

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: April 23, 2008
POSITION: Neutral, note concerns

BILL NUMBER: AB 2866
AUTHOR: K. De Leon
RELATED BILLS: AB 2640

BILL SUMMARY: Solid Waste: Solid Waste Disposal Fees

This bill would increase the solid waste tipping fee from \$1.40 to \$2.00 per ton and use the revenue for specified purposes. Additionally, the bill would hold a disposal site owner or operator that does not adhere to a closure or post-closure plan liable for any resulting costs incurred by the California Integrated Waste Management Board (Waste Board).

FISCAL SUMMARY

Currently, the solid waste tipping fee generates \$60 million Integrated Waste Management Account (IWMA) annually. Increasing the fee to \$2.00 per ton would generate additional annual revenues of approximately \$26 million. Revenues would be deposited in the Solid Waste Mitigation Account (SWMA), which the bill would create.

COMMENTS

The Department of Finance is neutral on this bill, but notes a concern that the proposed fee increase does not allocate any additional revenue to the IWMA. Because the IWMA supports all core regulatory activities, any additional workload in this area would have to be absorbed within existing revenue.

Currently, IWMA expenditures exceed revenues by \$10 million. Finance projects that the IWMA fund balance will be exhausted by 2010-11. The bill's proposed fee increase could hinder subsequent fee increases necessary to fund core regulatory activities.

Existing law establishes a maximum tipping fee of \$1.40 per ton of solid waste disposed in the state. The actual fee is established by the Waste Board at an amount sufficient to generate revenues equivalent to the approved budget for that fiscal year, including a prudent reserve. The Waste Board has charged the statutory maximum rate since July 1, 2002. This bill would sunset the existing tipping fee on July 1, 2009 and establish the new fee of \$2.00 per ton on that same date.

The proposed 60 cent increase equates to a 43 percent increase in the total tipping fee. The average jurisdiction charges \$30 per ton for disposal, of which \$1.40 is passed on to the State. This proposed fee increase would result in a 2 percent increase to the average total per ton disposal cost.

Funds from the increased fee would be deposited in the continuously appropriated SWMA and be expended for the following:

- From July 1, 2009 through June 30, 2016, 25 percent of the revenues would be used for demonstration projects by operators of diesel and natural gas fleets to accelerate the use of alternative fueled waste collection vehicles. After July 1, 2016, the money would be expended as appropriated by the Legislature for unspecified purposes.

(Continued)

Analyst/Principal Date Program Budget Manager Date
(0622) K. DaRosa Karen Finn

Department Deputy Director Date

Governor's Office: By: Date: Position Approved
Position Disapproved

BILL ANALYSIS Form DF-43 (Rev 03/95 Buff)

K. De Leon

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**COMMENTS (continued)**

- From July 1, 2009 through June 30, 2020, 50 percent of the revenues would be used for projects aimed at achieving the goal of diverting half of all compostable organics from landfills by the year 2020 and projects to produce and use clean transportation fuels from municipal solid waste. After July 1, 2020, the money would be expended as appropriated by the Legislature.
- On and after July 1, 2009, 25 percent of the revenues would be deposited into the continuously appropriated State Solid Waste Closure Trust Subaccount (SSWCTS), established in the SWMA. These funds would be used to pay for future state liability resulting from the failure of a responsible party to perform landfill closure and postclosure duties. The account could not exceed \$50 million for this purpose. Any additional revenues would be available for appropriation by the Legislature.

California is facing challenges managing the solid waste stream as economic growth and increasing population cause an overall increase in waste generation. The state has no new disposal facilities planned, and therefore needs to find ways to increase diversion efforts. The largest portion of the existing waste stream is organic waste, which is 51.2 percent of the waste disposed in California annually: approximately 20.6 million tons. Organic waste, such as paper, food, yard waste, and other materials, can be diverted from the landfill through composting and recycling. Organic waste in the solid waste stream contributes to greenhouse gas emissions at landfills, which contribute to global warming. This bill potentially provides a funding source to allow the Waste Board to increase diversion efforts and achieve greenhouse gas reductions from landfills

This bill is related to AB 2640 which would require the Waste Board to adopt policies that reduce the amount of compostable organics placed in landfills by 50 percent. Additionally, commencing January 1, 2010, disposal facilities would pay \$1.40 per ton for all green material used for beneficial reuse, including use as alternative daily cover, at the disposal site. By July 1, 2010, AB 2640 would require the Waste Board to adopt a compostable organics management program.

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)							Fund Code
	LA	(Dollars in Thousands)							
	CO	PROP	FC	2008-2009	FC	2009-2010	FC	2010-2011	
	RV	98	FC						
3910/Waste Mgmt	SO	No		--	A	\$26,000	A	\$26,000	0499
<u>Fund Code</u>	<u>Title</u>								
0499	Pending New Special Funds								