

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

LR No.: 3112-03
Bill No.: HCS for HB 1433
Subject: Watershed Improvement District
Type: Original
Date: April 14, 2004

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
General Revenue	(\$320,572)	\$320,572	\$0
Total Estimated Net Effect on General Revenue Fund	(\$320,572) *	\$320,572 *	\$0

* Costs in FY 05 would be recovered in FY 06.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Local Government	\$0	(\$410,862)	(\$222,354)

FISCAL ANALYSIS

ASSUMPTION

Officials of the **Department of Natural Resources** assume the department would be taking on a new function of licensing labs that analyze wastewater treatment facilities as a result of this proposal. The department assumes additional staff would be needed to develop licensing criteria as well as the billing and receivables system. It would take about a year to develop the regulations and licensing criteria. Since this proposal does not establish the fees to be paid onto a dedicated fund it is assumed the fees will be deposited to General Revenue and that appropriations will be made to the Air and Land Protection Division (ALPD) from General Revenue to carry out the provisions of the law. **The department assumes that FY2005 costs would be recovered in FY2006**

The program described, as well as the FTE requested, is based on a similar program currently in operation in Kansas. There are about 400 labs in Missouri that do some type of wastewater analyses. The ESP estimates licensing about one third of the labs per year. Since the legislation would be in effect in August, 2004 and the licensing program could not be implemented at that time, all labs would be non-compliant starting August, 2004. The department assumes the authority to issue an interim license based on some basic criteria until the regulation is approved and the program is developed. This could generate some fees, but would not support the

ASSUMPTION (continued)

program. It is preferred that a new fee fund would have to be established and an appropriation given from the fee fund. The current legislative proposal would have to be modified to do this.

During the first fiscal year the two Chemist III positions will assist in developing the regulations needed for this legislation. They will develop the criteria and basic licensing program modeled after EPA's Drinking Water Certification program. They will need to develop a list and make contact with all the possible labs in the state that would be required to be licensed. After the first year when the program is implemented, the Chemist III positions would spend their time reviewing applications for licensing, traveling to the labs and performing an on-site laboratory evaluation and preparing the license for the labs.

Our estimate is based on a three year time period for the license. However, ESP would require yearly successful analyses of blind audit samples and an on-site laboratory evaluation.

The Planner II position would be lead on developing and tracking the regulation needed for this legislation. This position would assist in the licensing development. This position would establish a contract for sample audit purposes, process the applications as they come in, and track the progress as needed. The Planner II will also develop the billing and tracking system that would be needed, as well as, send the invoices, provide the tracking, and any other administrative/financial functions that the legislation would require.

The ESP estimates that both chemists will be auditing labs at least one week per month. Travel expense is figured due to the amount of travel required of the chemists. A web site would need to be established to identify labs that are licensed and those that failed the audits. After estimating the costs of enacting this legislation, the department estimates that a 3-year license would cost approximately \$1205 per lab. The fee would be collected during the submission of an application. The department estimates that yearly audit analyses done on each lab per year would cost the ESP approximately \$400 per lab in expenses.

Since this legislation does not establish the fees to be paid into a dedicated fund it is assumed the fees will be deposited to General Revenue and that appropriations will be made to the ALPD from general revenue to carry out the provisions of the law.

ASSUMPTION (continued)

Local Government:

DNR officials assume that 2/3 of the 400 labs that would need to be licensed are municipal labs. That would be 264 municipal labs. 264 labs x \$400 audit costs = \$105,600. Since we will only license 134 labs each year, 2/3 of the 134 is 88 municipal labs. 88 municipal labs x 1205 license fee = \$106,040. All municipal labs would still need to have audit samples processed each year. FY2006 impact includes operational costs incurred but not yet billed in FY2005, or \$410,862.

[FY2005 - \$105,600 (audit samples) + \$88,331 (88 municipal labs x \$1205 x 10 months) = \$193,931;
FY 2006 - \$105,600 (audit samples) + \$106,040 (88 x \$1205) = \$211,640 x 2.5% inflation = \$216,931;
\$193,931 + 216.931 = \$410,862 costs in FY2006]

Officials of the **Department of Conservation** assume they would have minimal fiscal impact. Officials stated the “exact amount of impact is unknown”.

Officials of the **Department of Health and Senior Services** stated that installer registration is voluntary. Officials anticipate that this legislation would result in more applications for onsite sewage system installer registrations, necessitating the need for more installer training classes. In addition, the department would no longer be required to receive a complaint from an aggrieved party before investigating onsite sewage system violations. Currently, although there may be a need for the Department of Health to provide additional onsite sewage installer training courses, **costs would be covered by fees charged for the course, resulting in a zero net fiscal impact. This is consistent with the manner in which training costs are currently funded.**

Local Governments did not respond to this proposal, however, Oversight assumes Counties within the district would have no fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
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GENERAL REVENUE FUND

<u>Income</u> to Department of Revenue from License Fee and Audit	\$0	\$660,758	\$349,696
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<u>Cost</u> to Department of Natural Resources from:			
Personal Services (3 FTE)	(\$86,807)	(\$106,773)	(\$109,442)
Fringe Benefits	(\$26,303)	(\$32,352)	(\$33,161)
Equipment and Expense	<u>(\$207,462)</u>	<u>(\$201,061)</u>	<u>(\$207,093)</u>
Total Cost to Department of Natural Resources	<u>(\$320,572)</u>	<u>(\$340,186)</u>	<u>(\$349,696)</u>

ESTIMATED NET EFFECT TO GENERAL REVENUE FUND *	<u>(\$320,572)</u>	<u>\$320,572</u>	<u>\$0</u>
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* Cost in FY 05 would be recovered in FY 06.

<u>FISCAL IMPACT - Local Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
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LOCAL GOVERNMENT

<u>Cost</u> to Certain Municipalities from audit fee or license fee	<u>\$0</u>	<u>(\$410,862)</u>	<u>(\$222,354)</u>
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**UPPER WHITE RIVER BASIN
WATERSHED IMPROVEMENT
DISTRICT**

<u>Income</u> to Watershed Improvement District			
from voter approved property tax levy, and bonds, board approved fees, etc.	Unknown	Unknown	Unknown

Cost to Watershed Improvement District
from administration, and maintenance of the district. (Unknown) (Unknown) (Unknown)

Estimated Net Effect to Watershed Improvement District * \$0 \$0 \$0

ESTIMATED NET EFFECT TO LOCAL GOVERNMENT \$0 (\$410,862) (\$222,354)

*** Oversight assumes annual costs would not exceed income which would result in a positive or zero fund balance. For purposes of this fiscal note, fiscal impact will be shown as \$0.**

FISCAL IMPACT - Small Business

Small businesses .within a county that is within the White River Basin Watershed Improvement District, could be required to pay a voter approved property tax levy.

DESCRIPTION

This bill creates the Upper White River Basin Watershed Improvement District, an area that includes Table Rock Lake, the James River, the White River, Lake Taneycomo, and Bull Shoals Lake. Counties that would be allowed to participate include Barry, Christian, Douglas, Greene, Ozark, Stone, Taney, Webster, and Wright counties. The district is authorized to own, install, operate, and maintain decentralized or individual on-site wastewater treatment plants.

The County Commission of any county located within the district can authorize individual properties to be served by the district by adopting a resolution. Before the resolution can be adopted, a petition signed by at least 20% of the property owners within the proposed area must be filed with the commission.

Property that is currently served by a sewer district cannot be a part of the watershed improvement district unless the existing sewer district agrees to stop providing service to the property. The watershed improvement district will not provide service to any property unless the owner wants the service. Property owners who participate in the district must provide proof of creditworthiness. Sewer systems installed on property that participates in the district must meet the standards set by the district board and the appropriate state agencies.

DESCRIPTION continued

Participating property owners must have a maintenance plan approved by the district for the sewer systems on their property, and they must execute a utilities easement to allow the district access to the system for maintenance and inspection.

The watershed improvement district will have a board of trustees. The board will have nine members, each from a different county, appointed by the governing body of each member county. The bill specifies the length of term each trustee will serve and the manner in which successive trustees will be chosen.

Operations of the district would be funded by a voter approved property tax. The amount of the levy would be determined by the board with voter approval.

This proposal would also require that any person or laboratory performing an analysis of wastewater be licensed to perform the analysis by the Department of Natural Resources.

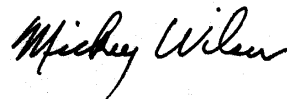
This legislation is not federally mandated, would not duplicate any other program and would require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Natural Resources
Department of Conservation
Department of Health and Senior Services

NOT RESPONDING

Ozark County Commission
Douglas County Commission



Mickey Wilson, CPA
Director
April 14, 2004