

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4110-10
Bill No.: HCS for SCS for SB 925
Subject: Fees; Waste-Hazardous
Type: Original
Date: April 24, 2006

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
General Revenue	\$0	\$0 to (\$3,000,000)	\$0 to (\$2,000,000)
Total Estimated Net Effect on General Revenue Fund	\$0	\$0 to (\$3,000,000)	\$0 to (\$2,000,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
NRPF Water Permit Fee	\$0	(\$750,432)	(\$731,649)
Department of Insurance	(\$2,160)	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	(\$2,160)	(\$750,432)	(\$731,649)

*** The fiscal impact could be divided between the General Revenue Fund and the County Foreign Insurance Fund (which ultimately goes to local school districts) if some of the tax credits are utilized against insurance premium taxes.**

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 12 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Local Government	\$0	\$0	\$0

* **The fiscal impact could be divided between the General Revenue Fund and the County Foreign Insurance Fund (which ultimately goes to local school districts) if some of the tax credits are utilized against insurance premium taxes.**

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Attorney General's Office, Department of Corrections, Department of Revenue, Department of Transportation, Office of Administration, Department of Revenue, and Department of Health and Senior Services** assume no fiscal impact to their agency.

Officials from the **Department of Natural Resources** assume this proposal would change the amount retained by the Department of Revenue in the collection of the battery fee to 1% of net proceeds received from the battery fee. Currently the DOR keeps 4% of net proceeds received from the battery fee with the remaining amount deposited to the Hazardous Waste Fund. The net proceeds of the battery fee received by the DOR would decrease, and deposits to the Hazardous Waste Fund would increase by the same amount. There, the net fiscal impact to state funds would be zero.

ASSUMPTION (continued)

Section 135.710

In response to HB 1753 (2006) officials from the **Office of 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 \$1,500. 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.

In response to House Bill 1753 (2006) officials from the **Office of Administration - Budget and Planning** state the legislation authorizes tax credits for alternative fuel facilities. This legislation will have a negative impact on general revenue up to \$3 million in FY 2008, \$2 million in FY 2009 and \$1 million in FY 2010.

In response to House Bill 1753 (2006) officials from the **Department of Insurance (INS)** state it is unknown how many insurance companies will choose to participate in this program and take advantage of the tax credits. The department can not estimate how much would be lost in premium tax revenue as a result of tax credits. Premium tax revenue is split 50/50 between General Revenue and County Foreign Insurance Fund except for domestic Stock Property and Casualty Companies who pay premium tax to the County Stock Fund. The County Foreign Insurance Fund is later distributed to school districts throughout the state. County Stock Funds are later distributed to the school district and county treasurer of the county in which the principal office of the insurer is located. It is unknown how each of these funds may be impacted by tax credits each year.

INS states they will require \$2,164 for contract computer programming to add this new tax credit to the premium tax database.

Officials from the **Department of Natural Resources (DNR)** state this proposal would require their agency to receive and review the applications and certify to the Department of Revenue whether the applicants qualify. Currently, the department's Energy Center performs a similar review and certification process for the Wood Energy Tax Credit Program pursuant to Sections 135.300 - 135.311, RSMo.

ASSUMPTION (continued)

The department would not anticipate a need for additional resources as a result from this proposal

DNR assumes the proposal could result in additional private alternative refueling facilities in Missouri, thereby resulting in the possibility that additional alternative fuels could be utilized. There could be economic and environmental benefits to the extent the alternative fuels burn cleaner and are domestically produced.

Oversight has ranged the fiscal impact of the new tax credit from \$0 (no taxpayer taking utilizing the program) to the annual limits of \$3 million for 2007 and \$2 million for 2008. This tax credit can be utilized against several tax types, so funds other than General Revenue (i.e. County Foreign Insurance) could be impacted by the program. The tax credit may be applied to all tax years beginning on or after January 1, 2007. Therefore, taxpayers may make contributions in calendar year 2007 and utilize the credit on their returns filed after January 1, 2008. Therefore, up to \$3 million in tax credits could be utilized in FY 2008 and up to \$2 million in tax credits could be utilized in FY 2009. Up to \$1 million in tax credits could be utilized in FY 2010, which is beyond the scope of this fiscal note.

Section 324.760, 324.763, 324.766, 393.900 and 640.237

In response to House Bill 1801 (2006) officials from the **Department of Health and Senior Services** assume this proposal would not be expected to fiscally impact the operations of their agency. If a fiscal impact were to result, funds to support the program would be sought through the appropriations process.

Officials from the **Department of Natural Resources** assume this proposal would require all residential or commercial-septage pumpers operating in the state to register with the department. This registration would expire every four years.

There are approximately 385 septic pumping services doing business in Missouri listed with yellow-page advertisements. The department assumes there could be other pumping services not listed for the 114 counties in Missouri.

Beginning June 1, 2007, the department would be required to annually provide an updated list of registered residential and commercial septage pumpers to each county health department. The proposal allows this notification to be done electronically.

ASSUMPTION (continued)

Officials from the Department of Natural Resources assume this proposal requires the department to set the registration fee at an amount sufficient to recover the cost of processing registration. Therefore, for purposes of this fiscal note, the department assumes that any additional resources needed to implement this proposal would be offset by paid registration fees.

Water Pollution and Stormwater Control Bonds

Officials from the **Department of Natural Resources** assume bonds are sold on as-needed basis. Bond sales lag authorization by approximately 3 years.

37(e) money is approved for \$10 Million to be spent as follows:

\$7 Million for the 40% State Construction Grant Program

\$3 Million for the Rural Water and Sewer grants

37(g) money is approved for \$10 Million to be spent as follows:

\$5 Million for Rural Water grants and loans

\$5 Million for Rural Sewer grants and loans

37(h) money is approved for \$20 Million to be spent as follows:

\$10 Million for stormwater grants

\$10 Million for stormwater loans

Water Pollution Permit Fees Extension

Officials from the **Department of Natural Resources** assume this proposal would extend the fees for wastewater permits imposed under the water pollution statutes until December 31, 2009. Extension of these fees would provide some of the resources needed to administer the state water pollution control efforts.

The proposal would also create a joint committee to consider proposals for restructuring the fees imposed under Sections 644.052 and 644.053 RSMo. The committee would review the state's implementation of the federal clean water program and related state clean water responsibilities, and evaluate the costs to the state for maintaining the program. The committee would prepare and submit a report, including recommendations on funding the state clean water program, to the Governor, the House of Representatives and the Senate no later than December 31, 2008.

ASSUMPTION (continued)

Extension of the service connection fees, annual operating fees, general permit fees, construction permit fees and modification fees at current levels would provide a portion of the funding necessary to continue management of the federal water pollution control efforts administered by the department.

In FY06 the water permit fee rate structure is expected to generate approximately \$3.9 million. These fees support the permitting, engineering, inspection and compliance activities of the department's water pollution control efforts. However the current costs for these efforts is approximately \$8.2 million. The funding needed to cover the difference has come from federal grants, general revenue and managing fund expenditures with available cash, which detracts from the amount of work the department is able to accomplish.

	FY 2003	FY 2004	FY 2005
Water Permit Fees	\$4,386,639	\$4,135,018	\$4,468,517
Federal Funds	\$4,410,999	\$3,036,821	\$2,903,435
General Revenue	\$1,237,302	\$1,601,761	\$911,590
Total	\$10,034,940	\$8,773,600	\$8,283,542

Each fiscal year, the amount of permit revenues deposited into the permit fees subaccount of the Natural Resources Protection Fund, Water Permit Fees subaccount, corresponds to permitting activity. The ending balance in the Permit Fees subaccount for FY03 - \$4,440.77; FY04 - \$327,897.27; and FY05 - \$389,270.38. Each year the total funding from fees, federal funds and general revenue available to support the department's primary water pollution control efforts, including permitting, has decreased.

Extension of the current fee structures would maintain the current level of service in the short term. However as costs continue to rise and federal sources of funds are reduced, there is concern the level of service will decline. The department assumes the level of services would have to be adjusted to match the funds available.

By extending the water permit fee rate structure, this proposal is estimated to generate an estimated \$4.5M in revenue annually. The department assumes that a 20% increase in fees across the board would offset the estimated revenue shortfalls.

ASSUMPTION (continued)

Oversight assumes these costs would be considered during the restructuring process by the joint committee. Oversight assumes this proposed legislation extends an existing provision by removing or changing the expiration date. Oversight assumes removing or changing the expiration date will extend any fiscal impact associated with the existing provision. Therefore, Oversight has reflected a zero fiscal impact in the fiscal note.

Plasma-arc Torch Technology

Officials from the **Department of Natural Resources** assume the proposal would encourage the use of plasma-arc technology in the management of solid waste as an alternative to disposal in landfills. The DNR assumes existing staff would perform the education of local governments and the public about the benefits of using plasma-arc torch technology.

This proposal could result in a decrease in Total State Revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
GENERAL REVENUE			
<u>Revenue - Dept. of Natural Resources</u>			
Septic Removal Registration	Unknown	Unknown	Unknown
<u>Costs - Dept. of Natural Resources</u>			
Registration Costs	(Unknown)	(Unknown)	(Unknown)
<u>Loss - Tax credit for alternative fuel facilities</u>			
	\$0	\$0 to (\$3,000,000)	\$0 to (\$2,000,000)
ESTIMATED NET EFFECT ON GENERAL REVENUE			
	<u>\$0</u>	<u>\$0 to (\$3,000,000)</u>	<u>\$0 to (\$2,000,000)</u>

Note: This does not reflect the possibility that some of the tax credits could be utilized by insurance companies against insurance premium taxes. If this occurs, the loss in tax revenue would be split between the General Revenue Fund and the County Foreign Insurance Fund, which ultimately goes to local school districts.

NRPF WATER PERMIT FUND

<u>Revenue</u> - Department of Natural Resources	\$0	\$1,792,748	\$4,481,870
--	-----	-------------	-------------

<u>Cost</u> - Department of Natural Resources	\$0	<u>(\$2,543,180)</u>	<u>(\$5,213,519)</u>
---	-----	----------------------	----------------------

ESTIMATED NET EFFECT ON NRPF WATER PERMIT FUND	<u>\$0</u>	<u>(\$750,432)</u>	<u>(\$731,649)</u>
---	-------------------	---------------------------	---------------------------

INSURANCE DEDICATED FUND

<u>Cost</u> - Dept. of Insurance Reprogramming costs	<u>(\$2,164)</u>	<u>\$0</u>	<u>\$0</u>
---	------------------	------------	------------

ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND	<u>(\$2,164)</u>	<u>\$0</u>	<u>\$0</u>
---	-------------------------	-------------------	-------------------

<u>FISCAL IMPACT - Local Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Tax Credits - Alternative Fuel Facilities

A firm or corporation that is the owner of a qualified alternative fuel vehicle refueling property may be eligible for tax credits under this proposal.

DESCRIPTION

The act makes various technical changes to sections pertaining to hazardous waste.

The act allows the Department of Revenue to keep one percent of the lead acid battery fee, a change from the current four percent. The act removes the current requirement that in-state hazardous waste generators pay an annual registration fee of one hundred dollars. Resource

DESCRIPTION (continued)

recovery facilities have been added to the list of entities required to pay an annual fee for hazardous waste received from outside the state; all revenue from such fees shall be deposited to the hazardous waste fund.

Section 135.710

This proposal authorizes an income tax credit for any eligible applicant who installs and operates an alternative fuel vehicle refueling facility. For tax years beginning January 1, 2007, through December 31, 2009, an eligible applicant may apply to the Department of Natural Resources for a tax credit equal to the lesser of \$20,000 or 20% of the total cost of the purchase and installation of alternative fuel storage and dispensing equipment.

The tax credit is to be claimed in the tax year in which it was issued, and the balance may be carried forward two prior tax years. The tax credit may be assigned, transferred, sold, or otherwise conveyed.

The amount of tax credits authorized in taxable year 2007 will be \$3 million, \$2 million in 2008, and \$1 million in 2009. If the tax credit amount authorized for a taxable year is not sufficient to cover the total qualified applications, the credits will be prorated among the qualified applicants.

Section 260.360 and 260.800

This bill includes plasma arc technology as a way to process waste. Any facility designated as a waste to energy facility that generates electricity fueled from solid waste can use this technology.

Section 324.760, 324.763, 324.766, 393.900 and 640.237

This bill requires residential and commercial septage removal companies to register with the Department of Natural Resources. The registration form will require the business to:

- (1) Provide its name, postal address, physical address, and telephone number;
- (2) List all counties where the business operates or intends to operate;
- (3) Provide the name of the owner or a person for the receipt of service of process;
- (4) Certify that all information is correct; and

DESCRIPTION (continued)

(5) Pay a fee established by the department to cover registration expenses.

Businesses must notify the department of any changes in the information provided for registration. Registration must be renewed every four years by paying a renewal fee.

Businesses removing sewage must maintain a record of the removal and disposal of waste that includes:

- (1) An estimate of the amount of waste removed;
- (2) The date of removal;
- (3) The location where the waste was discharged, land-applied, or treated; and
- (4) The time of discharge, land-application, or treatment.

The department may make rules regarding the registration process and must provide each county health department with a list of registered waste disposal businesses. The list may be posted on the Internet and notice may be electronic.

Nonprofit sewer companies organized under Section 393.175 and Sections 393.825 - 393.861, RSMo, will be allowed to operate as nonprofit water companies under Sections 393.900 - 393.951 if they are not located in a rural or municipal water district.

Publicly owned wastewater treatment facilities will not be subject to a fine or penalty for exceeding state or federal discharge limits if excessive discharge was caused by the acceptance and treatment of waste from a registered business. Facilities must take reasonable steps to prevent environmental damage if excessive discharge occurs. The bill does not alter any reporting requirements.

Section 644.587, 644.588 and 644.589

In addition to those sums authorized prior to August 28, 2007, the board of fund commissioners of the state of Missouri, as authorized by section 37(h) of article III of the Constitution of the state of Missouri, may borrow on the credit of this state the sum of twenty million dollars in the manner described, and for the purposes set out, in chapter 640, RSMo. and in this chapter.

DESCRIPTION (continued)

Water Pollution Permit Fees Extension

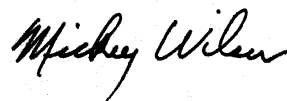
The act extends the fees imposed under the water pollution statutes until December 31, 2009.

The act directs the creation of a joint committee that shall consider proposals for restructuring the fees imposed under Sections 644.052 and 644.053 RSMo, as well as the state's implementation of the federal clean water program. The committee's report shall be due no later than December 31, 2008.

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

Attorney General's Office
Department of Natural Resource
Department of Revenue
Department of Transportation
Office of Administration
Department of Health and Senior Services
Department of Insurance
Office of Administration - Budget and Planning
Office of the Secretary of State



L.R. No. 4110-10
Bill No. HCS for SCS for SB 925
Page 12 of 12
April 24, 2006

Mickey Wilson, CPA
Director
April 24, 2006