-mandated annual and revised business plans, and \$178,997, which was the pro-rata share of Pulaski County Regional Solid Waste Management District's (PCRSWMD) annual operating expenses, as follows:
  - a. Accounting, Audit, and Legal \$4,157
  - b. Auto, Transportation Reimbursement, and Travel, \$5,512
  - c. Computer Network, Equipment, Furnishings, Postage, and Office Supplies, \$6,330
  - d. Liability Insurance, \$5,793
  - e. Printing and Copying, \$1,612
  - f. Waste Tire Coordinator (WTC) and IDCO Contract Services, \$110,225
  - g. Promotion and Advertising, \$12,709
  - h. Office Rent, \$8,225
  - i. Salaries and Benefits (not including WTC and IDCO contract services), \$20,993
  - j. Seminars and Dues, \$1,036
  - k. Telephone and Miscellaneous, \$2,405
6. These expenses of \$196,802 listed above (\$17,805+\$178,997), plus the hauling and processing costs paid to Davis of \$1,754,757, totaled \$1,951,558.
7. In addition to DEQ reimbursements, the District earned other income from trailer leases, fees paid to Davis at their gate, bank interest, advances from the PCRSWMD, and a DEQ supplemental payment for IDCO expenses, totaling \$108,450, bringing the District's total income to \$1,945,894.
8. To reiterate, the District's total cost of operating the nine-county district in calendar year 2019, achieving the objectives and mandates of Act 317 of 2017, and Regulation 36, totaled \$1,951,558.
9. However, DEQ reimbursements plus additional income earned by the District in 2019 resulted in a program 2019 calendar-year operating deficit of \$5,664.

<i>DEQ Reimbursement</i>	<i>\$1,837,444</i>
<i>District Earned Income</i>	<i><u>+108,450</u></i>
<i>District Total Income</i>	<i>\$1,945,894</i>
<i>District Total Expenses</i>	<i>\$1,951,558</i>
<i>District Operating Deficit</i>	<i>(\$5,664)</i>



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**Arkansas Senate and Arkansas House of Representatives  
City, County, and Local Affairs Joint Interim Committee  
Discussion of Policy and Funding  
Concerning Public Waste Tire Collection Centers**

**1. Policy and Funding for Public Clean-Ups**

Regulation 36 allows the Board of tire districts to establish one community clean-up event per year. Any additional clean-up events within the same year, must be pre-approved by the director of the tire district. The Pulaski Inter-District Waste Tire Management Program (District) requires all requests for clean-ups in the nine-county Inter-District management area to be in writing, prior to the clean-up being planned and scheduled. Each request is forwarded to DEQ for approval. Once approval is received from DEQ, the District provides a tire hauling trailer and delivers the trailer to the clean-up site. The District's contract waste-tire hauler and processor, Davis Rubber Co. (Davis) delivers and picks up the trailer for transport to the Davis processing facility, where a minimum of 90% of all tires processed are recycled. The actual number of tires processed are entered on the DEQ-mandated manifest and are made part of the District report to DEQ for hauling and processing costs reimbursed to the District, based on the DEQ-approved per-tire rate.

**2. Illegal Tire Dumps**

Illegal tire dumps are reported by the public or landowners to law enforcement, municipal or county public works departments, DEQ and the District. When the District is notified that waste tires have been illegally dumped on a property, the IDCO investigates, and the property owner is advised that a police or sheriff's report must be completed in order to dispose of the tires. Once the law enforcement report has been made and received by the District, a request is made by the District to DEQ for an illegal dump clean-up, and subsequent reimbursement by DEQ for the cost of processing the dumped tires. If approved by DEQ, property owners are then advised that the District covers only the cost of tire processing, not the cost of loading and hauling the tires to Davis. Loading and hauling of dumped tires are the property owner's responsibility. The property owner may either transport the tires to Davis, or contract with a private, permitted hauler, or Davis, to have the tires loaded and hauled to the Davis processing facility, at the property owner's expense. The law enforcement report must accompany the delivered or hauled tires in order to be processed. The actual number of tires processed are entered on the DEQ-mandated manifest and are made part of the District report to DEQ for hauling and processing costs reimbursed to the District, based on the DEQ-approved per-tire rate.

### 3. Tire Trailers and Business Plan Vs. Actual Cost

*(NOTE: There are over 450 retail tire dealers in the nine-county Inter-District. Of those 450, the vast majority incur the cost of transporting their waste tires to Davis for processing.)*

#### **Trailer Inventory and Operation**

The District owns 45 waste-tire transport trailers. (In 2019, the District collected \$150 per month per trailer from tire retailers and was responsible for maintenance and repair. The policy, income and maintenance costs to the District were discontinued in 2020. [See *Change in Policy, below*]). In addition to the District-owned trailers, Davis owns 35 trailers, totaling 80 trailers used throughout the nine-county area for District-related tire hauling.

#### **Change in Policy**

Due to the 10% reduction in DEQ reimbursements to the District, the District reduced Davis's reimbursement for actual tires processed by 10%. (The contract with Davis states the District can only pay Davis for costs, if the District is reimbursed by DEQ for those costs.) The per-tire reimbursement rate was reduced from the previously approved DEQ rate included in the District Business Plan of \$2.09 per tire, to \$1.88 per tire, reflecting the 10% cut in DEQ reimbursements. (Davis's revenue based on the number of tires processed in 2019, will be reduced by approximately \$175,475.)

To further reduce District expenses, public collection centers in the nine-county District were reduced from 26 to 9, or one public tire collection center per county, mandated by law. However, the District will reimburse Davis for the cost of hauling waste tires from the public collection centers based on the new \$1.88 per-tire rate.

To allow Davis the opportunity to recoup as much of the 10% reduction in reimbursements as possible, the District discontinued the \$150 per month trailer lease fee charged to tire retailers, gave Davis full access to the 45 District-owned trailers, and encouraged retailers and Davis to negotiate a transport rate charged by Davis directly to tire retailers for hauling waste tires to the Davis processing facility in Little Rock. This policy will allow the marketplace to govern the cost of transporting waste tires for processing and recycling. If the volume of tires and number of retail collection locations previously serviced by the District through Davis continue in 2020, as in 2019, the potential revenue available to Davis, based on 2019 transport rates, could total as much as \$178,768.\*

#### **District Costs**

Of the 888,333 tires processed by Davis in 2019, roughly 70% or 621,833 were self-transported and delivered to Davis's gate; 30% or 266,500 were transported to Davis using District- and Davis-owned trailers. Of the 30% transported, roughly 78% or 207,870 came from private retail collection centers, while 22% or 58,630 came from public collection centers. The total cost to the District of all tires transported by Davis in 2019 was \$230,400, or 86¢ per tire (with processing cost to the District at \$1.23 per tire).

The District will continue to pay Davis for tires from public collection centers. If the volume of tires collected at public collection centers continues in 2020, as in 2019, District transport and processing costs at the new per-tire rate of \$1.88 could be \$110,224, instead of \$122,536 (an annual loss of \$12,312).\*

*\*Davis potential marketplace revenue and District transport costs from public collection centers will be subject to whether or not private retailers begin taking their waste tires to public collection centers, allowed by law, rather than contracting with Davis to have them transported. Those private retailers who choose to take their tires to public collection centers will effectively reduce potential Davis revenue and increase actual District costs.*

### **District Revenue**

The 2020 estimate for tires processed by Davis is projected to roughly equal the 2019 total of 888,333. Based on the new, reduced per-tire rate of \$1.88, the number of tires processed (888,333, less fee-paid tires of 9,173, for which the District is not reimbursed, leaving 879,160 reimbursable tires processed), the DEQ reimbursement to the District would total \$1,652,820. This projected 2020 reimbursement amount would be \$184,624 less than in 2019.

### **Cost and Revenue Difference**

In 2020, transport costs borne by the District will be reduced, saving the District \$178,768, in addition to savings from trailer maintenance and Business Plan costs of \$12,805. However, the additional revenue of \$108,450 previously earned by the District has been eliminated. And total administrative expenses of \$178,997 (see *Cost Analysis on p. 1*) required to achieve the objectives and mandates of Act 317 of 2017 and Regulation 36 will continue, producing a deficit of \$108,186.

<i>DEQ Reimbursement</i>	<i>\$1,652,820</i>
<i>District Earned Income</i>	<i>0</i>
<i>District Savings</i>	<i><u>+191,573</u></i>
<i>District Total Income/Savings</i>	<i>\$1,844,393</i>
<i>District Processing Expense</i>	<i>\$ 1,652,820</i>
<i>District Earned Income Loss</i>	<i>\$ 108,450</i>
<i>District Public Transport Loss</i>	<i>12,312</i>
<i>District Administrative Expense</i>	<i><u>178,997</u></i>
<i>District Total Expense/Loss</i>	<i>\$1,952,579</i>
<i>District Operating Deficit</i>	<i>(\$108,186)</i>

#### **4. Extra-Large Tires**

As clearly stated in Regulation 36 Definitions, **“Extra-large tire” means a tire that due to its size or construction is more difficult to process for recycling or disposal than a large tire and costs substantially more to process than a large tire.** We would add, XL tires are more difficult to load and are expensive to haul, also due to their size, weight, and construction. XL tires are usually related to the agriculture, timber, mining, or heavy-construction industries (road, highway, and earth-moving).

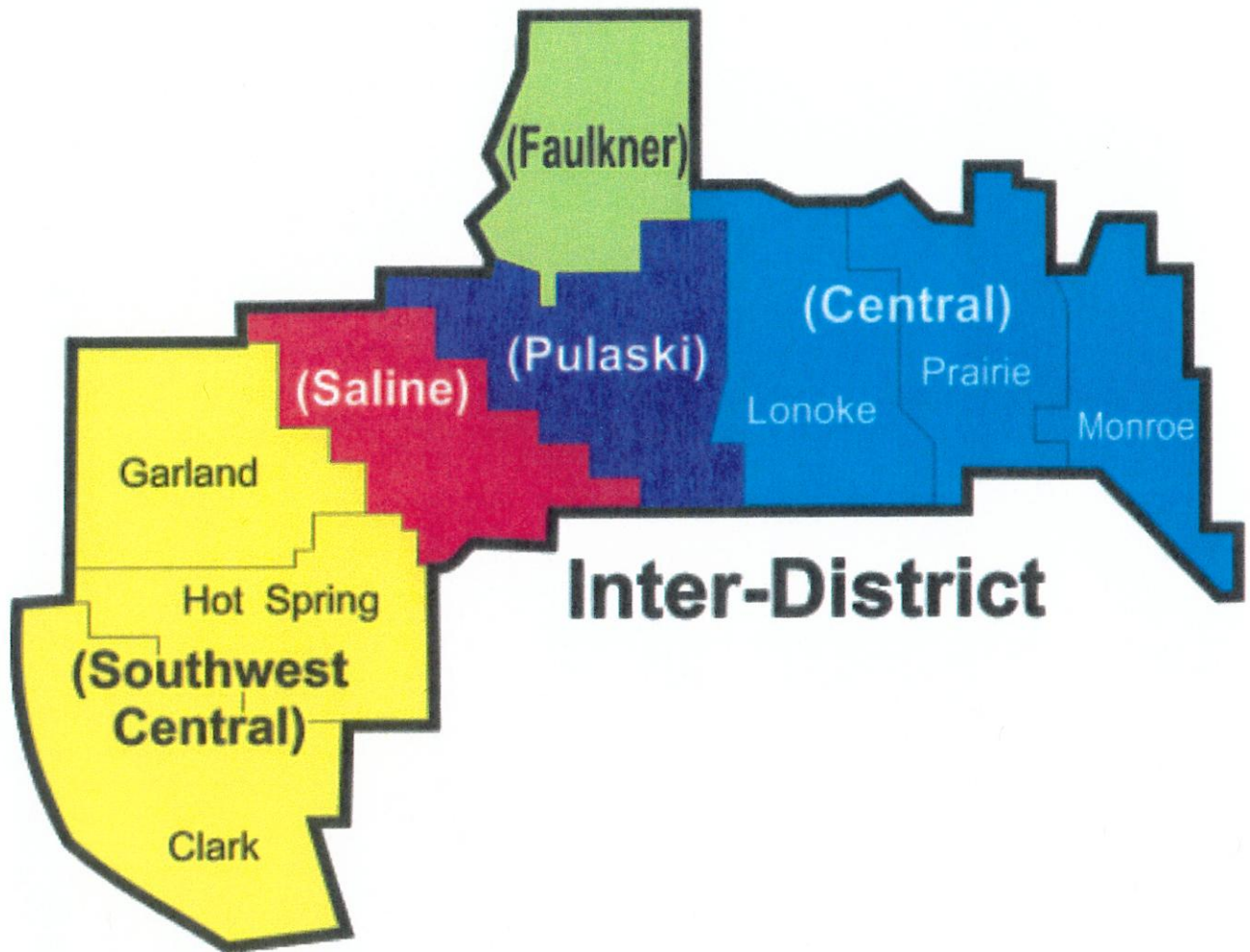
Because the volume of stockpiled XL tires in the state is generally unknown, is many times seasonal, and XL tires are delivered to tire collection centers in a manner that is disorganized and haphazard, depending on when the owner or possessor of the tires decide to deliver them, it is difficult to plan and budget for XL tires in the normal monthly stream of waste tires managed by a tire district.

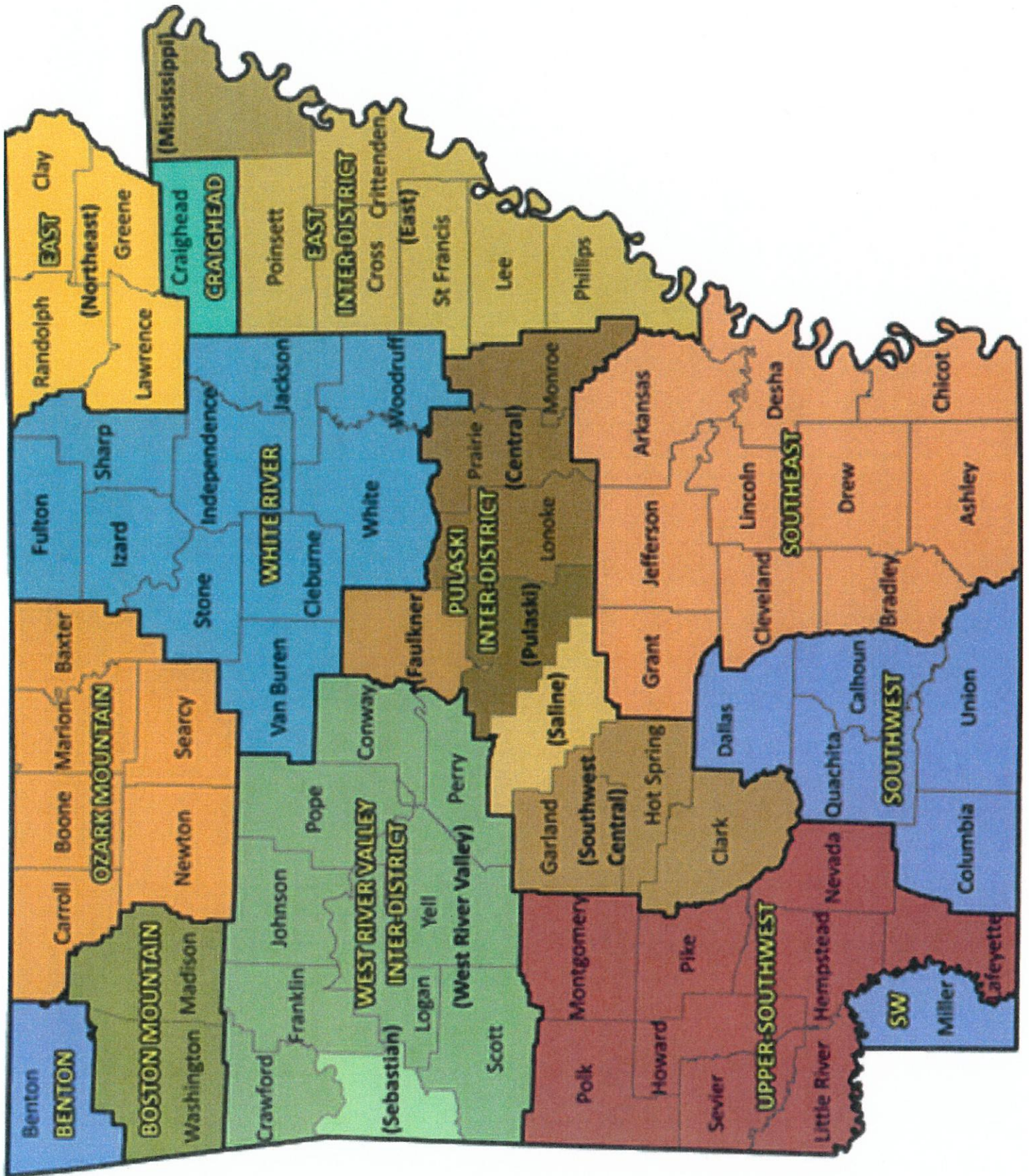
In 2019, the District incurred hauling and processing costs for XL tires totaling \$162,395. This includes XL tires that range in processing cost from \$8.28 for a Bobcat, to \$40.66 for a large farm tractor, including hauling. Some XL tires can cost well over \$100 to process. (The current per-tire reimbursement rate for the Pulaski Inter-District is \$1.88. The rim removal fee, designed to fund the overall tire program, regardless of size or weight or construction of the tire, is \$3 for tires being replaced by new tires, and \$1 for tires being replaced by functional used tires.)

XL tires are a special class of tires the location of which are geographically dispersed based on the primary economy in specific regions of the state – agriculture in east and southeast, timber in west central and south, mining in north central, and so on. In order to more efficiently manage the concentration of XL tires based on use and season, the Pulaski Inter-District has recommended a statewide XL tire program that would be funded separately by DEQ, and operated by a single entity, including turn-key operations from private vendors for loading, transporting and processing. The proposed program would cost approximately \$635,000 per year and can be phased depending on geographic location and seasonal volume of the XL tires.

The 2019 Regular Session of the Arkansas General Assembly, recognizing the need to segregate XL tires and manage them differently than the current Tire Accountability Program operated by DEQ, passed and the Governor signed legislation transferring \$300,000 in surplus funds from the Marketing Recyclables Program Fund to the Used Tire Recycling Fund (HB 1362). Legislative intent was to allow the newly funded program to accept bids for the collection, hauling, and processing of extra-large tires. In addition, the impetus for the 10% across-the-board cut in statewide tire district reimbursements, was designed to put more revenue from the rim removal fee into an XL tire program, along with additional funds for waste tire abatement/clean-ups.

Having a separate XL tire program would alleviate some of the cost pressure currently on the tire districts to manage XL tires in conjunction with regular passenger and truck tires, which make up a majority of the overall program. A statewide XL tire program, funded separately, could also allow tire districts to reconsider and reduce where possible, their current per-tire reimbursement rates, based on revised Business Plans.







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