

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4950-01
Bill No.: Perfected SB 1037
Subject: Natural Resources Dept.; Water Resources and Water Districts
Type: Original
Date: April 4, 2006

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Safe Drinking Water Fund*	\$0	\$1,121,031	(\$355,819)
Total Estimated Net Effect on Other State Funds	\$0	\$1,121,031	(\$355,819)

***This impact reflects changes to the Drinking Water Primacy Fees revenue. It does not include revenue generated from laboratory services and program administration fees, laboratory certification fees, and operator certification fees which are not impacted by this proposal.**

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 5 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

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Natural Resources** assume in FY06 the existing primacy fee rate structure is anticipated to generate approximately \$2.8 million. However the current costs for these efforts is approximately \$4 million. The funding needed to cover the difference has come from the existing fund balance.

The proposed legislation would enable the department to cover the revenue shortfall to maintain the current level of effort and provide approximately \$.5 million to provide the analytical support needed to implement new federal regulations filed in January 2006.

<i>Water System Service Connections</i>	<i>No. of Systems in Rate Bracket</i>	<i>Total No. of Active Service Connections</i>	<i>Current Rate</i>	<i>Current Revenues</i>	<i>Proposed Rate</i>	<i>Proposed New Revenues</i>
<i>1 - 1,000</i>	<i>1,109</i>	<i>237,058</i>	<i>2</i>	<i>464,634</i>	<i>3.24</i>	<i>752,707</i>
<i>1,001 - 4,000</i>	<i>184</i>	<i>352,116</i>	<i>1.84</i>	<i>634,936</i>	<i>3</i>	<i>1,033,841</i>
<i>4,001 - 7,000</i>	<i>33</i>	<i>173,198</i>	<i>1.67</i>	<i>283,456</i>	<i>2.76</i>	<i>467,702</i>
<i>7,001 - 10,000</i>	<i>16</i>	<i>132,269</i>	<i>1.5</i>	<i>194,435</i>	<i>2.4</i>	<i>310,449</i>
<i>10,001 - 20,000</i>	<i>5</i>	<i>71,213</i>	<i>1.34</i>	<i>93,517</i>	<i>2.16</i>	<i>150,813</i>
<i>20,001 - 35,000</i>	<i>7</i>	<i>188,090</i>	<i>1.17</i>	<i>215,664</i>	<i>1.92</i>	<i>354,002</i>
<i>35,001 - 50,000</i>	<i>1</i>	<i>46,696</i>	<i>1</i>	<i>45,762</i>	<i>1.56</i>	<i>71,389</i>
<i>50,001 - 100,000</i>	<i>1</i>	<i>75,929</i>	<i>0.84</i>	<i>62,505</i>	<i>1.32</i>	<i>97,924</i>
<i>> 100,000</i>	<i>3</i>	<i>609,920</i>	<i>0.66</i>	<i>394,496</i>	<i>1.08</i>	<i>644,942</i>
TOTAL REVENUES				\$2,797,138		\$4,528,668

ASSUMPTION (continued)

The department is obligated by law to provide all public water systems in Missouri with the laboratory support required by the Safe Drinking Water Act.

A major change to the Radionuclide Rule, promulgated in December, 2000, was the requirement to test every community water system source where it enters the distribution system; the previous rule required only one sample per system. This requirement has significantly increased the annual cost of the department's contract for radionuclide analyses - that cost rose from \$168,000 to \$480,000 for FY 2006.

New federal rules promulgated in January 2006, to support the Safe Drinking Water Act will have a significant impact on both program workload and analytical expense. These rules are the Long Term 2 Surface Water Treatment Rule (LT2), the Stage 2 Disinfectants and Disinfection Byproducts Rule (Stage 2 D/DBP) and the Groundwater Rule.

There are currently 83 surface water systems in Missouri. The implementation dates, sample frequency and duration is based upon the size of the public water system; the larger systems must begin 24 consecutive months of source water testing for cryptosporidium, E.coli and turbidity by July of 2006. The department has determined that there will be four implementation cycles for Missouri's water systems for this new rule. The testing must be performed using EPA Method 1622 or 1623 in a laboratory certified by EPA to run those methods. The cost per sample, to include the cost of shipping the sample to the laboratory, is projected to be \$576. There are stringent quality control requirements inherent of these analytical methods that frequently (25%) result in additional filtering of water samples thereby increasing the sampling costs. The costs for additional filtering and analysis is \$250 per sample.

There are 61 surface water systems that serve less than 10,000 people. They must submit two samples per month for 12 consecutive months for E.coli bacteria. If trigger levels of E.coli are exceeded, these smaller systems will also be required to test for cryptosporidium. The department projects that as many as 75% of these smaller systems will exceed these limits resulting in the need for the cryptosporidium testing. The per sample contract cost for E.coli analysis, to include to cost of shipping the sample, is projected to be \$45. The department has applied a conservative increase of 2.5% each year to the costs.

One significant impact of the Stage 2 D/DBP rule is the requirement to test consecutive systems for Trihalomethanes (THMs) and Haloacetic Acids (HAAs). There are 276 consecutive systems (systems that buy their water from other water systems). Another large impact is the requirement for every system to do an Initial Distribution System Evaluation (IDSE) to identify areas in their respective distribution systems that have elevated levels of DBPs. IDSE waivers are available to systems under 500 population or if the system has two years of qualifying compliance data.

The department's Environmental Services Program currently analyzes approximately 2,000 THM

ASSUMPTION (continued)

samples and 1,600 HAA samples for Missouri's public water systems each year; adding an additional 276 systems would double that workload.

There are a total of 275 systems that would be required to do an IDSE requiring additional THM and HAA testing. This initial implementation of this monitoring begins in October 2006 with the final implementation beginning in April 2008.

The projected per sample cost for THMs, to include the cost of shipping the sample to the laboratory, is \$55 and the projected per sample costs for HAAs, including the cost of shipping the sample, is \$47. The program has applied a conservative increase of 2.5% each year to the costs.

In addition to the on-going sample analysis costs, the department is requesting the addition of one laboratory technician to process these additional samples and the purchase of an Autosampler at \$40,000 and a Gas Chromatograph at \$80,000.

<u>FISCAL IMPACT - State Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
SAFE DRINKING WATER FUND			
<u>Revenue - Department of Natural Resources</u>			
Drinking Water Primacy Fees*	<u>\$0</u>	<u>\$1,731,530</u>	<u>\$4,528,668</u>
Total	<u>\$0</u>	<u>\$1,731,530</u>	<u>\$4,528,668</u>
<u>Cost - Department of Natural Resources</u>			
Salaries	\$0	\$0	(\$23,985)
Fringe Benefits	\$0	\$0	(\$1,056)
Other Fund Costs	<u>\$0</u>	<u>(\$480,885)</u>	<u>(\$4,843,740)</u>
Total	<u>\$0</u>	<u>(\$480,885)</u>	<u>(\$4,868,781)</u>
ESTIMATED NET EFFECT ON SAFE DRINKING WATER FUND	<u>\$0</u>	<u>\$1,121,031</u>	<u>(\$355,819)</u>

***This revenue only reflects changes to the Drinking Water Primacy Fees. It does not include revenue generated from laboratory services and program administration fees, laboratory certification fees, and operator certification fees which are not impacted by this proposal.**

FISCAL IMPACT - Local Government

FY 2007
(10 Mo.)

FY 2008

FY 2009

\$0

\$0

\$0

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

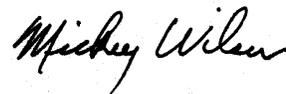
DESCRIPTION

The act extends the expiration date for the public drinking water primacy fees until September 1, 2012. Such fees are in place for the purpose of complying with federal drinking water requirements. The act increases these fees to accommodate new guidelines; the fee amounts are described in the act.

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



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