

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION
FISCAL NOTE

L.R. No.: 4683-03
Bill No.: HCS for SB 682
Subject: Office of Administration; Public Records; Public Meetings; State Departments
Type: Original
Date: May 9, 2016

Bill Summary: This proposal modifies provisions relating to land purchases by state departments.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
General Revenue	(Up to \$36,026)	(Up to \$44,356)	(Up to \$45,465)
Total Estimated Net Effect on General Revenue	(Up to \$36,026)	(Up to \$44,356)	(Up to \$45,465)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Department of Natural Resources Fixed Asset Accounts	(\$8,000,000)	\$0	\$0
Parks and Soils Sales Tax	(\$49,517)	(\$60,906)	(\$62,429)
Land Reclamation Legal Settlement*	\$0	\$0	\$0
Total Estimated Net Effect on Other State Funds	(\$8,049,517)	(\$60,906)	(\$62,429)

*Revenue and Costs Net to Zero

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 10 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on FTE	0	0	0

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 2017	FY 2018	FY 2019
Local Government	\$0 or Unknown	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Section 34.030

Officials from the **Office of Administration (OA) - Facilities Management Design and Construction (FMDC)** assumes the probability of purchasing property would be one per year. For one purchase, the advertising cost could vary from \$7,792 to \$43,274 depending on the advertising market area. The requirements in section 13.005 would create the need for additional funds to cover the cost for advertising. FMDC assumes these costs would be \$36,062 in FY 17, \$44,356 in FY 18, and \$45,465 in FY 19.

Officials from the **Department of Natural Resources (DNR)** assume the public notice requirement of the proposal will drive up both the interest and the price of acquiring land. At this time, DNR assumes a 25% cost increase. The Division of State Parks has spent an average of \$389,000 annually on land acquisitions (6 year average); therefore, we anticipate an annual cost increase for land purchases of \$97,250.

Oversight assumes the increased price of acquiring land is speculative and will not reflect that impact in the fiscal note.

DNR also stated the advertising requirements would be dependent on each county that land may be purchased in. The requirement for the notice of the intent to purchase requires two weeks of advertisement in every newspaper of the impacted county with circulation of more than 500 customers. The requirement for the notice of the public hearing requires two weeks of advertisement in every newspaper of the impacted county with circulation of more than 500 customers. Based on quotes provided by the Missouri Press Service, Inc, the lowest advertisement rate is \$25.50 per week while the highest rate is \$4,244.34 per week. On average, the Division of State Parks makes 7 land purchases per year (6 year average). Therefore, the price of the two week notice (hearing) would range from \$357 - \$59,423.

Oversight notes that this requirement does not apply to "such departments as derive their power to acquire lands from the constitution of the state". Therefore, the proposal would not impact the Missouri Department of Conservation nor the Department of Transportation.

ASSUMPTION (continued)

Sections 444.1000 and 640.780

Officials at the **Department of Natural Resources (DNR)** stated their Division of State Park's (DSP) acquired approximately 4,167 acres in Oregon County on January 15, 2016. Visitors are estimated at 58,000 per year. If the state is forced to sell, DNR will need to send sale proceeds to the federal treasury settlement account.

Neither State nor Federal funds held in the State Treasury were used to purchase this property.

§444.1000 of this proposal does not appear to add any additional duties to the DNR; therefore, no direct fiscal impact from this provision would be anticipated.

§444.1000.2 would create the Land Reclamation Legal Settlement Fund which the proposal states would consist of monies derived from the Department of Natural Resources' sale of land located in Oregon County. However, in the Notice of Financial Agreement document, there is a clause that states that "if the Department is forced to sell or transfer the Property in violation of this obligation, the net proceeds of such sale or transfer will be remitted to the U.S. Department of the Interior ("DOI") Restoration Account to be used by the DOI and the Department as co-trustees to fulfill the restoration objectives of the CERCLA and the ASARCO LLC Settlement Agreement."

Oversight notes the recent purchase by DNR is the result of a 2007 settlement in which ASARCO agreed to pay Missouri for environmental damages in Missouri's lead mining counties. DNR and the U.S. Fish and Wildlife Service are acting as trustees for the settlement proceeds.

Oversight notes that § 444.1000.1 states there is hereby created the "Land Reclamation Legal Settlement Commission" (Commission), which shall be composed of four members; the chair of the Southeast Missouri Regional Planning Commission, the vice chair of the Southeast Missouri Regional Planning Commission, the chair of the Ozark Foothills Regional Planning Commission, and the chair of the Meramec Regional Planning Commission. The purpose of the Commission will be to develop and implement a plan for primary restoration projects for areas affected.

Also, Oversight notes that § 444.1000.2 states there is hereby created "Land Reclamation Legal Settlement Fund" (Fund) for which proceeds from the sale of land in Oregon County will be deposited in the Fund and the monies will be used for the restoration projects. And § 640.780.1 states if there is no purchaser, the property shall revert to the ownership of the county government.

Oversight notes that it must prepare the fiscal note on the proposal as written. The proposal does

ASSUMPTION (continued)

not consider the possibility that the proceeds (if any) from the sale of lands in Oregon County will revert to the United States Department of Interior Restoration Account.

Therefore **Oversight**, for fiscal note purposes, must show proceeds of any land sales will be deposited into the Land Reclamation Legal Settlement Fund. If the land is not sold ownership of the land reverts back to the Oregon County. DNR purchased the land for approximately \$8,000,000. Oversight will show a loss of \$8,000,000 to DNR's fixed asset account.

Oversight will show \$0 to Unknown impact to the Land Reclamation Legal Settlement Fund with \$0 representing no purchaser and ownership of the land in Oregon County reverts back to the county government and Unknown reflects the proceeds from the sale of the property which will be offset by the unknown cost of restoration projects in FY17, FY 18 and FY 19 (and indefinitely until moneys in the Fund are exhausted).

Officials at the **Department of Transportation (MoDOT)** assumed the proposal could have a negative fiscal impact on their organization.

§640.780, paragraph 3 is written to include a deed restriction on property conveyed that would require the property to "never be sold to, leased, or otherwise controlled by a state or federal agency". This restriction would hinder our ability to acquire land for future road improvement projects if the suggested deed restriction were in place.

If this legislation were to pass and we make an assumption that there is one project in each of the five counties that because of the deed restriction would require us to relocate a route 1 mile, in order to perform the improvements, it would result in a \$5 million dollar fiscal impact. One mile of road is estimated to cost \$1 million.

Oversight verified with MoDOT that there are no current road plans that would be impacted by this proposal and that their response reflects a potential impact if future road plans are impacted. Therefore, Oversight will assume the proposal will not have a direct fiscal impact on MoDOT within the scope of the fiscal note.

Officials at the **St. Louis County** assume this proposal will not have a fiscal impact on their organization.

Oversight will not show an impact to local political subdivisions in Oregon County, either increase property tax with the state no longer holding an interest in land, or a potential loss of tourism-related revenue as mentioned by DNR. Oversight considers these indirect impacts.

ASSUMPTION (continued)

Oversight will show a \$0 or unknown positive impact in FY17 to local government. The unknown represents no purchaser for the land in Oregon County and ownership reverts back to the County. Oversight will not assign a dollar value to the land because value of land is usually based on market value and if it does not sell the market value will be unknown. If the land sells, there would be a \$0 impact to the County.

Bill as a Whole

Officials from the **Department of Corrections**, the **Department of Labor and Industrial Relations**, the **Department of Mental Health**, the **Department of Economic Development**, the **Department of Elementary and Secondary Education** defer to Office of Administration for fiscal impact.

Officials from the **Office of the State Courts Administrator**, the **Legislative Research**, the **Office of Prosecution Services**, the **State Tax Commission**, the **Administrative Hearing Commission**, the **MoDOT and Patrol Employees Retirement System**, the **Department of Public Safety - Capitol Police**, the **Joint Committee on Administrative Rules**, the **Missouri Ethics Commission**, the **Department of Revenue**, the **Joint Committee on Public Employee Retirement**, the **Department of Public Safety - State Emergency Management Agency**, the **State Tax Commission**, the **Department of Public Safety - Division of Fire Safety**, the **Office of the State Auditor**, the **Office of the Governor**, the **Missouri Consolidated Health Care Plan**, the **Department of Insurance, Financial Institutions and Professional Registration**, the **Office of Prosecution Services**, the **Missouri Senate**, the **Department of Social Services** and the **Missouri State Employees Retirement System** each assume the current proposal would not fiscally impact their respective agencies.

Officials from the **Office of Administration - Budget and Planning (BAP)** assume the current proposal would not fiscally impact their agency. BAP defers to other agencies regarding its impact on them. BAP notes any land sales proceeds deposited into the state treasury will increase Total State Revenue.

<u>FISCAL IMPACT - State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
GENERAL REVENUE			
<u>Costs</u> - OA-FMDC - Advertising costs for purchasing land	(Up to <u>\$36,062</u>)	(Up to <u>\$44,356</u>)	(Up to <u>\$45,465</u>)
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	<u>(Up to \$36,062)</u>	<u>(Up to \$44,356)</u>	<u>(Up to \$45,465)</u>
PARKS AND SOILS SALES TAX FUND			
<u>Costs</u> - DNR - Advertising costs for purchasing land	<u>(\$49,517)</u>	<u>(\$60,906)</u>	<u>(\$62,429)</u>
ESTIMATED NET EFFECT ON PARKS AND SOILS SALES TAX ASSETS	<u>(\$49,517)</u>	<u>(\$60,906)</u>	<u>(\$62,429)</u>
DEPARTMENT OF NATURAL RESOURCES FIXED ASSETS			
<u>Loss</u> - Land in Oregon County	<u>(\$8,000,000)</u>	<u>\$0</u>	<u>\$0</u>
NET EFFECT ON DEPARTMENT OF NATURAL RESOURCES FIXED ASSETS	<u>(\$8,000,000)</u>	<u>\$0</u>	<u>\$0</u>
LAND RECLAMATION LEGAL SETTLEMENT FUND			
<u>Revenue</u> - Net Revenue from Sale of Land in Oregon County less cost for Restoration Projects	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
<u>Costs</u> - Restoration Projects for Affected Areas	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>
NET EFFECT ON LAND RECLAMATION LEGAL SETTLEMENT FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
LOCAL COUNTY GOVERNMENT			
<u>Land - Ownership May Revert to County</u>	<u>\$0 or Unknown</u>	<u>\$0</u>	<u>\$0</u>
NET EFFECT ON LOCAL COUNTY GOVERNMENT	<u>\$0 or Unknown</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 requires the Department of Natural Resources and all other state departments, agencies, or entities to sell at public auction any property interest to land in Oregon County purchased on or before August 28, 2016 through legal settlement funds administered by the Department of Natural Resources. If there is no purchaser, the property will revert to the ownership of Oregon county government. Any condition, restrictions, dedication, covenant, or other encumbrance conveyed with the property is null and void and a new covenant appurtenant is included in the land conveyance stating that the land can not be sold to, leased, or otherwise controlled by a state or federal agency. The substitute also specifies how the proceeds of the sale must be used.

After August 28, 2016, the bill also prohibits the department and all other state departments, agencies, or entities from purchasing property interest in Oregon County. Any taxpayer in the state has standing to enforce these requirements and will be entitled to reasonable attorney's fees.

This section expires on August 28, 2017.

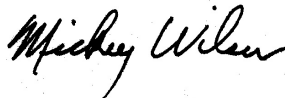
This bill contains a severability clause.

This bill contains an emergency clause.

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

Office of Administration
 Facilities Management, Design and Construction
 Budget & Planning
Department of Natural Resources
Office of the State Courts Administrator
Legislative Research
Office of Prosecution Services
State Tax Commission
Administrative Hearing Commission
MoDOT and Patrol Employees Retirement System
Department of Public Safety
 Capitol Police
 State Emergency Management Agency
 Division of Fire Safety
Joint Committee on Administrative Rules
Missouri Ethics Commission
Department of Revenue
Joint Committee on Public Employee Retirement
State Tax Commission
Office of the State Auditor
Missouri Consolidated Health Care Plan
Department of Insurance, Financial Institutions and Professional Registration
Missouri Senate
Missouri State Employees Retirement System
Department of Corrections
Office of the Governor
Department of Labor and Industrial Relations
Department of Mental Health
Department of Economic Development
Department of Elementary and Secondary Education
Department of Social Services



L.R. No. 4683-03
Bill No. HCS for SB 682
Page 10 of 10
May 9, 2016

Mickey Wilson, CPA
Director
May 9, 2016

Ross Strobe
Assistant Director
May 9, 2016