

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 2745-01
BILL NO.: SB 0577
SUBJECT: Department of Natural Resources; Drycleaning solvent management
TYPE: Original
DATE: January 12, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue	\$0	(\$300,484)	(\$273,108)
Dry-Cleaning Environmental Response Trust Fund	\$0	\$1,050,480 to \$1,365,998	\$634,002 to \$1,365,998
Total Estimated Net Effect on <u>All</u> State Funds	\$0	\$749,996 to \$1,065,514	\$360,894 to \$1,092,890

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
None	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses
This fiscal note contains 8 pages.

FISCAL ANALYSIS

ASSUMPTION

The **Office of Administration** and the **Office of the State Treasurer** assume their agencies would not be administratively impacted by this proposed legislation. The **Department of Revenue** assumes there would be little or no administrative impact to their agency.

The **Department of Natural Resources (DNR)** assumes approximately 531 facilities (using sic code 7216 - Dry-cleaning plants, except rug cleaning) are located in the state of Missouri. 397 of these facilities submitted 1998 Emission Inventory Questionnaires to the department. Thirty-two (32) of the facilities reported using non-chlorinated solvents with an average of 1,802 gallons used per facility. 365 facilities reported using chlorinated solvents with an average of 167 gallons used per facility.

In addition, the department realizes there are dry-cleaning facilities (using sic code 7215-coin operated laundries and dry-cleaning) that would be subject to the payment of these surcharges. The department assumes there are approximately 336 coin laundries located in Missouri and it is estimated that approximately 15% or 50 of these facilities would have dry-cleaning equipment. Using the same percentage of facilities reporting usage of chlorinated versus non-chlorinated solvents to the department, the department assumes that 92% or 46 of these facilities would be using chlorinated solvents and 8% or 4 of these facilities would be using the non-chlorinated solvents.

Based on the 1998 Emission Inventory Questionnaires data regarding solvent usage, the dry-cleaning facilities fall into the following categories:

- 61.2 % fall in the category of small facilities (243 facilities out of 397 total)
- 29.2 % fall in the category of medium facilities (116 facilities out of 397 total)
- 9.6 % fall in the category of large facilities (38 facilities out of 397 total)

Based on this information, the department assumes the annual revenues to the Fund would be approximately:

Registration surcharges:

Small facility registration surcharges = \$136,782 per year (based on approximately 447 dry-cleaning facilities x 61.2 % x \$500 surcharge)

ASSUMPTION (continued)

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Medium facility registration surcharges = \$130,524 per year (based on approximately 447 dry-cleaning facilities x 29.2% x \$1,000 surcharge).

Large facility registration surcharges = \$64,368 per year (based on approximately 447 dry-cleaning facilities x 9.6% x \$1,500 surcharge)

\$686,370 per year assuming 411 (365 reported plus 46 - 7215 sic code) facilities using chlorinated solvents with an average of 167 gallons used per facility and a \$10 surcharge per gallon on these solvents (411 facilities x 167 gallons x \$10.00 charge per gallon)

\$32,436 per year assuming 36 (32 reported plus 4 - 7215 sic code) facilities using non-chlorinated solvents with an average of 1,802 gallons per facility and a \$0.50 surcharge per gallon on these solvents (36 facilities x 1802 gallons x \$0.50 charge per gallon)

Estimated annual revenue:

\$ 331,674 - Registration surcharge
\$ 32,436 - Dry-cleaning solvent surcharge @ \$.50 per gallon
\$ 686,370 - Dry-cleaning solvent surcharge @ \$10 per gallon
\$1,050,480- Total estimated annual revenue

If the total universe of 531 facilities (sic code 7216) plus the appropriate percentage of dry-cleaning facilities included in coin-operated laundries (approximately 50 facilities sic code 7215) would be subject to the surcharges proposed in this bill, the department assumes the revenues to the Fund would be approximately:

\$177,786 per year in registration surcharges based on approximately 581 (531 sic code 7216 plus 50 sic code 7215) dry-cleaning facilities x 61.2% x \$500 surcharge.

\$169,652 per year in registration surcharges based on approximately 581 dry-cleaning facilities x 29.2% x \$1,000 surcharge.

\$83,664 per year in registration surcharges based on approximately 581 dry-cleaning facilities x 9.6% x \$1,500 surcharge.

\$893,450 per year assuming 535 (531 total x 92% = 489 plus 46 7215 sic code) facilities using chlorinated solvents with an average of 167 gallons used per facility and a \$10 surcharge per gallon surcharge on these solvents (535 facilities x 167 gallons x \$10.00 charge per gallon)

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ASSUMPTION (continued)

\$41,446 per year assuming 46 (531 x 8% = 42, plus 4 - 7215 sic code) facilities using non-chlorinated solvents with an average of 1,802 gallons per facility and a \$0.50 surcharge per gallon on these solvents (46 facilities x 1802 gallons x \$0.50 charge per gallon)

\$431,102 - Registration surcharge
\$ 41,446 - Dry-cleaning solvent surcharge @ \$.50 per gallon
<u>\$893,450 - Dry-cleaning solvent surcharge @ \$10 per gallon</u>
\$1,365,998 - Total estimated annual revenue

The legislation requires the Hazardous Waste Management Commission to develop performance standards for dry-cleaning facilities. The proposal provides additional requirements beyond existing state and federal laws. The proposal provides that the moneys in the Fund be used for the costs of administering and enforcing these standards. Therefore, the department assumes they would be required to inspect dry-cleaning facilities for compliance with these standards.

The department assumes that they would inspect 581 dry cleaning facilities every 7.5 years. An average inspection time is 40 hours based on the EPA standard for RCRA inspections (file searches, travel time, inspection, report preparation). The department also assumes ten percent of the facilities inspected would result in enforcement activities. Assuming that each enforcement case would take approximately 90 hours, the department would request two (2) Environmental Specialist III's to perform these activities [(581 facilities/7.5 yr. x 40 hours per inspection/1,800 hrs. per year) + (77 inspections x 10% x 90 hours per enforcement case/1,800 hrs. per year)].

The department assumes the Dry-Cleaning Environmental Response Trust Fund will participate in the department's Cost Allocation Fund.

The proposed legislation states that moneys in the Fund cannot be expended until the balance in the Fund reaches \$2 million. Since the legislation requires the department to administer and enforce these standards, the department will be requesting general revenue for at least two years to cover these costs until the fund balance reaches the level required by this proposal. The department assumes general revenue will not be used for site remediation. **Therefore, no cleanups will be performed until the fund balance reaches \$2 million. Once this level of funding is reached, the department will phase in the needed resources to do site remediation. Since the costs for the resources needed for remediation fall outside the fiscal note period, they are not shown as fiscal note expenditures.**

Based on department experience, project managers would be expected to manage 20 projects per year. Using historical data, the department assumes it would take approximately 1.5 years to complete a site remediation. Based on a similar program in Kansas, we assumed that 7 percent of the facilities per year would apply. Assuming a universe of 581 facilities x 7% applying x 1.5

ASSUMPTION (continued)

years to complete, the department would be managing approximately 61 projects per year. Therefore, the department would need to request two (2) Environmental Engineers III, .5 Geologist II, and .5 Environmental Specialist III to perform these duties.

The department assumes that they would be providing management of the Fund cleanups. The department proposes to contract the remediation activities related to the contaminated sites.

Oversight assumes the annual DNR expenses for professional positions, with travel, to be \$5,400 per employee. Additionally, Oversight assumes the annual ongoing expenses for clerical positions to be \$1,000 per employee. These computations are based on projections of annual expenses received from other state agencies.

Oversight has also adjusted DNR staffing costs to reflect amounts in their fiscal estimate for a similar proposal from the 1999 session, plus 1%.

Oversight assumes the Dry-Cleaning Environmental Response Trust Fund would accumulate a balance in excess of \$2 million in FY 2003. Therefore, the balance could reach \$2,731,996 if the maximum estimated annual revenue is collected. Oversight has shown a range of expenditures for cleanup costs of \$0 to \$731,996 to the fund during that year.

<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
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GENERAL REVENUE FUND

Cost - Department of Natural Resources

Personal Service - (5 FTE)	\$0	(\$185,894)	(\$190,541)
Fringe Benefits	0	(\$57,162)	(58,591)
Expense and Equipment	0	(57,428)	(23,976)

**Estimated Net Effect on
 GENERAL REVENUE FUND**

<u>\$0</u>	<u>(\$300,484)</u>	<u>(\$273,108)</u>
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**DRY-CLEANING ENVIRONMENTAL
 RESPONSE TRUST FUND**

Income - Department of Natural Resources

Registration and solvent fees	\$1,050,480	\$1,050,480
	to	to
	\$0	\$1,365,998

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2001 (10 Mo.)	FY 2002	FY 2003
<u>Cost - Department of Natural Resources</u>			
Reimbursements for cleanup costs _____			\$0
			to
	\$0	\$0	(\$731,996)*

**Estimated Net Effect on
 DRY-CLEANING ENVIRONMENTAL
 RESPONSE TRUST FUND**

	<u>\$1,050,480</u>	<u>\$634,002</u>
	to	to
\$0	\$1,365,998	\$1,365,998

*Monies in fund can be spent to reimburse cleanup costs after the balance reaches \$2 million

<u>FISCAL IMPACT - Local Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
	\$0	\$0	\$0

FISCAL IMPACT - Small Business

The proposed legislation establishes fees for dry cleaners and dry-cleaning fluids. Fees paid into the fund established under this legislation would be available for site remediation, subject to the deductibles specified in the bill.

The proposed legislation also increases the paperwork requirements on small businesses through registration reporting and maintenance of records for surcharge payments.

DESCRIPTION

This act establishes a Dry Cleaning Solvent Environmental Response Trust Fund to provide moneys for investigation, assessment, and remediation of releases of solvents from dry cleaning facilities. The Fund is administered by the Hazardous Waste Management Commission.

The act requires the Hazardous Waste Management Commission to establish, within one year, standards for new dry cleaning facilities, including requirements for solvent delivery, solvent storage, solvent disposal, prohibition of solvent discharges and containment structures for dry cleaning units. The Commission shall meet with industry and interested parties prior to initial rulemaking. The Commission shall establish a schedule for upgrading existing dry cleaning

DESCRIPTION (continued)

facilities to the new standards within three years and shall determine facility closure procedures and appropriate completion requirements for corrective actions in response to a release.

Payments from the Fund for any particular contamination site may not exceed a total of \$2 million and may not exceed twenty-five percent of the moneys in the Fund during any fiscal year. There is a \$10,000 deductible for active facilities and a \$25,000 deductible for abandoned sites. Moneys from the Fund may not be used if the release was caused by illegal operating practices, if the facility operator obstructs actions by the Department of Natural Resources, or if the operator is in arrears for payments to the Fund. An owner or operator must meet performance standards to participate in the fund.

An owner or operator who is eligible for payment of costs from the Fund is shielded from liability for claims for corrective action, or costs of corrective action, at the site or which result from releases at the site.

Operators of active facilities must register annually with the Department and pay an annual registration surcharge to the Fund. The surcharge is set at \$500 for small facilities, \$1000 for medium facilities and \$1500 for large facilities.

Sellers of dry-cleaning solvents must pay a solvent surcharge of \$10 per gallon for chlorinated solvents and 50 cents per gallon for nonchlorinated solvents, collected quarterly. All surcharges are subject to a late fee of 15% plus 10% per annum interest on unpaid balances. If the unobligated balance of the Fund exceeds \$5 million, the facility registration and solvent surcharges are not collected until the Fund balance falls below \$2 million.

Violators of any provisions of this act are subject to civil penalties of up to \$500 per violation, payable to the Fund.

This legislation is not federally mandated and would not require additional capital improvements or rental space, but could duplicate other regulations. Portions of this proposed legislation may duplicate existing state and federal laws. DNR noted that the dry-cleaning industry is already regulated under the hazardous waste law (Section 260.350 through 260.481) and the Hazardous Waste Management Commission; however, this legislation provides greater specificity in the regulation of these facilities.

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SOURCES OF INFORMATION

Department of Natural Resources
Department of Revenue
Office of Administration
Office of the State Treasurer

A handwritten signature in black ink, appearing to read "Jeanne Jarrett". The signature is cursive and somewhat stylized, with the first name "Jeanne" written in a larger, more prominent script than the last name "Jarrett".

Jeanne Jarrett, CPA
Director
January 12, 2000