

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4730-01  
Bill No.: SB 600  
Subject: Crimes and Punishment; Environmental Protection; Housing; Natural Resources Department; Property, Real and Personal; Waste - Hazardous; Waste - Radioactive; Waste - Solid  
Type: Original  
Date: January 25, 2016

Bill Summary: This proposal modifies provisions relating to hazardous waste.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
General Revenue	\$0 or (Greater than \$7,262,950,211)	(Up to \$71,861,725)	(Up to \$73,658,268)
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0 or (Greater than \$7,262,950,211)</b>	<b>(Up to \$71,861,725)</b>	<b>(Up to \$73,658,268)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Blind Pension Trust	\$0	\$0 to (\$399,000)	\$0 to (\$399,000)
Hazardous Waste Home Acquisition Program Fund*	\$0	\$0	\$0
<b>Total Estimated Net Effect on Other State Funds</b>	<b>\$0</b>	<b>\$0 to (\$399,000)</b>	<b>\$0 to (\$399,000)</b>

\*Transfers In and Costs Net to Zero

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 10 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>
<b>Local Government</b>	<b>\$0 to (\$68,362,000)</b>	<b>\$0 to (\$68,362,000)</b>	<b>\$0 to (\$68,362,000)</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials at the **Department of Natural Resources (DNR)** assume this proposal would have a negative fiscal impact on their organization. At a minimum, a new program of this scope would require resources with specific real estate expertise for reviewing and approving/denying applications, participating in court challenges related to determinations and processing payments to eligible homeowners as well as acquiring contractual services from real estate appraisers.

The Department consulted with a local real estate attorney, in regards to the following estimates.

Average transaction costs associated with each property transaction:

• Appraisal =	\$500.00
• Title insurance =	\$450.00
• Property taxes* =	\$0.00
• Closing costs =	\$300.00
• Deed preparation =	\$75.00
• Recording fee =	<u>\$30.00</u>
Total cost per transaction =	<b>\$1,355.00</b>

\*Since the State would not assume the pro-rated property taxes, the seller might have some impact.

For purposes of this fiscal note, DNR focused on the homes within one mile of West Lake Landfill (approximately 91 single family homes) and within 3 miles of Coldwater Creek (approximately 63,616 homes). DNR would estimate transaction costs, if all property homeowners were to take advantage of the program would be \$123,305 and \$86,199,680, respectively.

If DNR assumes that approximately 10% of homeowners would challenge the appraisal and that litigation costs associated with each challenge would be approximately \$15,000, DNR would estimate a litigation cost of approximately \$136,500 ( $91 \times 10\% \times \$15,000$ ) for the homes within one mile of West Lake Landfill and approximately \$95,424,000 ( $63,616 \times 10\% \times \$15,000$ ) for the homes within 3 miles of Coldwater Creek.

Based on the broad scope of the proposed language, it is not possible to estimate the level of participation in such a program. Therefore, the exact cost to DNR for implementing such a program is indeterminable.

ASSUMPTION (continued)

For purposes of this fiscal note, DNR has reflected a fiscal impact range of 0% - 100% participation.

100% participation:

Homes within one mile of West Lake Landfill (91 homes)

Home value \$10,900,000 + Real Estate Transaction Costs \$123,305 + litigation costs \$136,500 = \$11,159,805

Homes within three miles of Coldwater Creek (63,616 homes)

Home value \$7,000,000,000 + Real Estate Transaction Costs \$86,199,680 + litigation costs \$95,424,000 = \$7,181,623,680

ITSD FY17 Costs = \$57,726

Fiscal Impact Range: \$0 - \$7,192,841,211 (\$11,159,805 + \$7,181,623,680 + \$57,726)

Officials at the **Office of Administration - Facilities Management, Design and Construction (OA-FMDC)** assume this proposal would have a negative fiscal impact on their organization.

Estimating the number of properties that would be acquired is nearly impossible. OA-FMDC is informed that DNR has estimated that the one-time buyout cost may be as great as \$7,010,900,000. For want of any other figure, OA-FMDC assumes this amount for purposes of this response.

OA-FMDC further assumes annual maintenance and upkeep costs would amount to one percent of the purchase price of the acquired properties. Given these assumptions, the annual cost for maintenance & repair would be \$70,109,000. However, other factors would affect regular maintenance costs like age of home, condition of the home, location, and weather, which could result in long-term capital improvement costs.

If it is determined that the properties should be sold, OA-FMDC would need to obtain the services of a commercial real estate services company to handle this large number of properties.

Officials at the **Office of Administration - Budget and Planning** defer to the Department of Natural Resources and Office of Administration - Facilities Management, Design and Construction for an estimated fiscal impact this proposal would have related to implementation and administration of the proposal.

ASSUMPTION (continued)

Officials from the **Office of the Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with the core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

**Oversight** assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

For the purpose of this proposed legislation, officials at the **Office of State Public Defender (SPD)** cannot assume that existing staff will provide effective representation for any new cases arising where indigent persons are charged with the proposed new crime of failure to disclose radioactive contamination upon the rental, lease, sale or transferred premise, a new Class A misdemeanor. The Missouri State Public Defender System is currently providing legal representation in caseloads in excess of recognized standards.

While the number of new cases may be too few or uncertain to request additional funding for this specific bill, the SPD will continue to request sufficient appropriations to provide effective representation.

**Oversight** assumes the SPD can absorb the additional caseload that may result from this proposal.

Officials at the **State Treasurer's Office, Department of Corrections, Office of State Courts Administrator, Department of Public Safety - Highway Patrol, Joint Committee on Administrative Rules, Department of Health and Senior Services, Department of Social Services, Office of Prosecution Services, and Missouri Tax Commission** each assume this proposal would not have a fiscal impact on their respective organizations.

ASSUMPTION (continued)

**Oversight** assumes if the State becomes owners of the property estimated by DNR, future property taxes will not be collected for the property. Using DNR's estimate of \$7 billion in market value of impacted properties, Oversight assumes a reduction in property tax collections of up to \$399,000 to the Blind Pension Trust Fund as well as reduction of up to \$68,362,000 in property tax collections for local political subdivisions (schools, cities, counties, libraries, fire protection districts, etc.).

Estimated True Value of Residences:	\$7,000,000,000
Residential value multiplier	<u>19%</u>
Estimated assessed value	\$1,330,000,000
Blind Pension Fund Tax Rate	<u>\$0.03 per \$100</u>
Impact to Blind Pension Fund	\$ 399,000
Average local tax rate	<u>\$5.14 per \$100</u>
Impact to local political subdivisions	\$ 68,362,000

Obviously, not all owners of the 63,707 homes within the impacted area will choose to sell their property to DNR. For comparison, Oversight will reflect in the table below several potential benchmarks of home purchases.

100% of West Lake

Landfill (91 homes plus..)	West Lake costs	Coldwater Creek costs	Total
5% of Coldwater (3,181 homes)	\$11,159,805	\$359,103,090	\$370,262,895
15% of Coldwater (9,542 homes)	\$11,159,805	\$1,077,196,380	\$1,088,356,185
25% of Coldwater (15,904 homes)	\$11,159,805	\$1,795,402,560	\$1,806,562,365
50% of Coldwater (31,808 homes)	\$11,159,805	\$3,590,805,120	\$3,601,964,925
75% of Coldwater (47,712 homes)	\$11,159,805	\$5,386,207,680	\$5,397,367,485

**Oversight** assumes the purchase of such a large volume of properties impacted by this proposal could take many years; however, for simplicity, we are showing the impact as if it would occur in a single fiscal year, FY 2017.



<u>FISCAL IMPACT - State Government</u> (continued)	FY 2017 (10 Mo.)	FY 2018	FY 2019
<b>HAZARDOUS WASTE HOME ACQUISITION PROGRAM FUND</b>			
	\$0 or (Greater than		
<u>Transferred In - Home Acquisition Costs</u>	\$7,192,783,485)	\$0	\$0
<u>Costs - West Lake Landfill</u>			
	\$0 or (Greater than \$123,305)		
Real Estate Transaction Fees		\$0	\$0
	\$0 or (Greater than \$136,500)		
Litigation - appraisal challenges		\$0	\$0
	\$0 or (Greater than \$10,900,000)		
Purchase of Homes	<u>than \$10,900,000)</u>	<u>\$0</u>	<u>\$0</u>
	\$0 or (Greater than \$11,159,805)		
<u>Total Costs - West Lake Landfill</u>	<u>than \$11,159,805)</u>	<u>\$0</u>	<u>\$0</u>
 <u>Costs - Coldwater Creek</u>			
	\$0 or (Greater than \$86,199,680)		
Real Estate Transaction Fees		\$0	\$0
	\$0 or (Greater than \$95,424,000)		
Litigation - appraisal challenges		\$0	\$0
	\$0 or (Greater than \$7,000,000,000)		
Purchase of Homes	<u>\$7,000,000,000)</u>	<u>\$0</u>	<u>\$0</u>
	\$0 or (Greater than \$7,181,623,680)		
<u>Total Cost Coldwater Creek</u>	<u>\$7,181,623,680)</u>	<u>\$0</u>	<u>\$0</u>
	\$0 or (Greater than \$7,192,783,485)		
<u>Total Costs to Hazardous Waste Acquisition Program Fund</u>	<u>\$7,192,783,485)</u>	<u>\$0</u>	<u>\$0</u>
 <b>NET ESTIMATED EFFECT TO HAZARDOUS WASTE ACQUISITION PROGRAM FUND</b>			
	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

<u>FISCAL IMPACT - Local Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
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**LOCAL POLITICAL SUBDIVISIONS**

Loss - state-purchased properties not obligated to pay property taxes	<u>\$0</u>	\$0 to <u>(\$68,362,000)</u>	\$0 to <u>(\$68,362,000)</u>
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<b>ESTIMATED NET EFFECT TO THE BLIND PENSION TRUST FUND</b>	<u>\$0</u>	\$0 to <u>(\$68,362,000)</u>	\$0 to <u>(\$68,362,000)</u>
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FISCAL IMPACT - Small Business

This proposal could have a negative fiscal impact on small businesses. With reduction in the number of residential properties in the cities of Bridgeton, Maryland Heights, and Hazelwood, it is anticipated that small businesses within those communities will be negatively impacted by the reduction in population resulting in lost revenue. Further, some of the people selling their homes may be small business owners that will also re-locate their businesses away from the impacted area. Some small businesses, such as real estate appraisers and local moving companies, will see a short-term increase in business during implementation of the program. Similar to those communities in close proximity to the West Lake Landfill site or Coldwater Creek, any community that has an area designated as eligible for the new Hazardous Waste Home Acquisition Program will see impacts to small businesses.

FISCAL DESCRIPTION

HAZARDOUS WASTE HOME ACQUISITION PROGRAM (Sections 260.850 -260.865) - This act creates the Hazardous Waste Home Acquisition Program. Under this program, any homeowner who owns a home within 3 miles of the West Lake Landfill, Bridgeton Landfill, or Coldwater Creek may apply to sell their home for fair market rate to the Department of Natural Resources. Application criteria and timeline requirements for application decisions from the Department of Natural Resources are set forth in this act. In addition, this act sets forth an order of priority that the Department of Natural Resources shall follow when purchasing homes.

Funding for the program will be subject to appropriation to the Hazardous Waste Home Acquisition Program Fund.

Under this act, if the Department of Natural Resources and the homeowner disagree with the homeowners's appraisal of fair market rate of the home, the Department shall also perform an appraisal on the home. Concurrently, the Department and homeowner shall mutually agree upon

FISCAL DESCRIPTION (continued)

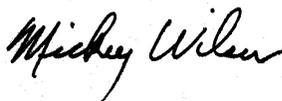
an appraiser to perform a third appraisal. The fair market rate of the home shall be determined by averaging the fair market rate of all three appraisals. In the event that a party is dissatisfied by the averaged fair market rate, they may seek expedited review in any court of competent jurisdiction.

RADIOACTIVE MATERIAL DISCLOSURE (Section 441.236) - Under this act, any seller or renter of a premises that was contaminated with radioactive material, who knows that such premises was contaminated with radioactive material, is required to disclose such radioactive contamination to any buyer or lessee in writing. Any person failing to make such a disclosure shall be guilty of a Class A misdemeanor.

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  
State Treasurer's Office  
Department of Corrections  
Office of State Courts Administrator  
State Public Defender's Office  
Office of Prosecution Services  
State Public Defender's Office  
Joint Committee on Administrative Rules  
Department of Health and Senior Services  
Office of Administration-Budget and Planning  
Office of Administration - Facilities Management, Design and Construction  
Missouri Tax Commission  
Department of Social Services



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