

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5127-05
Bill No.: HCS for SCS for SB 664
Subject: Boards, Commissions, Committees, Councils; Natural Resources Department;
 Water Resources and Water Districts; Department of Health; Mining and Oil and
 Gas Production; Energy; Property, Real and Personal; Parks and Recreation;
 Utilities; Environmental Protection
Type: Original
Date: April 29, 2014

Bill Summary: This proposal changes the laws regarding natural resources.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	(\$259,790)	(\$315,289)	(\$318,872)
Total Estimated Net Effect on General Revenue Fund	(\$259,790)	(\$315,289)	(\$318,872)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Scrap Tire Subaccount*	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 13 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	5 FTE	5 FTE	5 FTE
Total Estimated Net Effect on FTE	5 FTE	5 FTE	5 FTE

Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Local Government	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)

FISCAL ANALYSIS

ASSUMPTION

§ 247.680 - Water Mains:

Officials at the **City of O'Fallon** state that currently new customers are required to pay this full cost of main extensions to not be a burden on the existing customer base.

The city assumes one of two things will occur with this provision. Either a financial burden will be placed on the current customer base for main extensions, or no main extensions will be made.

The city assumes the Neighborhood Improvement District (NID) or the Community Improvement District (CID) can be utilized to spread out the costs of main extensions if this is the desired outcome of this provision.

Officials at the **City of Columbia** assume this provision would effectively eliminate 50% of the City Water and Light Department's capital contribution from property developers, or about \$100,000 - \$200,000 per year.

The city assumes this can depend on the amount of subdivision development, which varies. During a high growth period, for example, this would cost Columbia Water & Light \$1.5 - \$2 million per year. An additional 10% would need to be added to these figures to cover the fact that we require extensions to "continue entirely across the front or other dimension of each lot or tract to be served..." and not the "the minimum feasible distance".

Officials at the **City of Kansas City (KC)** assume the exact cost of this provision cannot be determined at this time, however the cost could be considerable.

KC assumes paying 1/2 the cost of the water main extensions means the cost would be spread out among all ratepayers regardless of whether or not they received any service.

KC assumes if the utility was forced to absorb half of the cost of water main extensions, the cost would vary from year to year and be highly unpredictable.

ASSUMPTION (continued)

KC notes the yearly average cost for water main extensions permitted by the City for the last ten years is roughly \$3.3 million dollars. At this time, such costs are paid by the parties calling for the expansion (generally the property owner). If the City were to pay half of the cost and the property owner pay half of the cost, then the City would potentially be required to pay an average of \$1.65 million dollars per year.

KC assumes if this money is not available to the City for this purpose, this provision could substantially slow or even stop development.

§ 260.273 - Scrap Tire Fee Extension:

Officials from the **Department of Natural Resources (DNR)** state this provision will extend the \$0.50 fee on the sale of new tires at retail for five years from January 1, 2015 through January 1, 2020. No new or additional fees or taxes are imposed by this proposal.

DNR notes, less collection costs by the retailer and the Department of Revenue, approximately \$2.1 million will be collected for the fee on new tires sold at retail annually as revenue to the Scrap Tire Subaccount.

DNR officials state renewal of the tire fee will allow continuation of proper scrap tire management and protection of the environment through cleanup of illegal scrap tire dumps across Missouri.

DNR officials state the fee allows for creation and maintenance of jobs in the scrap tire industry, such as tire processors, haulers, and development of end market users.

DNR notes the following revenue collections from the Scrap Tire Fee for the periods 2004 - 2014 year-to-date.

ASSUMPTION (continued)

Table 1: Scrap Tire Fee Revenue Collections

Fiscal Year	Fees from New Tires Sold at Retail
2004	\$1,623,688 - partial year
2005	\$27,332 - partial year
2006	\$953,815 - partial year
2007	\$2,104,673
2008	\$2,193,714
2009	\$2,075,192
2010	\$2,126,777
2011	\$2,139,199
2012	\$2,084,386
2013	\$1,988,327
2014 YTD	\$1,200,747 (as of Jan. 31, 2014)

Source: DNR

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** assume this provision extends the existing scrap tire fee sunset from January 1, 2015 to January 1, 2020.

BAP assumes this proposal would not result in any statewide fiscal impact.

Officials from the **Department of Elementary and Secondary Education** assume the provision would not fiscally impact their agency.

Oversight assumes this a continuation of an existing \$.50 scrap tire fee through January 1, 2020, set to expire January 1, 2015.

Oversight assumes estimated annual income of \$2.1 million to the Scrap Tire Subaccount(0569), based on recent revenue collections.

ASSUMPTION (continued)

Oversight assumes costs to the Scrap Tire Subaccount(0569) will equal the income received. Scrap tire fee income revenues are used to support administration of the program, program grants, education programs, and curriculum for solid waste management paid from the Scrap Tire Subaccount.

§ 444.772 - Surface Mining Operations:

Officials from the **Department of Natural Resources (DNR)** state this provision would require a notice of intent to operate a surface mine by certified mail to real property landowners within one-half mile border of the proposed mine plan area and to those whose property is adjacent to the proposed mine plan area, land upon which the mine plan area is located, or adjacent land having a legal relationship with either the applicant or the owner of the land upon which the mine plan area is located.

DNR notes this notice must also be sent to the governing body of the counties or cities in which the proposed areas is located.

DNR assumes this provision would make it mandatory for an applicant to hold a public meeting if it is requested by any person. The applicant would bear all expenses necessary to conduct the meeting.

DNR does not anticipate a direct fiscal impact from this provision.

§ 640.136 - Public Water Fluoridation:

Officials from the **Department of Natural Resources (DNR)** and **Department of Health and Senior Services (DHSS)** each assume this provision would not fiscally impact their respective agencies.

Officials from the **City of Columbia** assume this provision could result in a cost to the city of \$17,000 for customer letters for the cities estimated 47,000 water customers

Officials from the **Cole County Public Water Supply District #3** state because they do not fluoridate their water, this provision would have no direct fiscal impact on the water district.

ASSUMPTION (continued)

Oversight assumes the additional postage and mailing costs related to this provision are dependent upon a public water system or public water supply district making a decision to cease fluoridation of its water supply. In the event a decision to cease fluoridation occurs, a notice must be sent to all customers, DNR, and DHSS ninety days prior to any vote on the matter.

Oversight has no way of knowing how many water districts and public water systems would cease fluoridation of its water supply.

For the purpose of the fiscal note, **Oversight** assumes no direct fiscal impact on state government and local water supply districts.

Oversight notes this provision contains an emergency clause with an effective date upon passage and approval.

§ 643.055 - Wood Burning Appliances:

Oversight assumes this provision prohibits the Department of Natural Resources (DNR) from regulating the manufacture, performance, or use of residential wood burning heaters or appliances through a state implementation plan or otherwise, unless authorized to do so by the General Assembly.

DNR does not anticipate a direct fiscal impact from this provision.

§ 643.640 - Air Conservation Commission Emission Standards:

Officials from the **Department of Natural Resources (DNR)** state it is not clear what the fiscal impact of this provision would be. If the proposal is enacted and a conflict with federal law occurs, the proposal could impact the department's ability to develop an EPA-approved 111(d) plan by the deadline of June 2016. This proposal has the potential of putting Missouri under a federal plan.

DNR would not anticipate a direct fiscal impact from this proposal.

Oversight assumes this provision has the potential of placing Missouri under a federal plan, meaning each affected source of carbon dioxide would be inspected by and answer to, the Federal Environmental Protection Agency (EPA).

ASSUMPTION (continued)

Under a federal EPA plan, **Oversight** assumes DNR would not be involved with inspections of existing carbon dioxide sources.

Oversight assumes any fiscal impact from this provision to DNR would be indirect and will not be reflected in the fiscal note.

§ 644.058 - Clean Water Commission:

Officials from the **Department of Natural Resources (DNR)** state there are 66 eight-digit Hydrologic Unit Codes (HUCs) in Missouri. This provision would require each HUC to have an independent environmental economic study.

DNR assumes one-fifth of the 66 HUC studies would be done each year to coincide with the permitting cycle. Each study would take approximately 640 hours. Three-fourths of the study would be environmentally related and one-fourth of the study would be economically related.

DNR states these studies could be conducted by the department, however staffing is not currently available. The FTEs hired to do these studies would have no duties other than these studies.

DNR assumes it would request the following 5 FTE to implement this proposal.

Environmental Specialists (3 FTE) - Annual Salary of \$48,636

Economist (1 FTE) - Annual Salary of \$59,520

Senior Office Support Assistant (1 FTE) - Annual Salary of \$28,620

640 hours per study x 13 watershed studies a year (66 studies divided by 5 years) = 8,320 hours

8,320 divided by 2,080 work hours per year = four (4) technical FTEs to do 13 studies in a year, plus one (1) support FTE for these studies.

$\frac{3}{4}$ of these studies would be environmentally related - 3 FTEs would need to be Environmental Specialists. $\frac{1}{4}$ of these studies would be economically related - 1 FTE would need to be Economists.

ASSUMPTION (continued)

Oversight notes the annual salary range of an Environmental Specialist III is \$38,544 - \$54,864.

Oversight notes the annual salary range for an Economist is \$47,412 - \$68,928.

Oversight notes the annual salary range for a Senior Office Support Assistant is \$24,780 - \$33,000.

Oversight assumes it is unknown which salary step each FTE will be hired at, therefore the annual salary cost of the 5 FTE could be lower if DNR hires the FTE at a beginning level salary step rather than a mid-level salary step as requested by DNR.

Oversight assumes office equipment and furniture would be available through OA surplus property at no additional cost to the department.

For the purpose of the fiscal note, **Oversight** will show a cost to General Revenue for FTE at the beginning salary level step and no additional equipment cost to DNR; however, expense costs will be shown.

Officials from the **Cole County Public Water Supply District No. 3 (PWS No.3)** state this provision could have an impact on their water service, but only after the appropriate study is completed.

Bill as a Whole:

Officials at the **Office of Attorney General (AGO)** assumes that any potential costs arising from this proposal can be absorbed with existing resources.

Officials from the **Department of Agriculture, Department of Health and Senior Services, Department of Conservation, Department of Economic Development, Department of Labor and Industrial Relations, Office of State Courts Administrator, Missouri Senate, St. Louis County, and Metropolitan St. Louis Sewer District** each assume the proposal would not fiscally impact their respective agencies.

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
GENERAL REVENUE FUND			
<u>Costs - DNR</u>			
§ 644.058 - Studies for Water Quality Standard Modifications			
Personal Service	(\$156,520)	(\$189,702)	(\$191,599)
Fringe Benefits	(\$79,833)	(\$96,758)	(\$97,725)
Expense & Equipment	(\$23,437)	(\$28,829)	(\$29,548)
<u>Total Costs - DNR</u>	<u>(\$259,790)</u>	<u>(\$315,289)</u>	<u>(\$318,872)</u>
FTE Change - DNR	5 FTE	5 FTE	5 FTE
 ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	 <u>(\$259,790)</u>	 <u>(\$315,289)</u>	 <u>(\$318,872)</u>
 Estimated Net FTE Change for the General Revenue Fund	 5 FTE	 5 FTE	 5 FTE
 SCRAP TIRE FEE SUBACCOUNT FUND			
<u>Income - DNR</u>			
§ 260.273 - Scrap Tire Fee	\$2,100,000	\$2,100,000	\$2,100,000
 <u>Costs - DNR</u>			
§ 260.273 - Administration, Program Grants, & Educational Materials	(\$2,100,000)	(\$2,100,000)	(\$2,100,000)
 ESTIMATED NET EFFECT ON THE SCRAP TIRE FEE SUBACCOUNT FUND	 <u>\$0</u>	 <u>\$0</u>	 <u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
LOCAL POLITICAL SUBDIVISIONS			
<u>Costs - Local Political Subdivisions -</u>			
§ 247.680 - Main Extensions	(More than <u>\$100,000</u>)	(More than <u>\$100,000</u>)	(More than <u>\$100,000</u>)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	(More than <u>\$100,000</u>)	(More than <u>\$100,000</u>)	(More than <u>\$100,000</u>)

FISCAL IMPACT - Small Business

§ 260.273 - Scrap Tire Fee Extension:

Direct fiscal impact to small business retail tire shops would be expected as a result of this provision.

§ 643.055 - Wood Burning Appliances:

This provision may have a positive fiscal impact on small businesses selling wood-burning furnaces, stoves, fireplaces and heaters, as a result of continued sales.

FISCAL DESCRIPTION

§ 247.680 - Water Mains:

This provision specifies that if a water main of a public water supply district, commercial water supplier, or municipal water utility needs to be extended for a residential property owner to connect water service lines from the property to the water main, the owner will not be charged or liable for more than 50% of the cost of extending the main the minimum distance necessary for the owner to establish a connection and will not be charged or liable for the cost of any additional extension of the main beyond the point of connection. Also, no political subdivision by rule, regulation, order, or ordinance may prevent a property owner from constructing a private domestic well if the construction is allowed under state law.

FISCAL DESCRIPTION (continued)

§ 260.273 - Scrap Tire Fee Extension:

This proposal extends from January 1, 2015 to January 1, 2020 the expiration of the fee collected from retailers for the disposal of old tires.

§ 644.058 - Clean Water Commission:

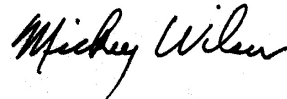
This proposal modifies the authority of the Clean Water Commission so that it may only revise water quality standards upon completion of an assessment by the Department of Natural Resources finding that there is an environmental need for such revision. In implementing revised water quality standards modifications of 25% or more, the Department of Natural Resources shall also conduct an evaluation as set forth in this proposal. The Department shall use these evaluations in making site-specific permit decisions.

Section 640.136 of this proposal contains 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.

SOURCES OF INFORMATION

Department of Natural Resources
Department of Conservation
Department of Agriculture
Department of Health and Senior Services
Department of Economic Development
Department of Labor and Industrial Relations
Department of Elementary and Secondary Education
Office of Administration - Division of Budget and Planning
Office of State Courts Administrator
Office of the Attorney General
Missouri Senate
City of Kansas City
City of Columbia
City of O'Fallon
St. Louis County
Metropolitan St. Louis Sewer District
Cole County PWSD No. 3



Mickey Wilson, CPA
Director
April 29, 2014

Ross Strope
Assistant Director
April 29, 2014