

REPORT HIGHLIGHTS



WASTE TIRE PROCESSOR AND END USER PROGRAM PERFORMANCE AUDIT, JUNE 2014

DEPARTMENT OF PUBLIC HEALTH
AND ENVIRONMENT

CONCERN

The Department needs to establish goals and strategies related to the Program's purpose, better align the reimbursement rate to the Program's goals, and strengthen controls over reimbursement payments.

KEY FACTS AND FINDINGS

- Despite an increase in waste tire recycling in recent years, Colorado does not consistently recycle all the new waste tires it generates each year. Additionally, the current recycling rate is not sufficient to eliminate the 61 million waste tires in waste tire storage facilities by 2024 when statute requires these facilities in the state to close. The Department lacks strategies, goals, and performance measures related to establishing a self-sustaining waste tire market that consumes all newly-generated and stockpiled waste tires in the state.
- In Fiscal Years 2012 and 2013 the reimbursement rates were highly variable and even though the Program paid more in reimbursements in Fiscal Year 2013, the amount of waste tires processed and end used under the Program did not increase significantly. Additionally, the reimbursement rates did not appear to align with the statutory intent to pay only a reimbursement of Program participants' costs.
- Providing reimbursements for tire bales does not appear to fall within the intent of the Program because tire bales are generally not a permanent use for waste tires and a reimbursement might not be necessary for them to be economically feasible.
- The Department lacks written documentation of its eligibility determination, application processing, and site visit practices. Additionally, its site visit practices could be strengthened through a risk-based approach.

BACKGROUND

- Colorado consumers annually generate approximately 5 million waste tires and the state has about 61 million waste tires in storage.
- The Program provides reimbursement to entities that process and/or use waste tire products to encourage recycling of waste tires and decrease waste tires in storage.
- The Program provided approximately \$4.8 million in reimbursements in Fiscal Year 2013 to companies and individuals that recycled waste tires or used tire-derived products.
- House Bill 14-1352 made significant changes to the structure and administration of the Program and will repeal the Program on January 1, 2018.

KEY RECOMMENDATIONS

The Department should:

- Develop performance measures and implement strategies to achieve the Program purpose within statutory timelines.
- Align the reimbursement rate with the Program's goals, statutes, and rules.
- Eliminate the reimbursement for tire bales unless part of a permanent, engineered design.
- Strengthen eligibility controls by documenting current practices through written policies and procedures and implementing a risk-based approach to scheduling site visits.
- Conduct periodic reviews to ensure all new tire retailers are remitting the waste tire fee.

The Department agreed with these recommendations.

FINANCIAL BENEFITS

Eliminating reimbursements for tire bales could save the Program approximately \$194,000 each year.

the bill's sponsors, the intent of this change is to move waste tire recycling in the state to self-sustaining system that can beneficially use the state's waste tires without a reimbursement from the State. Further, House Bill 14-1352 also requires the Department to close the state's waste tire monofills by 2024. Therefore, the Department has about 3.5 years to help create a self-sustaining market for waste tire recycling that can consume all the newly generated waste tires each year and about 10 years to eliminate all the existing waste tires stockpiled in the state's monofills.

What are the costs to the taxpayer for this program/service?

The Department expended about \$4.9 million on the Program in Fiscal Year 2013, which includes about \$4.8 million in reimbursement payments and \$100,000 in administrative costs.

How does the Department measure the performance of this program/service?

The Department's Fiscal Year 2014 Strategic Plan does not contain any goals or performance measures related to the Program. However, the Department's 2012 Waste Tire Annual Report, which was the most recent report available at the time we completed our audit work, provided to the Transportation Legislation Review Committee in July 2013, indicates that an outcome goal for the Program is that 100 percent of newly-generated waste tires in Colorado will be recycled each year. Further, Department staff indicated that a long-term goal for the Program is to create a sustainable market for waste tire recycling in the state to consume all newly generated waste tires each year and eliminate the state's stockpile of 61 million waste tires; however, as discussed in Recommendation No. 1 this goal has not been formally established in writing and the Department has not developed strategies to meet this goal or performance measures to track its performance.

Is the Department's approach to performance measurement for this program/service meaningful?

risk-based approach to conducting site visits and monitoring Program participants to ensure it receives accurate information.

Is this program/service effective in achieving legislative intent and the Department's goals?

As discussed in Chapter 2, we found that the Department can improve its efforts to achieve the legislative intent of the Program. In Calendar Year 2013, about 4.6 million of the 5.1 million waste tires (90 percent) generated by consumers in the state were recycled. Thus, the number of tires recycled each year will need to increase substantially to eliminate the tires currently stockpiled in monofills by 2024. Further, most tire recycling is still subsidized by Program reimbursements and it is unclear whether a self-sustaining market for waste tires will exist by January 1, 2018, when the Program ends. Accordingly, in Recommendation No. 1 we recommend that the Department establish goals, strategies and performance measures related to developing a sustainable market for waste tires and eliminating the tires stored in monofills.