

Issue 6: Revenue Shortages in the Waste Management Account 0549

A. Brief Description of Issue

The Waste Management Account (Account 0549) fund balance is decreasing. As fund obligations exceed annual revenue, the fund is expected to be depleted by the end of FY 2024.

B. Discussion

The largest revenue source in the Waste Management Account (Account 0549) is the Municipal Solid Waste Disposal Fee (tipping fee), which is the fee charged on all solid waste disposed in Texas. This fee is paid by municipalities and waste management businesses operating municipal solid waste facilities. The tipping fee revenue is allocated between the Waste Management Account (Account 0549) and the Solid Waste Disposal Fees Account (Account 5000), per Texas Health and Safety Code (THSC) Section 361.014. Account 0549 receives 66.7% and the Solid Waste Disposal Fees Account (Account 5000) receives 33.3%.

In total, Account 0549 is estimated to collect approximately \$36.2 million in FY 2021. TCEQ is appropriated \$33.9 million in FY 2021 from Account 0549 to support the costs of managing certain waste programs. Account 0549 also supports other costs for employee benefits and the Statewide Cost Allocation Plan, which is estimated to be \$7.5 million for FY 2021. The total TCEQ obligation to Account 0549 in FY 2021 is estimated to be \$41.4 million, resulting in an account deficit of \$5.2 million. Beginning in 2016, TCEQ began funding insurance costs for retired employees from general revenue dedicated accounts. Notably, Account 0549 costs began to exceed revenues that same year.

The waste programs funded by Account 0549 include the municipal solid waste permitting programs, enforcement programs, site remediation programs; and it also generally pays for activities that enhance the state's overall solid waste management strategy. While TCEQ has the authority to fund municipal solid waste site remediation programs from Account 0549, appropriation levels do not support site remediation projects.

The account's fund balance is trending upward, with revenue double that of current obligations. The account collects approximately \$11 million in revenue per year from the tipping fee deposits. The agency is appropriated approximately \$5.5 million per year in grants to support local and regional solid waste projects. The projects may include technical assistance to local governments; education, training, and outreach; data collection and analysis; sub-grants for local projects; or closed landfill inventory maintenance.

House Bill 7 (83R) established the current allocation between the accounts. HB 7 also reduced the Municipal Solid Waste Disposal Fee by 25%. Prior to the 86R Legislative Session, TCEQ briefed the House Appropriation and Senate Natural Resources Committees on the revenue shortage in Account 0549. In an interim report, the Senate Natural Resources Committee recommended increasing the Account 0549 allocation percentage from 67% to 83% and decreasing the allocation to Account 5000 from 33% to 17%; however, no resulting legislation was introduced.

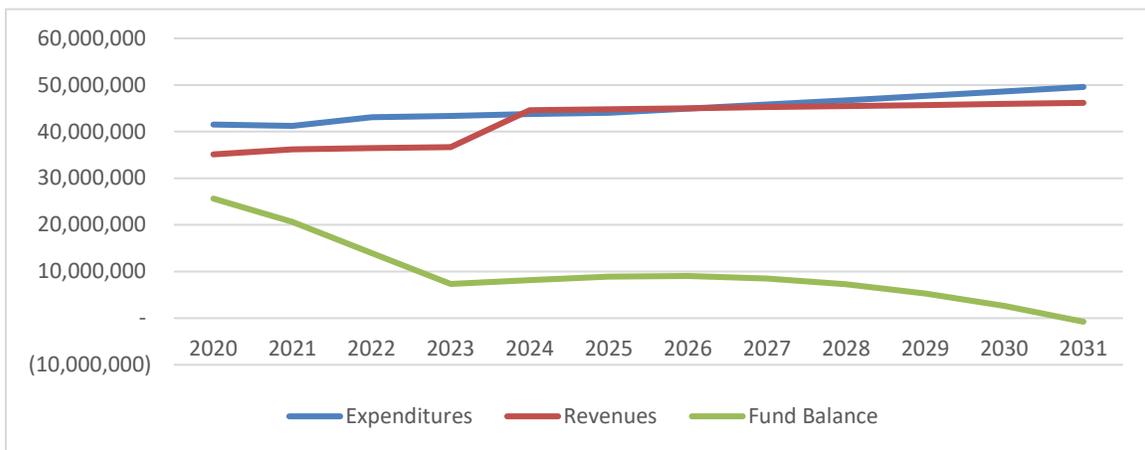
C. Possible Solutions and Impact

TCEQ recommends amending the statute to increase the percentage of the Municipal Solid Waste Disposal Fee (tipping fee) deposited to Account 0549 and to decrease the allocation to Account 5000. This recommendation does not result in a fee increase.

If the allocation is amended from 67% to 90% for Account 0549 and from 33% to 10% for Account 5000, the proposed change could result in \$30.2 million being deposited to Account 0549 based on FY 2021 estimated collected revenue, an increase of \$7.7 million. Rather than Account 0549 having a negative balance in FY 2024, the account would be expected to stabilize through 2030.

Account 5000 could receive \$3.3 million based on FY 2021 estimated collected revenue, should the percentage shift from 33% to 10%. The following graphs illustrate Accounts 0549 and 5000 fund balance projections.

Waste Management Account (0549) Fund Balance Projection



Solid Waste Disposal Account (5000) Fund Balance Projection

