

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3316-03
Bill No.: SB 771
Subject: Boards, Commissions, Committees, Councils; Department of Natural Resources;
Waste - Solid
Type: Original
Date: February 25, 2020

Bill Summary: This proposal modifies provisions relating to solid waste management districts.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Solid Waste Management Fund (0570)	(Could exceed \$405,757)	(Could exceed \$426,702)	(Could exceed \$428,996)
Total Estimated Net Effect on Other State Funds	(Could exceed \$405,757)	(Could exceed \$426,702)	(Could exceed \$428,996)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 10 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Solid Waste Management Fund (0570)	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 2021	FY 2022	FY 2023
Local Government	Could exceed \$175,000 to (Unknown)	Could exceed \$175,000 to (Unknown)	Could exceed \$175,000 to (Unknown)

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Department of Natural Resources (DNR)** assume the following regarding this proposal:

§260.302

Counties may apply to the Department to request the county be placed with another regional grouping adjacent to the county, or if necessary, in a new regional grouping.

No fiscal impact.

§260.325.9

The Department shall conduct a performance audit of no more than ten percent of grants by each district as deemed necessary by the Department based upon district grantee performance.

No fiscal impact.

§260.335.1

Removes the language that allows the Department to use up to \$200,000 each fiscal year from the solid waste management fund upon appropriation for grants to solid waste management districts for district grants and district operations.

The proposed legislation would place the \$200,000 back into the solid waste management fund and be distributed based upon the current allocation formula of 39% to the Department and 61% to Solid Waste Management Districts (SWMD's).

§260.335.2(2)

Requires revenues to be allocated on a quarterly basis from August 28, 2020 through August 27, 2027. The Department currently allocates revenues on a quarterly basis.

Reduces the amount of revenue allocable under this subdivision to twenty-five percent by districts upon approval of the Department and increases the amount of revenue allocable under this subdivision to seventy-five percent to districts for the implementation of a solid waste management plan and grants or projects serving cities and counties.

Increases the minimum funding level from \$95,000 to \$120,000 effective August 28, 2020 for district grants and projects. Based upon the current allocation formula, the Department may not have the funds to meet the \$120,000 requirement.

ASSUMPTION (continued)

§260.335.2(5)

Removes authority to conduct sample audits of district funded grants.

No fiscal impact.

§260.335.5

Reduces the time-frame for the Department to review the original grant application from thirty days to ten days. Also reduces the time-frame for the applicant to respond to the Department's request for additional information from thirty days to ten days. The Department shall have an additional ten days to review the information provided by the applicant for either approval or denial of their application.

The Department would need **3 additional FTE** (Planners II) to accommodate the same level of oversight and detail as currently provide within a shorter time-frame. Currently the Department spends approximately 3,640 hours between 3.5 FTE to review an average of 260 grant applications annually. By decreasing the review period by a third, the Department would be required to hire 3 additional staff members to meet the proposed review time-line.

Three Planners II: FY 2021-\$230,757; FY 2022-\$251,702; FY 2023-\$253,996

§260.335.8

Establishes a process for SWMD's to request a review by the solid waste advisory board within 30 days for any unfavorable decision on a request submitted to the Department. This request may be appealed to the Administrative Hearing Commission (AHC) if approved by the board by a two-thirds vote.

No fiscal impact.

Oversight does not have any information to the contrary in regards to DNR's assumptions; therefore, Oversight will reflect DNR's costs for 3 additional FTE on the fiscal note.

Oversight will also reflect an "Unknown" increase in the minimum amount of grants to Solid Waste Management Districts (from \$95,000 to \$120,000) on the fiscal note.

Oversight found there to be 20 Solid Waste Management Districts listed on DNR's website (<https://dnr.mo.gov/env/swmp/swmd/swmdinfo.htm>).

ASSUMPTION (continued)

In addition, Oversight found the table below on DNR’s website that shows distribution of the district quarterly allocations for the current fiscal year. These allocations are used to fund grants to cities, counties and Solid Waste Management Districts; for plan implementation; and for district operations.

REGION	1st QTR	2nd QTR	3rd QTR	4th QTR	FY19 TOTAL ALLOCATION
A	\$23,750	\$23,750	\$23,750	\$23,750	\$95,000
B	\$23,750	\$23,750	\$23,750	\$23,750	\$95,000
C	\$23,750	\$23,750	\$23,750	\$23,750	\$95,000
D	\$42,323	\$43,875	\$42,920	\$39,683	\$168,802
E	\$298,593	\$316,359	\$283,352	\$246,108	\$1,144,412
F	\$112,398	\$117,569	\$118,741	\$185,767	\$534,476
G	\$61,728	\$67,169	\$63,025	\$89,244	\$281,166
H	\$110,578	\$120,859	\$97,727	\$86,596	\$415,761
I	\$29,221	\$29,935	\$27,843	\$25,784	\$112,784
J	\$23,750	\$23,750	\$23,750	\$23,750	\$95,000
K	\$77,366	\$77,139	\$74,031	\$78,433	\$306,969
L	\$592,801	\$613,983	\$571,225	\$523,285	\$2,301,293
M	\$126,372	\$127,914	\$118,905	\$161,799	\$534,989
N	\$23,750	\$23,750	\$23,750	\$23,750	\$95,000
O	\$98,624	\$100,283	\$94,296	\$86,111	\$379,315
P	\$64,362	\$67,474	\$64,711	\$87,925	\$284,473
Q	\$23,750	\$23,750	\$23,750	\$23,750	\$95,000
R	\$33,801	\$34,901	\$32,632	\$30,232	\$131,565
S	\$54,783	\$54,861	\$51,450	\$50,104	\$211,198
T	\$23,750	\$23,750	\$23,750	\$23,750	\$95,000
Total	\$1,869,200	\$1,938,572	\$1,807,109	\$1,857,321	\$7,472,202

From the table above, Oversight notes there were seven regions that only received the minimum amount of \$95,000 for district grants. Oversight notes this proposal increases the minimum from \$95,000 to \$120,000; therefore, Oversight assumes the amount of grants distributed to Solid Waste Management Districts will increase by at least \$175,000 (7 x \$25,000 difference).

Oversight notes the following ending fund balances in the Solid Waste Management Fund (0570) per fiscal year:

FY 2019	\$12,486,997
FY 2018	\$11,652,891
FY 2017	\$10,603,212
FY 2016	\$10,064,444
FY 2015	\$9,192,106

ASSUMPTION (continued)

Oversight notes there was \$16,749,610 in the Solid Waste Management Fund (0570) as of January 31, 2020.

Officials from the **Administrative Hearing Commission** assume the proposal will have no fiscal impact on their organization.

Oversight notes that the agency mentioned above has stated the proposal would not have a direct fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note for this agency.

Officials from the **St. Louis - Jefferson Solid Waste Management District** assume this proposal has the potential to reduce administrative expenses and make additional administrative improvements.

§260.325.9

Performance audits are duplicate audits that result in expenditures approaching \$100,000 per year. DNR currently receives quarterly reports on all district grants and quarterly financial summaries in addition to receiving all current required audit reports. Elimination of the duplicate performance audit requirements could save up to \$100,000 per year in contractor expense and staff time.

§260.335.2(2)

We assume the intent of the change is to require that district funds be transmitted to districts on a quarterly basis as they are received into the solid waste management fund. This would allow districts to earn approximately \$100,000 per year in interest and greatly reduce staff time and resources in filing duplicate paperwork with DNR.

§260.335.2(2)

Reducing the percentage of district funds that can be used for operations to 25% could create difficulties for districts without ensuring a reduction in administrative expenses.

§260.335.5

Decreasing DNR review times from thirty to ten days can speed up grant projects significantly.

Oversight assumes Solid Waste Management Districts could see administrative savings from the decrease of performance audits performed by DNR. Oversight also assumes Solid Waste Management Districts could be negatively impacted by the restriction of 25% of funds awarded being used for operations; therefore, Oversight will reflect an “Unknown” loss on the fiscal note.

ASSUMPTION (continued)

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other Solid Waste Management Districts and counties were requested to respond to this proposed legislation but did not. A general listing of political subdivisions included in our database is available upon request.

<u>FISCAL IMPACT - State Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
SOLID WASTE MANAGEMENT FUND			
<u>Cost - DNR - 3 additional FTE</u>			
Personal services	(\$129,540)	(\$157,002)	(\$158,573)
Fringe benefits	(\$71,820)	(\$86,700)	(\$87,222)
Expense and equipment	<u>(\$29,397)</u>	<u>(\$8,000)</u>	<u>(\$8,201)</u>
<u>Total Costs - DNR</u>	(\$230,757)	(\$251,702)	(\$253,996)
FTE Change - DNR	3 FTE	3 FTE	3 FTE
<u>Transfer Out - increase in grant awards to Solid Waste Management Districts</u>	(Could exceed <u>\$175,000</u>)	(Could exceed <u>\$175,000</u>)	(Could exceed <u>\$175,000</u>)
ESTIMATED NET EFFECT ON THE SOLID WASTE MANAGEMENT FUND	(Could exceed <u>\$405,757</u>)	(Could exceed <u>\$426,702</u>)	(Could exceed <u>\$428,996</u>)
Estimated Net FTE Change to the Solid Waste Management Fund	3 FTE	3 FTE	3 FTE

<u>FISCAL IMPACT - Local Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
LOCAL POLITICAL SUBDIVISIONS			
<u>Savings</u> - less administrative costs to Solid Waste Management Districts due to decreased performance audits by DNR	Unknown	Unknown	Unknown
<u>Transfer In</u> - increase in grant awards from DNR to Solid Waste Management Districts	Could exceed \$175,000	Could exceed \$175,000	Could exceed \$175,000
<u>Loss</u> - less funds dedicated to district operations	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	Could exceed \$175,000 to <u>(Unknown)</u>	Could exceed \$175,000 to <u>(Unknown)</u>	Could exceed \$175,000 to <u>(Unknown)</u>

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

This act modifies provisions relating to solid waste management districts.

The act requires that if a county applies to the Department of Natural Resources to be placed with another regional grouping of solid waste management districts, the county must be placed with a regional grouping adjacent to the county.

Under current law, the Department of Natural Resources shall conduct a performance audit of grants to each solid waste management district at least once every 5 years. This act states that audits of no more than 10% of grants to each district shall occur as deemed necessary by the Department based upon district grantee performance.

Currently, \$200,000 from the Solid Waste Management Fund may be allocated to certain solid waste management districts. This act repeals this provision.

FISCAL DESCRIPTION (continued)

Under current law, no more than 50% of revenue allocated to solid waste management districts shall be used for the implementation of a solid waste management plan and district operations. The act changes the amount to no more than 25% only for district operations. Current law states that at least 50% of the revenue shall be allocable to the districts. The act changes the amount to 75% for implementation of a solid waste management plan and grants or projects serving the districts. Additionally, the act requires such money to be allocated to districts on a quarterly basis from August 28, 2020, until August 27, 2025.

Currently, certain solid waste management districts are minimally funded at \$95,000 a year. This act changes the amount to \$120,000 a year.

The act repeals a provision stating that the Department and the Environmental Improvement and Energy Resources Authority shall conduct sample audits of grants.

Under current law, the Department has 30 days to review grant applications. The act changes this time to 10 days. Solid waste management districts then have an additional 30 days to respond to the Department's request for additional information to evaluate grant applications. The act changes the response time to 10 days. The Department then has 30 days to either approve or deny the grant application. The act changes this response time to 10 days.

Finally, if a solid waste management district receives an unfavorable decision on a request submitted to the Department, the district may send such request to the Solid Waste Advisory Board. Such request may be appealed to the Administrative Hearing Commission upon at least 2/3 of the members of the Board representing solid waste management districts, excluding the members of the Board appointed by the Program Director of the Solid Waste Management Program, voting to approve such appeal at the Board's next regular meeting.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

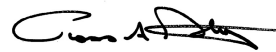
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SOURCES OF INFORMATION

Department of Natural Resources
Administrative Hearing Commission
St. Louis - Jefferson Solid Waste Management District



Julie Morff
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