



SENATE BILL 706: County Waste Management/Nonbetterment Costs.

2025-2026 General Assembly

Committee:

Introduced by: Sens. Craven, Rabon, Lee

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OVERVIEW: *Senate Bill 706 would do the following:*

- *Re-establish the Scrap Tire Disposal Account (Account) and modify the distribution of proceeds of the scrap tire disposal tax to: (i) allocate 30% to the Account, (ii) eliminate that amount currently allocated from the tax to the General Fund; and (iii) provide that if the amount in the Account exceeds \$300,000 at the end of any fiscal year, the excess would be credited to the Highway Fund.*
- *Require the Department of Transportation to pay the nonbetterment cost for the relocation of certain water and sewer lines for municipalities with a population of 20,000 or less.*

CURRENT LAW AND BILL ANALYSIS

Section 1: County Waste Management Assistance

Article 5B of Chapter 105 of the General Statutes imposes a tax on the sale of new tires at a percentage rate of the sales price based on the bead diameter of the tire, known as the scrap tire disposal tax. For tires with a bead diameter that is equal to or greater than 20 inches, the rate is 1%; for tires with a bead diameter that is less than 20 inches, the rate is 2%. This tax is in addition to the State and local sales and use tax. The tax does not apply to bicycle tires, recapped tires, or tires sold for placement on newly manufactured vehicles. 30% of the tax proceeds are distributed to the General Fund, and the remaining 70% of the proceeds are distributed among the counties on a per capita basis to be used only for the disposal of scrap tires or the abatement of nuisance tire sites within their jurisdiction.

G.S. 130A-309.09C provides that any unit of local government that fails to comply with certain solid waste reduction and management requirements may not receive the proceeds it is otherwise entitled to under the scrap tire disposal tax or the white goods disposal tax.¹ Funds withheld from a local government under this provision are credited to the General Fund.

Up until 2013, the proceeds of the scrap tire disposal tax were allocated in the following manner:

- 30% were distributed as follows:
 - 8% to the Solid Waste Management Trust Fund.
 - 17% to the Scrap Tire Disposal Account.
 - 2.5% to the Inactive Hazardous Sites Cleanup Fund.
 - 2.5% to the Bernard Allen Memorial Emergency Drinking Water Fund.
- The remaining 70% were distributed among the counties on a per capita basis according to the most recent annual population estimates.

¹ The white goods disposal tax is imposed under Article 5C of Chapter 105 of the General Statutes.

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In 2013, however, the 30% allocation to the four funds/accounts listed above was eliminated, and that portion of the revenue was redirected to the General Fund.

Also, in 2013, the Account was repealed. The Department of Environmental Quality (Department) had been authorized to use the portion of the tax credited to the Account as follows:

- Up to 25% of the revenue to make grants to units of local government to assist them in disposing of scrap tires.
- The remaining 75% of the revenue to clean up scrap tire collection sites that the Department had determined were a nuisance. The Department was authorized to use funds in the account to clean up a nuisance tire collection site only if no other funds were available for that purpose.

Section 1 of Senate Bill 706 would re-establish the Account and modify the distribution of proceeds of the scrap tire disposal tax to: (i) allocate 30% to the Account, (ii) eliminate that amount currently allocated from the tax to the General Fund; and (iii) provide that if the amount in the Account exceeds \$300,000 at the end of any fiscal year, the excess would be credited to the Highway Fund.

The Department would be able to use funds in the Account as follows:

- 75% of the revenue for grants to units of local government to assist them in disposing of scrap tires.
- 15% of the revenue for grants to encourage the use of processed scrap tire materials. These grants may be made to encourage the use of tire-derived fuel, crumb rubber, carbon black, or other components of tires for use in products such as fuel, tires, mats, auto parts, gaskets, flooring material, or other applications of processed tire materials.
- Up to \$175,000 for administrative costs and to support a position in the Department to implement the requirements of the scrap tire program.
- The remaining revenue to clean up illegal scrap tire collection sites that the Department has determined are a nuisance. The Department would be authorized to use funds in the account to clean up a nuisance tire collection site only if no other funds are available for that purpose.

Section 1 would also provide that tax proceeds withheld under G.S. 130A-309.09C are to be credited to the Highway Fund instead of the General Fund. Lastly, the section would make technical changes to the Scrap Tire Disposal Act.

Section 2: Exemption from Nonbetterment Costs for Certain Municipalities

Current law provides that the Department of Transportation pays the nonbetterment cost for the relocation of water and sewer lines, located within the existing State transportation project right-of-way, that are necessary to be relocated for a State transportation improvement project and that are owned by any of the following:

- A municipality with a population of 10,000 or less according to the latest decennial census.
- A nonprofit water or sewer association or corporation.
- Any water or sewer system organized pursuant to Chapter 162A of the General Statutes.
- A rural water system operated by a County as an enterprise system.
- Any sanitary district organized pursuant to Part 2 of Article 2 of Chapter 130A of the General Statutes.

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- A municipality with a population of greater than 10,000 when the system was constructed by water or sewer system organized pursuant to Chapter 162A of the General Statutes and then sold or transferred to that municipality
- A local board of education.
- A private water or sewer utility organized pursuant to Chapter 62 of the General Statutes serving 10,000 or fewer customers.

Municipalities with a population greater than 10,000 pay a percentage of the nonbetterment costs for the relocation of water and sewer lines owned by the municipality as follows:

- A municipality with a population greater than 10,000, but less than 50,000, pay 25% of the cost.
- A municipality with a population of 50,000 or greater, but less than 100,000, pay 50% of the cost.
- A municipality with a population of 100,000 or greater pay 100% of the cost.

Section 2 would increase the population cap related to these entities from 10,000 to 20,000, thus providing that municipalities with a population of 20,000 or less would not have to pay a percentage share of the nonbetterment costs.

EFFECTIVE DATE: Section 1 of this act would become effective October 1, 2025, and apply to quarterly crediting of the proceeds of the scrap tire disposal tax occurring on or after that date. Section 2 of this act would be effective retroactive to January 1, 2025, and apply to: (i) nonbetterment costs arising after that date; and (ii) nonbetterment costs arising before that date, but unpaid by a municipality on that date. The remainder of this act would be effective when it becomes law.

Jennifer McGinnis and Chris Saunders, Staff Attorneys in the Legislative Analysis Division, substantially contributed to this summary.