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Overview of the Integrated Waste Management Account

LEGISLATIVE ANALYST'S OFFICE

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On Resources, Environmental Protection, and Energy
Hon. Joe Simitian, Chair

Senate Environmental Quality Committee
Hon. Joe Simitian, Chair





Overview of the Integrated Waste Management Account

Figure 1
Integrated Waste Management Account Expenditures
 2008-09 to 2010-11
 (In Millions)

	2008-09	2009-10	2010-11
California Integrated Waste Management Board (CIWMB)/ Department of Resources Recycling and Recovery ^a	\$49.9 ^b	\$39.0	\$44.9 ^b
State Water Resources Control Board	6.5	6.1	4.8
Office of Environmental Health Hazard Assessment	0.3	0.3	0.3
Secretary for Environmental Protection (Cal EPA)	0.7	0.7	0.7
Totals	\$57.4	\$46.1	\$50.7

a Chapter 21, Statutes of 2009 (SB 63, Strickland) moved the waste management functions of the CIWMB to the newly created department effective January 1, 2010.
 b Includes transfer of \$5 million to Solid Waste Disposal Site Cleanup and Abatement Account.

- The Integrated Waste Management Account (IWMA).** The IWMA is funded through a per-ton fee charged on solid waste disposal at landfills, commonly referred to as a “tipping fee.” The Public Resources Code sets a statutory cap on the fee at \$1.40 per ton. This has been the per-ton rate since 2001.

- The IWMA Funds Waste Reduction Efforts in Many State Agencies.** As shown in Figure 1, the fund supports activities in a number of state agencies. The majority of funding supports activities in the Department of Resources Recycling and Recovery, which is responsible for, among other programs, the regulation of solid waste facilities, meeting the state’s waste diversion goals, and management of abandoned solid waste facilities.



The IWMA Has an Ongoing Structural Deficit

Figure 2

**Integrated Waste Management Account—
Revenues and Expenditures**

(In Millions)

	2006-07	2007-08	2008-09	2009-10
Revenues	\$53.6	\$51.2	\$46.7	\$43.8
Expenditures	54.3	53.1	57.4	46.1
Deficit Totals	-\$0.7	-\$1.8	-\$10.7	-\$2.3

- The IWMA Has Had a Structural Deficit for Many Years.*** The fund has operated with a structural deficit (with expenditures exceeding revenues on an annual basis) for the last four years. The fund has continued to operate by drawing down substantial fund balances that had built up over prior years.
- Structural Deficit Exacerbated by Declining Revenues.*** In recent years, revenues into the fund have been declining. Two factors have resulted in less waste disposal being subject to the state tipping fee: (1) a decline in the amount of waste generated by construction industries, due to the current economic downturn, and (2) an overall decline in solid waste that is disposed of at landfills as more waste is diverted from the waste stream. Figure 2 shows the impact of these factors on the revenues into the fund as well as the current structural deficit.



Governor’s Budget Proposals for IWMA

Figure 3
Governor’s 2010-11 Plan to Reduce IWMA Expenditures
(In Millions)

Program Reductions in DRRR	
Elimination of 16 positions	\$1.3
Reduction in operating expenses	4.5
Subtotal	(\$5.8)
Program Reductions in Other Departments	
OEHHA	\$0.1
Cal EPA Secretary	0.8
Subtotal	(\$0.9)
Fund Shifts for DRRR Activities	
From IWMA to Tire Recycling Fund	\$0.8
From IWMA to Air Pollution Control Fund	0.5
From IWMA to Waste Discharge Permit Fund	2.0
Subtotal	(\$3.3)
Reductions From CIWMB Elimination^a	\$1.7
Total Reductions	\$11.7

^a Chapter 21, Statutes of 2009 (SB 63, Strickland) eliminated the CIWMB. The administration estimates that eliminating the board and associated staff positions will save \$1.7 million annually.

IWMA = Integrated Waste Management Account; DRRR = Department of Resources Recycling and Recovery; OEHHA = Office of Environmental Health Hazard Assessment; and CIWMB = California Integrated Waste Management Board.

- Funding Shifts, Borrowing, and Reductions Proposed to Address Deficit.*** As shown in Figure 3, the Governor proposes to reduce IWMA expenditures by \$11.7 million through a combination of funding shifts and program reductions. The budget also proposes a loan of \$1.5 million from the Electronic Waste Recycling and Recovery Account to IWMA in order to support the budgeted level of IWMA expenditures. If implemented, these reductions would reduce the structural deficit to \$4 million in the budget year.



Issues for Legislative Consideration— Addressing the Deficit in the Budget Year

- Proposal Addresses Required Expenditure Reductions in the Budget Year.*** The Governor's budget addresses much of the structural deficit in 2010-11 through program expenditure reductions, funding shifts, and loans. As such, we consider this to be a reasonable approach. Whether this approach would address the potential deficit for the out-years is uncertain. Also, there may not be a problem beyond 2010-11. For example, the fund may recover if construction solid waste, and hence tipping fee revenues, increase.
- Governor's Budget Reduces Expenditures Proportionately.*** The Governor's proposal to address the deficit involves essentially a proportional reduction in all programs supported by the fund. This approach may have merit. However, if the Legislature has concerns with any of the individual reductions, it could choose to adopt a different mix of reductions, or identify alternative funding sources to offset a particular reduction it is concerned about.
- Should the Tipping Fee Be Increased?*** One alternative to the Governor's proposal could be to reduce the structural deficit by changing state law to increase the tipping fee. This option could avoid some or all of the program reductions proposed by the Governor, and some feepayers could benefit from the continuation of these programs at their current funding level. However, the Legislature would need to weigh whether it is appropriate state policy to increase a fee at a time when the waste stream, and thus the need for state management programs, has arguably not increased. In addition, increasing a fee may encourage illegal dumping of waste (to avoid the fee), potentially further reducing fee revenues and creating clean-up expenses for state or local entities.



Issues for Legislative Consideration— Long-Term Reform

- Revenues Will Likely Continue to Decline.*** The state has articulated its goal to divert increasing quantities of waste from landfills—a goal that will by its very nature continue to reduce the revenues collected from the tipping fee over time.
- Revenues Likely to Decline More Than Program Needs.*** Increased diversion over time serves to reduce somewhat the need for the state's programs in the waste management area. However, the accompanying decline in IWMA revenues disproportionately reduces the revenues that would still be needed to support these activities.
- Consider Appropriate Funding Mechanism for IWMA.*** Going forward, the Legislature may wish to reevaluate, in the policy process, how the IWMA receives its revenue, in order to ensure that IWMA serves as a stable source of funding to meet the state's waste management program requirements over the long term.
- Consider the IWMA Fee Alongside All of the State's Waste Management and Recycling Fees.*** The tipping fee is one of a large number of state regulatory fees for recycling and waste management. As the long-term future of the fund is evaluated, we recommend that it be viewed in the context of the state's overall goals for recycling and waste management and the funding mechanisms that support these related activities. Such a review of all regulatory fees may result in a streamlining or realignment of some of the multiple fees currently in place.