

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

April 8, 2003

TO: Honorable Kenneth Armbrister, Chair, Senate Committee on Natural Resources

FROM: John Keel, Director, Legislative Budget Board

IN RE: SB887 by Carona (Relating to solid waste disposal fees.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB887, As Introduced: an impact of \$0 through the biennium ending August 31, 2005.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2004	\$0
2005	\$0
2006	\$0
2007	\$0
2008	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain from <i>WASTE MANAGEMENT ACCT</i> 549	Probable Revenue (Loss) from <i>SOLID WASTE DISPOSAL ACCT</i> 5000
2004	\$812,000	(\$19,343,000)
2005	\$874,000	(\$20,172,000)
2006	\$940,000	(\$1,011,000)
2007	\$1,011,000	(\$23,355,000)
2008	\$1,088,000	(\$25,130,000)

Fiscal Analysis

The bill would reduce the fee on waste disposed at a municipal solid waste landfill, when the waste is measured by weight, from \$1.25 per ton to \$0.65 per ton. The fee rate for solid waste disposal when measured by volume would remain unchanged at \$0.40 per cubic yard for compacted waste and \$0.25 per cubic yard for uncompacted waste.

The bill also changes the distribution of the revenue. Under current law, solid waste disposal revenue is split evenly between the Waste Management Account No. 549 and the Solid Waste Disposal Account No. 5000. The bill would dedicate all revenue to the Waste Management Account No. 549 only. The Solid Waste Disposal Account No. 5000, which is the source of funding for grants to local and regional governments for solid waste projects, would no longer receive funding.

Methodology

By reducing the rate only on disposal when measured by weight, it is expected that the bill would have the effect of acting as an incentive to measure by weight rather than volume. According to the TCEQ, approximately 91% of disposal tonnage is currently disposed of at landfill sites that have scales for measuring by weight. Since the fee would be reduced from \$1.25 per ton to \$.65 per ton and the majority of fee payers would be expected to pay by weight rather than volume, the Comptroller estimates that overall revenues to the state would decrease by \$18.5 million in 2004, rising to a total loss of \$24.0 million by 2008.

Since all proceeds of the fee would be deposited to the Waste Management Account No. 549, the net effect on the account would be an increase ranging from \$0.8 million in 2004 up to \$1.1 million in 2008. Revenues to the Solid Waste Disposal Account No. 5000 would experience a net decrease of \$19.3 million in 2004 up to \$25.1 million in 2008, as compared to revenues that would otherwise be expected based on current law.

The decrease in Solid Waste Disposal Account No. 5000 funding would affect local governments. Assuming unencumbered fund balances in the Solid Waste Disposal Account No. 5000 (projected by the Comptroller to be \$29.8 million as of August 31, 2003) could be used by the TCEQ to continue providing the current level of \$11.0 million per year in Solid Waste Disposal Account No. 5000 funding to local governments in fiscal years 2004 and 2005 and partial funding for fiscal year 2006.

Local Government Impact

Local government impacts would include a limitation or elimination of funding for local solid waste management projects, including equipment and services to assist in management of municipal solid waste. Fund 5000, which provides pass-through grants to local and regional governmental units for solid waste projects, would no longer be funded. The TCEQ would retain the authority under Section 361.014(a) to pursue similar projects in coordination with local governments subject to adequate funds being available. As mentioned above, it is assumed that local governments would continue receiving the current level of funding for solid waste projects through 2005, with a slight decrease in 2006 and the complete elimination of funding in 2007 and 2008. This loss of funding would mainly affect Councils of Governments (COGs) that work with local governmental entities to develop and administer solid waste management projects.

The Texas Association of Regional Councils, an umbrella organization which represents the state's twenty-four regional councils, reported that local governments would directly lose the \$22 million each biennium in state grants directed to them by the existing language of Section 361.014(b), Health and Safety Code. Also, the activities funded by the use of the \$22 million also generate revenues. These revenues, as reported by the Commission on Environmental Quality are as follows: \$ 465,650 in fines as result of law enforcement, funded by the state grants, of illegal dumping laws; \$1.5 million in local revenues from the sale of recyclables from state-grant funded projects; \$6.0 million in saving to local governments by diverting 341,237 tons of materials from Texas landfills as a result of state grant-funded projects. Therefore, the total estimated losses to local governments for a biennium, based on 2002 revenues, as a result of implementation of provisions of the bill are approximately \$29,965,652.

The Heart of Texas Council of Governments reported that implementing the provisions of the bill would create a significant loss in revenue for the COG and would result in the elimination of 100 percent of the funds that the COG receives for their solid waste program. The COG estimates a revenue loss of \$418,968 in fiscal year 2004 and a five-year loss of approximately \$2.1 million.

The Houston-Galveston Area Council (regional population 4.9 million, operating budget \$26 million) reported a potential loss of \$2.1 million and a five-year loss of approximately \$10.6 million of both operating funds and pass-throughs to local governments in fiscal year 2004. Loss of these funds would eliminate all solid waste funding for the COG, result in the layoff of three full-time employees, and diminish the operating budget of the COG by 2.5 percent.

The Ark-Tex Council of Governments (overall budget \$11.5 million) reported a potential loss of

\$361,694 for fiscal years 2004 and 2005. This amount is 3.1 percent of the COG's total budget.

The North Central Texas Council of Governments (operating budget \$22.4 million) reported a potential loss of \$4.8 million for fiscal years 2004 and 2005. Of that amount, \$3.5 million would have been distributed directly to local governments for solid waste projects, leaving the COG \$1.3 million for operating and coordination expenses. Elimination of these funds would decrease the COG's operating budget by three percent.

The Brazos Valley Council of Governments (regional population 267,085, operating budget \$4.7 million) reported a potential loss of \$170,000 in fiscal year 2004 and a five-year loss of approximately \$850,000. Loss of these funds would eliminate solid waste funding for the COG and the salary of one full-time employee.

The Rio Grande Council of Governments (regional population 704,318, overall budget \$6.5 million) reported a potential loss of \$350,000 for fiscal years 2004 and a five-year loss of approximately \$1.75 million. Of that fiscal year 2004 amount, \$227,500 would have been distributed directly to local governments for solid waste projects, leaving the COG \$122,500 for operating and coordination expenses.

The Heart of Texas Council of Governments reported that implementing the provisions of the bill would create a significant loss in revenue for the COG and would result in the elimination of 100 percent of the funds that the COG receives for their solid waste program. The COG estimates a revenue loss of \$418,968 in fiscal year 2004 and a five-year loss of approximately \$2.1 million.

Source Agencies: 304 Comptroller of Public Accounts, 582 Commission on Environmental Quality

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