

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1954-01
Bill No.: HB 734
Subject: Environmental Protection; Natural Resources Dept.
Type: Original
Date: March 3, 2009

Bill Summary: Extends expiration date to December 31, 2010 for water pollution control permit fees

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Water Permit Fees	(\$188,108)	(\$2,586,074)	(\$5,601,882)
Total Estimated Net Effect on Other State Funds	(\$188,108)	(\$2,586,074)	(\$5,601,882)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on FTE	0	0	0

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 2010	FY 2011	FY 2012
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Natural Resources (DNR)** assume this proposal would extend the fees for wastewater permits imposed under the water pollution statutes until December 31, 2010. Extension of these fees would provide some of the resources needed to administer the state water pollution control efforts.

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 FY09 the water permit fee rate structure is expected to generate approximately \$4.4 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 \$12 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 2007	FY 2008	FY 2009 (projected)
Water Permit Fees	\$5,610,085	\$4,903,160	\$4,413,399
Federal Funds	\$4,941,622	\$4,388,471	\$4,449,727
General Revenue	\$1,906,992	\$1,144,821	\$3,096,117
Total	\$12,458,699	\$10,436,452	\$11,959,243

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 FY06 - \$594,389; FY07 - \$400,972; and FY08 - \$248,333. 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.

ASSUMPTION (continued)

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 \$4.4M in revenue annually.

In projecting the fiscal impact, 60% is projected to be received prior to December 31, 2009, or FY2010. Fiscal impact will be 40% of fee revenues in FY10 and 50% in FY11. No revenue from permit fees would be received in FY12.

	FY 2010* (July 1, 2009- Dec. 31, 2009)	FY 2010* (Jan. 1, 2010- June 30, 2010)	FY 2011	FY 2012
Water Permit Fees	\$2,664,882	\$1,776,588	\$ 2,664,882	\$ 0
General Revenue	\$1,657,194	\$1,104,796	\$ 2,868,338	\$ 2,979,312
Federal Funds	\$2,720,108	\$1,813,405	\$ 4,561,253	\$ 4,592,974
Total Resources Available	\$7,042,184	\$4,694,789	\$10,094,473	\$ 7,572,286

* For FY2010, 60% (\$2,664,882) of the water permit fee revenue would be remitted under the current statute; 40% (\$1,776,588) would be remitted under this proposed legislation. The remaining 60% (\$2,664,882) of this one-year fee extension would be remitted in FY 2011.

Total projected costs are below:

	FY 2010 (July 1, 2009- Dec. 31, 2009)	FY 2010 (Jan. 1, 2010- June 30, 2010)	FY 2011	FY 2012
Water Permit Fees	\$2,947,045	\$1,964,696	\$ 5,250,956	\$ 5,601,882
General Revenue	\$1,657,194	\$1,104,796	\$ 2,868,338	\$ 2,979,312
Federal Funds	\$2,720,108	\$1,813,405	\$ 4,561,253	\$ 4,592,974
Total Costs	\$7,324,347	\$4,882,897	\$12,680,547	\$13,174,168

For purposes of this fiscal note, the department assumed that the General Revenue appropriations and expenditures would remain at the current level to ensure that the state would continue to meet the required match for federal grant dollars awarded to and expended by the department. Without state match dollars, the department cannot receive federal dollars. The federal grant

ASSUMPTION (continued)

dollars provide funds that cover a portion of the department's permitting, compliance, inspection and enforcement activities. These federal grant dollars provide a significant portion of the funding to support water quality monitoring activities required to analyze and assess the impacts of point-source discharges into waters of the state.

<u>FISCAL IMPACT - State Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
WATER PERMIT FEES FUND (0568)			
<u>Revenue - Department of Natural Resources</u>			
Other Fund Costs (Water Permit Fees)	\$1,776,588	\$2,664,882	\$0
<u>Cost - Department of Natural Resources</u>			
Other Fund Costs (Water Permit Fees)	<u>(\$1,964,696)</u>	<u>(\$5,250,956)</u>	<u>(\$5,601,882)</u>
ESTIMATED NET EFFECT ON WATER PERMIT FEES FUND*	<u>(\$188,108)</u>	<u>(\$2,586,074)</u>	<u>(\$5,601,882)</u>

***Oversight is unclear as to how this deficit would be made up. It is possible that it could be made up with an increase in General Revenue.**

<u>FISCAL IMPACT - Local Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

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

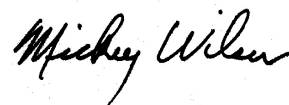
FISCAL DESCRIPTION

Under current law, the authority expires on December 31, 2009, for the Clean Water Commission to charge fees for construction permits, operating permits, and operator's certifications related to water pollution control. This act extends the expiration date to December 31, 2010.

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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Director
March 3, 2009