

**HF2267 - 0 - "Carpet Product Stewardship Program"**

Chief Author: **Rick Hansen**  
 Committee: **Environment & Natural Resources Finance Division**  
 Date Completed: **03/21/2019**  
 Agency: **Pollution Control Agency**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings	X	
Tax Revenue		X
Information Technology	X	
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2019	FY2020	FY2021	FY2022	FY2023
Environmental	-	-	121	121	61	
<b>Total</b>	-	-	<b>121</b>	<b>121</b>	<b>61</b>	
<b>Biennial Total</b>			<b>121</b>		<b>182</b>	

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2019	FY2020	FY2021	FY2022	FY2023
Environmental	-	-	1	1	.5
<b>Total</b>	-	-	<b>1</b>	<b>1</b>	<b>.5</b>

**Executive Budget Officer's Comment**

I have reviewed this fiscal note for reasonableness of content and consistency with MMB's Fiscal Note policies.

EBO Signature: Sean Fahnhorst      Date: 3/21/2019 3:22:37 PM  
 Phone: 651 259-3802      Email: sean.fahnhorst@state.mn.us

**State Cost (Savings) Calculation Details**

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

\*Transfers In/Out and Absorbed Costs are only displayed when reported.

<b>State Cost (Savings) = 1-2</b>		<b>Biennium</b>			<b>Biennium</b>	
Dollars in Thousands		FY2019	FY2020	FY2021	FY2022	FY2023
Environmental	-	-	-	121	121	61
<b>Total</b>		-	-	<b>121</b>	<b>121</b>	<b>61</b>
<b>Biennial Total</b>					<b>121</b>	<b>182</b>
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>						
Environmental	-	-	-	121	121	61
<b>Total</b>		-	-	<b>121</b>	<b>121</b>	<b>61</b>
<b>Biennial Total</b>					<b>121</b>	<b>182</b>
<b>2 - Revenues, Transfers In*</b>						
Environmental	-	-	-	-	-	-
<b>Total</b>		-	-	-	-	-
<b>Biennial Total</b>					-	-

**Bill Description**

A bill provides definitions and creates a carpet stewardship program. For all carpet sold in the state, producers must, individually or through a stewardship organization, implement and finance a statewide product stewardship program that manages carpet by reducing carpet's waste generation, promoting its reuse and recycling, and providing for negotiation and execution of agreements to collect, transport, and process carpet for end-of-life recycling and reuse.

Beginning July 1, 2021, no producer, wholesaler, or retailer may sell carpet or offer carpet for sale in the state unless the carpet's producer participates in an approved stewardship plan. On or before March 1, 2021, and before offering carpet for sale in the state, a producer must submit a stewardship plan to the agency and receive approval of the plan or must submit documentation to the agency that demonstrates the producer has entered into an agreement with a stewardship organization. The plan must be updated every three years and approved by MPCA. Plan content requirements are itemized in the bill. Stakeholder consultation is required.

A stewardship assessment must be proposed and reviewed by an independent auditor to ensure that the assessment does not exceed the cost of the program. The assessment must be added to the carpet cost.

Retailers cannot sell carpet unless the producer is participating in the program. Annual reports must be submitted to the agency. The agency must provide, on its website, a list of all compliant and noncompliant producers and brands participating in the program. A city, county, or other public agency may choose to participate voluntarily in a carpet product stewardship program, and are encouraged to provide assistance, education, and outreach.

A city, county, or other public agency that participates in the program must report for the first year of the program to the agency on the cost savings as a result of participation and describe how the savings were used.

The stewardship organization or individual producer submitting a stewardship plan must pay the agency an annual administrative fee. The agency must set the fee at an amount that is adequate to cover the agency's full costs of administering and enforcing this section. The agency may establish a variable fee based on relevant factors. The total amount of annual fees collected under this subdivision must not exceed the amount necessary to cover costs incurred by the agency.

A stewardship organization or individual producer subject to this subdivision must pay the agency's administrative fee on or before July 1, 2021, and annually thereafter, and the agency's onetime development fee on or before July 1 the year after submitting a stewardship plan. Each year after the initial payment, the annual administrative fee may not exceed five percent of the aggregate stewardship assessment collected for the preceding calendar year. The agency must deposit the fees collected under this section into a product stewardship account.

**Assumptions**

MPCA program staff time is needed for program development, technical assistance, compliance assessment, and potential enforcement for this program. For the first two years, more time for development will be needed than in subsequent years.

MPCA will need MN.IT or internal IT staff to develop/enhance its existing computer system to accommodate the reporting, tracking, data and submittal storage, website, and invoicing requirements in the bill. 0.25 FTE for each of the first two years is needed.

This bill provides for an annual administrative fee that covers the agency's costs. Therefore, the agency assumes it will assess a fee that equals the FTE costs to administer the program.

**Expenditure and/or Revenue Formula**

MPCA program staff: 0.75 FTE in each FY21 and FY22.  $\$121,000/\text{FTE} \times 0.75 = \$90,750$

MPCA program staff: 0.5 FTE in FY23.  $\$121,000/\text{FTE} \times 0.5 = \$60,500$

MN/IT or MPCA internal IT: 0.25 FTE staff time in each FY21 and FY22.  $\$121,000/\text{FTE} \times 0.25 \text{ FTE} = \$30,250$

**Long-Term Fiscal Considerations**

N/A

**Local Fiscal Impact**

A city, county, or other public agency may choose to participate voluntarily in a carpet product stewardship program, and are encouraged to provide assistance, education, and outreach. A city, county, or other public agency that participates in the program must report for the first year of the program to the agency on the cost savings as a result of participation and describe how the savings were used.

**References/Sources**

N/A

**Agency Contact:** Katie Smith 651-757-2499

**Agency Fiscal Note Coordinator Signature:** John Allen

**Phone:** 651 757-2185

**Date:** 3/20/2019 4:22:47 PM

**Email:** John.J.Allen@state.mn.us