

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2062-10
Bill No.: HCS for SS for SCS for SB 539
Subject: Energy; Natural Resources Dept.; Political Subdivisions; Sewers and Sewer Districts; Water Resources and Water Districts
Type: Original
Date: April 27, 2009

Bill Summary: Provides authority to the Department of Natural Resources to distribute federal economic stimulus funds and seek certain federal grants. Extends expiration date to December 31, 2010 for water pollution control permit fees. Prohibits the Metropolitan Sewer District from charging storm water services where it does not provide sanitary sewer service. Authorizes sewer subdistricts in Jackson County to issue bonds for upgrades.

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 <u>Other</u> State Funds	(\$188,108)	(\$2,586,074)	(\$5,601,882)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 9 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, State Treasurer's Office and Office of Administration - Division of Accounting** assume there will be no fiscal impact to their agency.

Officials from **St. Louis County** and **Clinton County** assume there will be no fiscal impact to their county.

Officials from the **City of Kansas City** assume there will be no fiscal impact to their city.

Officials from the **City of Centralia** assume there will be no fiscal impact to their city.

Officials from **Cass County** assume they would see no fiscal impact with this proposal in terms of the county budget. However, depending on the disbursement of funds, water or sewer districts might see an increase in revenue.

Section 644.036 & 644.054

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.

ASSUMPTION (continued)

	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.

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.

ASSUMPTION (continued)

	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 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.

Officials from **Little Blue Valley Sewer District** assume there will be no cost to their district.

ASSUMPTION (continued)

Section 204.569

Officials from the **State Tax Commission** assume there will be no fiscal impact to their agency.

Officials from **Jackson County** did not respond to our request for fiscal impact from their county.

Oversight assumes this proposal is discretionary and would have no local fiscal impact without action by the governing body.

Section 204.659

Officials from the **Department of Economic Development (DED)** assume there will be no impact to their agency.

Officials from **Metropolitan St. Louis Sewer District (MSD)** assume this proposal will prohibit MSD from assessing any real property owner a fee, charge, or charge, or tax for storm water management services if the district does not directly provide sanitary sewer services to such property. This change to MSD's stormwater rate structure will necessitate additional programming costs of approximately \$50,000 and result in a more cumbersome billing and collection process.

The estimated revenue losses to MSD for the fiscal years 2010 - 2012 equals \$19,450,000. The estimated total revenue losses for fiscal years 2010 -2014 when the full stormwater rate of \$0.29 per 100 square feet of impervious surface takes effect is \$40,000,000.

Oversight assumes this proposal as written is enabling legislation and would require action by the county's governing body or by citizen petition with voter approval before fiscal impact would be realized. **Oversight** assumes no state or local fiscal impact.

<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

The act allows the state to distribute federal economic stimulus funds to local governments, public water or sewer districts, and other eligible entities to assist the construction of public drinking water and water pollution control projects, as such projects are approved by the Safe Drinking Water Commission or Clean Water Commission.

The act allows the Department of Natural Resources to analyze the potential for increased utilization of landfill gas as an alternative energy source. The act also provides authority to the department to enter into cooperative agreements with other states, political subdivisions, private entities, and educational institutions in order to seek and obtain federal grants. The act allows funds appropriated to the department for energy-related activities to be used to carry out

FISCAL DESCRIPTION (continued)

agreements, contracts, subgrants, or cooperative arrangements with other governmental and non-profit organizations.

The act creates the Energy Futures Fund. Moneys in the fund may be used for energy-related activities including energy efficiency programs, energy studies, energy resource analyses, and related departmental administration costs.

This portion of the act contains an emergency clause.

Section 644.054

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.

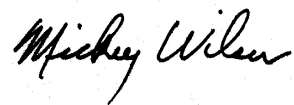
Section 204.659

This act prohibits the Metropolitan Sewer District (MSD) from charging any landowner for storm water management services if MSD does not provide sanitary sewer service to the landowner's property.

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
St. Louis County
Clinton County
City of Centralia
Cass County
City of Kansas City
Office of Administration
 Division of Accounting
State Treasurer's Office
Little Blue Valley Sewer District
Department of Economic Development
Metropolitan St. Louis Sewer District



Mickey Wilson, CPA
Director
April 27, 2009