

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 5116-01  
Bill No.: Perfected HB 1251  
Subject: Water Resources and Water Districts; Boards, Commissions, Committees, Councils; Fees; Natural Resources Dept.  
Type: Original  
Date: February 14, 2012

Bill Summary: This proposal extends the year in which the Department of Natural Resources may impose fees for the enforcement of the federal Safe Drinking Water Act.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Safe Drinking Water Fund*	\$0 to \$3,833,333	\$0 to \$4,600,000	\$0 to \$4,600,000
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0 to \$4,600,000</b>	<b>\$0 to \$4,600,000</b>	<b>\$0 to \$4,600,000</b>

\* Extension of the safe drinking water primacy fee  
 Numbers within parentheses: ( ) indicate costs or losses.  
 This fiscal note contains 7 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>
Drinking Water State Revolving Fund*	\$12,000,000 to \$18,000,000	\$12,000,000 to \$18,000,000	\$12,000,000 to \$18,000,000
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$12,000,000 to \$18,000,000</b>	<b>\$12,000,000 to \$18,000,000</b>	<b>\$12,000,000 to \$18,000,000</b>

\* Extension of the safe drinking water federal matching funds

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

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).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials at the **Department of Natural Resources (DNR)** assume this proposal would extend the drinking water primacy fee in Section 640.100, RSMo until September 1, 2017. Currently this fee is set to expire September 1, 2012.

DNR states, this proposal would continue funding to implement, administer, and enforce public drinking water requirements for safe drinking water provided to the public. Public water systems serve more than 90% of Missouri citizens.

DNR states, this proposal would continue support for monitoring, regulatory oversight, and contaminant mitigation as necessary to provide safe drinking water.

DNR states, primacy fees provide 43% of the support needed for the department's public drinking water effort, allowing the state to maintain its delegated authority, or primacy, under the federal Safe Drinking Water Act.

DNR states, the primacy fee provides funding for activities to support drinking water which includes analysis of water samples, engineering activities of review and approval of construction authorizations and permits to dispense, coordination of public notices, development and coordination of Consumer Confidence Reports, compliance and enforcement activities, inspections and sanitary surveys, technical assistance, data management, recordkeeping, and reporting, development and implementation of rules, and research on emerging contaminants.

DNR states, section 640.100.3 requires the analysis of all drinking water to be made by the state. The majority of public water supply systems in Missouri are small, serving a population less than 10,000. The primacy fee saves the citizens served by these small systems money because the cost of monitoring for chemical contaminants far exceeds their annual primacy fee payment. Maintaining primacy reduces monitoring costs for Missouri's public water systems through vulnerability assessments for chemical contaminants performed by the department. These vulnerability assessments reduce the amount of monitoring by approximately 75 percent, saving an average of approximately \$6.5 million annually. EPA does not perform such assessments and would require the full scope of monitoring. The cost of the increased monitoring would be passed along to the customers in the form of higher water rates.

ASSUMPTION (Continued)

DNR states, if the primacy fee expires on September 1, 2012, the department will not have adequate funding needed for laboratory support, inspections and compliance activities, or complaint investigations and technical assistance. Declining performance could result in loss of the state's federally delegated primacy authority and it could then lose the federal drinking water program funds as well as the federal capitalization grants for the drinking water state revolving fund.

DNR states, primacy fees provide the match for the 10 percent set-aside of the Drinking Water State Revolving Fund capitalization grants for public water system supervision. In order to obtain these federal funds of approximately \$1.0 million per year, Missouri is required to provide at least an equal amount of state funds, at least half of which must be in addition to the amount the state expended in Federal Fiscal Year 93. Without renewal of these fees the department will not be able to provide the required state matching funds.

DNR states, with passage of this proposal, the state would be able to maintain its primacy delegation authority and qualify for federal state revolving fund capitalization grants that provide low-cost loans to public water systems and funding for source water protection and other specified activities under the federal Safe Drinking Water Act.

DNR states, the department does not anticipate a fiscal impact as a result of this proposal if the sunset date is extended. However, if the sunset provision is not amended as proposed, the estimated total loss of revenue to support safe drinking water in Missouri is approximately \$4.6 million per year to the Safe Drinking Water Fund .

**Oversight** assumes the proposed legislation does not change DNR's authority but would continue to fund an existing program. Current law contains an expiration date of September 1, 2012 for the collection of the drinking water primacy fee. This proposal would extend the expiration date of the safe drinking water primacy fees by 5 years to September 1, 2017.

**Oversight** assumes under federal law, only states that maintain their primacy delegation qualify for federal capitalization grants for the Drinking Water State Revolving Fund (DWSRF).

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.

Officials at the **Office of the State Auditor** and **State Treasurer's Office** each assume there is no fiscal impact from this proposed legislation.

Officials at the **Office of Attorney General** assumes that any potential arising from this proposal can be absorbed with existing resources.

<u>FISCAL IMPACT - State Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
<b>SAFE DRINKING WATER FUND</b>			
<u>Revenue - Primacy Fees</u>	<u>\$0 to</u> <u>\$3,833,333</u>	<u>\$0 to</u> <u>\$4,600,000</u>	<u>\$0 to</u> <u>\$4,600,000</u>
<b>ESTIMATED NET EFFECT ON SAFE DRINKING WATER FUND</b>	<b><u>\$0 to</u></b> <b><u>\$3,833,333</u></b>	<b><u>\$0 to</u></b> <b><u>\$4,600,000</u></b>	<b><u>\$0 to</u></b> <b><u>\$4,600,000</u></b>
<u>FISCAL IMPACT - Federal Funds</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
<b>DRINKING WATER STATE REVOLVING FUND</b>			
<u>Revenue - Federal Capitalization Grants</u>	<u>\$12,000,000 to</u> <u>\$18,000,000</u>	<u>\$12,000,000 to</u> <u>\$18,000,000</u>	<u>\$12,000,000 to</u> <u>\$18,000,000</u>
<b>ESTIMATED NET EFFECT ON DRINKING WATER STATE REVOLVING FUND</b>	<b><u>\$12,000,000 to</u></b> <b><u>\$18,000,000</u></b>	<b><u>\$12,000,000 to</u></b> <b><u>\$18,000,000</u></b>	<b><u>\$12,000,000 to</u></b> <b><u>\$18,000,000</u></b>
<u>FISCAL IMPACT - Local Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
	<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.

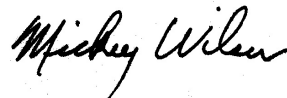
FISCAL DESCRIPTION

This bill extends, from September 1, 2012, to September 1, 2017, the authorization for the Department of Natural Resources to impose fees for the implementation, administration, and enforcement of the federal Safe Drinking Water 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  
Office of Secretary of State  
State Treasurer's Office  
Office of the Attorney General  
Office of Administration  
Office of the State Auditor



Mickey Wilson, CPA  
Director  
February 14, 2012