

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3678-02
Bill No.: Perfected SCS for SB 988
Subject: Contracts and Contractors; Environmental Protection
Type: #Corrected
Date: March 18, 2004
 #Corrected Oversight assumption

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
General Revenue	(\$56,334)	(\$50,000)	(\$50,000)
Total Estimated Net Effect on General Revenue Fund	(\$56,334)	(\$50,000)	(\$50,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
School District Safe Surfacing Fund	\$0	\$0	\$0
Total Estimated Net Effect on Other State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Transportation, State Treasurer's Office and Attorney General's Office** assume no fiscal impact.

Officials of the **Department of Revenue** assume this proposal extends the sunset provision from January 1, 2004 to January 1, 2005. However, the Department of Revenue would have to notify tire retailers that the tire fee program was reactivated. All tire fee accounts must be programmatically reactivated requiring an estimated 173 hours or \$5,771 and mailing costs of \$563.

Officials from the **Department of Natural Resources (DNR)** assume impact to the DNR is derived from the restructuring of the revenue allocations in the fund and the elimination of funding for education and training activities and materials. The department has assumed revenue of approximately \$2.14# million for FY 2005 with a 2% growth projection for each of fiscal years 2006 and 2007. The department has also assumed responsible parties will reimburse the department \$25,000 for the removal of scrap tires.

ASSUMPTION (continued)

Prior to the proposal funds allocated to DNR for scrap tire activities were (includes all activities):

Cleanups	\$1,365,000
Grants	\$ 105,000
Education	\$ 105,000
Ongoing Op Costs	\$ 525,000
<u>TOTAL FOR SCRAP TIRE WORK</u>	<u>\$2,100,000</u>

Funds allocated to DNR for scrap tire activities under this proposal (appropriation for cleanups include 20% of allocation for administration):

	FY2005	FY2006	FY2007	FY2008	FY2009
Clean up	\$1,304,228	\$ 893,275	\$465,370	\$383,422	\$112,673
Admin	\$ 326,057	\$ 223,319	\$116,343	\$ 95,856	\$ 28,168
Total Avail	<u>\$1,630,285</u>	<u>\$1,050,000</u>	<u>\$581,713</u>	<u>\$479,278</u>	<u>\$140,841</u>

Loss to DNR
 (allocated to DED) (\$620,396)# (\$1,091,594)# (\$1,575,000)# (\$1,817,110)# (\$1,042,567)#

Elimination of funding for education and training, and restructuring of grant funds to the Department of Economic Development will result in the reduction of 1.5 FTE (\$82,518) to DNR.

DNR assumes that the 20% allowed for administrative costs is the cost for administering the cleanup contracts. DNR would still be statutorily charged with permitting, enforcement and inspection activities, however there would be no funding to carry out those statutory mandates under this proposal. The public and regulated communities have an expectation of DNR's responsibilities and services (i.e. the issuance of permits, inspection of regulated facilities, and enforcement actions against violators). Therefore, the department assumes General Revenue would have to be appropriated to fund these activities.

#Oversight assumes the Department of Natural resources according to the proposal shall not spend more than 20% of the revenue allocated on administrative costs. Any additional funds should be requested through the normal budgetary process.

In a previous proposal officials with the **Department of Economic Development (DED)** assume

ASSUMPTION (continued)

a portion of the solid waste management fund is diverted to DED for use in administering a funding program for safe playground surfacing. Another portion of solid waste management fund is diverted to DED for use as grant funds for experimental projects involving scrap tires. The percent of funding would increase each subsequent fiscal year. Assuming the approximate amount or \$2.1 million per year as noted in FY05 or \$432,520, \$1.04 million in FY06 and \$1.557 million in FY07. This money would be split between the two programs. An amount equal to 20% of these funds could be used for administrative purposes.

DED would need people and funding to administer the programs. While exact needs are unknown, the funding applications for school playgrounds and the grant applications for experimental projects would take time to review, approve, process, monitor, and pay. Costs are projected as an unknown but it is likely one person per program would be needed. The MDFB cost for involvement in the grant program would be offset by fees charged for their services. The DED will also be required to create an advisory council to establish reporting criteria. Some costs would be involved for meetings. DED would also be required to prepare an annual report. Administrative costs would need to be appropriated to DED from the funds collected. It is likely these funds at the 15% level would be sufficient to pay for costs of the program and any unneeded funds would be used for grants.

Oversight assumes the money allocated to the Department of Economic Development will go into the School District Safe Surfacing Fund.

<u>FISCAL IMPACT - State Government</u>	FY 2004	FY 2005	FY 2006
GENERAL REVENUE			
<u>Cost-Department of Revenue</u>			
Programming and Mailing	(\$6,334)	\$0	\$0
<u>Cost-Department of Natural Resources</u>			
OP Costs - ST Permitting & Enf. Act.#	\$0	\$0	\$0
Interest Loss on ST & School			
Subaccounts	<u>(\$50,000)</u>	<u>(\$50,000)</u>	<u>(\$50,000)</u>
NET ESTIMATED EFFECT ON			
GENERAL REVENUE FUND	<u>(\$56,334)</u>	<u>(\$50,000)</u>	<u>(\$50,000)</u>

DESCRIPTION (continued)

removal efforts over five years. The allocation of revenue changes throughout that time, with seventy five percent of revenue allocated in FY 2005 for such purpose, fifty percent of revenue allocated in FY 2006, twenty-five percent of revenue allocated in FY 2007, twenty percent of revenue allocated in FY 2008, and for FY 2009 and after, zero percent of revenue shall be allocated to the department of natural resources for the purpose of scrap tire removal. In no fiscal year shall the department spend more than fifteen percent of revenue allocated on administration costs.

In each fiscal year, the portion of revenue derived from the scrap tire fee not allocated to the Department of Natural resources shall be divided equally between the Department of Economic Development, and the Missouri development finance board as well as the school district safe surfacing fund, established in this act. These moneys shall be used primarily for the development, creation, and promotion of innovative products made from recycled scrap tires. Namely, to fund the construction of safe surfaces for Missouri schools and the awarding of incentive grants for such purpose. All revenue allocated towards the development, creation, and promotion of innovative products made from recycled scrap tires shall be administered by the Department of Economic Development and no more than twenty percent of allocated revenue shall be spent on administration costs in any fiscal year.

This act directs both the Department of Natural Resources and the Department of Economic Development to prepare and submit annual reports by February 1 to the Governor and General Assembly on scrap tire removal efforts and incentive grants provided under the provisions of this act.

This act deals with the issuance of contracts for the removal or clean up of waste tires. Under this act, contract preference shall go to any vendor that meets one or more of the stated requirements. Such requirements include but shall not be limited to, Missouri vendors, out of state vendors that employ Missouri residents, or nonresident vendors that have an affiliate or subsidiary in Missouri.

This act eliminates the statutes currently dealing with the educational and training programs conducted by the Department of Natural Resources.

This act has an emergency clause.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

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SOURCES OF INFORMATION

Department of Natural Resources
Department of Revenue
Department of Transportation
Attorney General's Office
State Treasurer's Office
Department of Economic Development



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March 18, 2004