

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0782-08
Bill No.: Truly Agreed To and Finally Passed SS#3 for SCS for SB 142
Subject: Energy; Federal-State Relations; Natural Resources Department; Utilities
Type: Original
Date: June 4, 2015

Bill Summary: This proposal requires the Department of Natural Resources to take certain actions when submitting plans to the Environmental Protection Agency.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	(\$202,915)	(\$218,771)	(\$221,158)
Total Estimated Net Effect on General Revenue	(\$202,915)	(\$218,771)	(\$221,158)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	3 FTE	3 FTE	3 FTE
Total Estimated Net Effect on FTE	3 FTE	3 FTE	3 FTE

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

§ 640.090 - Department of Natural Resources Implementation Impact Report:

Officials from the **Department of Natural Resources (DNR)** assume this proposal would require an implementation impact report, in lieu of a regulatory impact report (RIR) required under section 640.015, for all state implementation plans (SIPs), state plans to comply with federal regulations relating to carbon emissions for existing-source performance standards, or non-point source management plans prepared for submission to the U.S. Environmental Protection Agency (EPA) based on Clean Water and Clean Air Act regulations.

DNR assumes the proposal specifies the criteria the implementation impact report must include, some of which DNR does not currently have the expertise on staff to address. This proposal adds two other requirements, 640.090(11) relates to the potential impact of the plan on generation, supply, distribution and service reliability; and (12) incorporates all the elements of a regulatory impact report as required under section 640.015.

DNR assumes the proposal requires DNR to provide the implementation impact report and SIP/plan to both houses of the legislature and Governor's Office 45 days before submission to the EPA and requires the documents to be posted to DNR's website. This version of the proposal also states the Joint Committee on Government Accountability may conduct at least two public hearings within 45 days of receiving the implementation impact report in order to seek public comment on the SIP/plan and implementation impact report.

DNR notes, currently they do not have staff with the expertise necessary for preparing the implementation impact report required in this proposal. Currently, DNR relies heavily on extensive stakeholder involvement when considering impacts well in advance of proposing a rule or other major action.

DNR assumes one additional FTE would be required. The additional technical staffing need is estimated based on the current level of effort to prepare an RIR for any rule that prescribes an environmental condition or standard (required by 640.015, RSMo). The preparation time for these rulemaking RIRs is estimated at approximately 150 hours each. It is anticipated the new requirement for implementation impact reports will double the amount of preparation time and effort, or roughly 300 hours each, due to the more in-depth analysis and coordination with other agencies required.

ASSUMPTION (continued)

DNR assumes the economist position would be necessary to address the additional economic components that are not already required under existing law. DNR anticipates the additional expenses to begin July 1, 2015 (FY16). The total additional expenses would result in an estimated fiscal impact of (\$88,901) in FY16.

Anticipated job duties and responsibilities for the 1 additional Economist FTE are as follows:

- Assess the economic impact all SIPs/plans will have on businesses and citizens in the state, including disproportionate impacts on lower income populations and any anticipated job losses or gains anticipated.
- Conduct cost-benefit analyses of how all SIPs/plans affect the economic well-being of the state, as well as the projected cost or benefits to affected industries and consumers and citizens.
- Coordinate with Air Program environmental engineers and environmental specialist (existing staff), as well as other state agencies, on remaining elements of implementation impact reports.

DNR assumes the proposal does not provide a funding source and the department currently has no funds available for additional work as existing fees are not covering current year expenditures. DNR assumes General Revenue funds would be required to implement the proposal with the following costs in FY16.

Economist - salary	(\$50,100)
Fringe Benefits	(\$26,055)
<u>Equipment & Expense</u>	<u>(\$12,746)</u>
Total Cost	(\$88,901)

DNR notes, if DNR does not submit an approvable SIP or plan to EPA by the Clean Air Act deadline, EPA has the authority to impose a federal implementation plan (FIP) on the state. A FIP likely provides less flexibility and imposes higher costs on affected sources. In addition, being under a federal plan means EPA would enforce these requirements within the State of Missouri.

ASSUMPTION (continued)

Officials from the **Department of Economic Development - Division of Business and Community Services (DED-BCS)** state this proposal requires DED, in conjunction with the Department of Health and Senior Services (DHSS), Department of Revenue (DOR), and the Department of Natural Resources (DNR) to prepare an economic analysis relating to the Clean Water Act.

DED-BCS requests two additional FTE to complete the tasks associated with this proposal. The additional FTE are based on the current Regulator Impact Report (RIR) preparation for any rule that prescribes an environmental condition or standard (required by 640.015, RSMo).

DED assumes the preparation time for these rulemaking RIRs is estimated at approximately 150 hours each. It is anticipated the new requirement for State Implementation Plan (SIP) RIRs will double the amount of preparation time, due to more in-depth analysis. The Air Pollution Control Program typically prepares 8 SIPs a year, which is equal to an estimated 2,400 FTE hours (typical FTE 2,080 hours). DED-BCS assumes they will be requested to provide analysis on the economic impact the plan will have on businesses, citizens, and the state.

DED-BCS assumes General Revenue funds would be required to implement the proposal with the following costs in FY16.

2 Economic Development Specialist 1 - salaries	(\$61,488)
Fringe Benefits	(\$31,977)
<u>Equipment & Expense</u>	<u>(\$20,549)</u>
Total Cost	(\$114,014)

Officials from the **Department of Economic Development - Division of Energy** assume it will monitor, review and provide input related to energy policies, energy needs, resource mix and reliability for plans and implementation impact reports related to carbon emissions and on a more limited basis, other Clean Air Act provisions. The Division of Energy is aware that the Department of Economic Development's Missouri Economic Research Information Center (DED/MERIC) and the Department of Natural Resources (DNR) are requesting FTEs to implement the provisions of this proposal. Therefore, the Division of Energy will defer to DED/MERIC and rely on its economic analysis and not request an additional FTE.

Oversight assumes the two additional FTE requested by DED-BCS to complete the tasks of this proposal would be placed within the Missouri Economic Research Information Center (MERIC). Oversight assumes FTE costs will be paid from the General Revenue Fund and will use the estimates provided by DED-BCS.

ASSUMPTION (continued)

Officials from the **Department of Revenue, Department of Health and Senior Services, Department of Economic Development-Missouri Public Service Commission, Department of Economic Development - Division of Energy**, and the **Office of Administration - Division of Budget and Planning** each assume the proposal would not fiscally impact their respective agencies.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
GENERAL REVENUE FUND			
<u>Costs - DNR § 640.090</u>			
Personal Service	(\$50,100)	(\$60,721)	(\$61,328)
Fringe Benefits	(\$26,055)	(\$31,578)	(\$31,894)
Expense and Equipment	<u>(\$12,746)</u>	<u>(\$6,099)</u>	<u>(\$6,252)</u>
<u>Total Costs - DNR</u>	<u>(\$88,901)</u>	<u>(\$98,398)</u>	<u>(\$99,474)</u>
FTE Change - DNR	1 FTE	1 FTE	1 FTE
<u>Costs - DED-BCS § 640.090</u>			
Personal Service	(\$61,488)	(\$74,524)	(\$75,269)
Fringe Benefits	(\$31,977)	(\$38,756)	(\$39,144)
Expense and Equipment	<u>(\$20,549)</u>	<u>(\$7,093)</u>	<u>(\$7,271)</u>
<u>Total Costs - DED</u>	<u>(\$114,014)</u>	<u>(\$120,373)</u>	<u>(\$121,684)</u>
FTE Change - DED	2 FTE	2 FTE	2 FTE
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>(\$202,915)</u>	<u>(\$218,771)</u>	<u>(\$221,158)</u>
Estimated Net FTE Change for the General Revenue Fund	3 FTE	3 FTE	3 FTE
 <u>FISCAL IMPACT - Local Government</u>			
	FY 2016 (10 Mo.)	FY 2017	FY 2018
	<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

§ 640.090 - Department of Natural Resources Implementation Impact Report:

This proposal requires the Department of Natural Resources, when developing a state implementation plan, state plan, or non-point source management plan for submission to the Environmental Protection Agency, to prepare an implementation impact report in lieu of a regulatory impact report in collaboration with certain other state entities. The report shall contain certain criteria as set forth in this proposal, and shall be delivered to the Governor, Joint Committee on Government Accountability, President Pro Tempore of the Senate, and the Speaker of the House of Representatives along with the proposed plan 45 calendar days prior to submission to the Environmental Protection Agency.

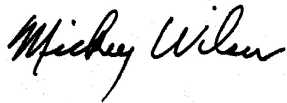
The report and proposed plan shall also be posted on DNR's website home page. If such plan is revised prior to submission to the Environmental Protection Agency, such revised plan shall also be provided to such elected officials and posted on DNR's website. Under this proposal, DNR is also required to hold one stakeholder meeting in developing a plan for Environmental Protection Agency submission that includes certain groups as set forth in this proposal.

This proposal allows, upon receiving the implementation impact report, the Joint Committee on Government Accountability to hold at least 2 public hearings to seek public comment on the plan and the report. The Joint Committee may also request that a representative from the Environmental Protection Agency attend at least one of the hearings. Nothing in this proposal shall confer authority on the Public Service Commission or the Department of Natural Resources jurisdiction over rural electric cooperatives or municipally-owned utilities, nor shall it effect the development of emission standards for certain carbon dioxide standards.

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
Department of Economic Development -
 Division of Business and Community Services
 Division of Energy
 Missouri Public Service Commission
Department of Health and Senior Services
Department of Revenue
Office of Administration - Division of Budget and Planning



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June 4, 2015

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