

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 3774-06  
Bill No.: SCS for HCS for HB 1149  
Subject: Bonds - General Obligation and Revenue; Environmental Protection  
Type: Original  
Date: April 18, 2006

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**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

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

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## **FISCAL ANALYSIS**

### **ASSUMPTIONS**

#### **A. Sewer Construction and Maintenance**

Officials from the **Office of Administration, Division of Accounting and Division of Budget and Planning**, the **Department of Transportation, Jackson County**, and the **City of Centralia** assume this proposal would have no fiscal impact on their organizations.

Officials from the **Office of the State Treasurer** assumed a previous version of this proposal would have no fiscal impact on their organizations.

ASSUMPTION (continued)

B. Joint Stormwater Program Study Committee

Officials from the **State Senate, Department of Health and Senior Services** and **Governor's Office** assume no fiscal impact to their agency.

Officials from the **Department of Natural Resources** assume this proposal would extend the fees for wastewater permits imposed under the water pollution statutes until December 31, 2009. Extension of these fees would provide some of the resources needed to administer the state water pollution control efforts.

The proposal would also create a joint committee to consider proposals for restructuring the fees imposed under Sections 644.052 and 644.053 RSMo. The committee would review the state's implementation of the federal clean water program and related state clean water responsibilities, and evaluate the costs to the state for maintaining the program. The committee would prepare and submit a report, including recommendations on funding the state clean water program, to the Governor, the House of Representatives and the Senate no later than December 31, 2008.

Extension of the service connection fees, annual operating fees, general permit fees, construction permit fees and modification fees at current levels would provide a portion of the funding necessary to continue management of the federal water pollution control efforts administered by the department.

In FY06 the water permit fee rate structure is expected to generate approximately \$3.9 million. These fees support the permitting, engineering, inspection and compliance activities of the department's water pollution control efforts. However the current costs for these efforts is approximately \$8.2 million. The funding needed to cover the difference has come from federal grants, general revenue and managing fund expenditures with available cash, which detracts from the amount of work the department is able to accomplish.

	FY 2003	FY 2004	FY 2005
Water Permit Fees	\$4,386,639	\$4,135,018	\$4,468,517
Federal Funds	\$4,410,999	\$3,036,821	\$2,903,435
General Revenue	\$1,237,302	\$1,601,761	\$911,590
Total	\$10,034,940	\$8,773,600	\$8,283,542

ASSUMPTION (continued)

Each fiscal year, the amount of permit revenues deposited into the permit fees subaccount of the Natural Resources Protection Fund, Water Permit Fees subaccount, corresponds to permitting activity. The ending balance in the Permit Fees subaccount for FY03 - \$4,440.77; FY04 - \$327,897.27; and FY05 - \$389,270.38. Each year the total funding from fees, federal funds and general revenue available to support the department's primary water pollution control efforts, including permitting, has decreased.

Extension of the current fee structures would maintain the current level of service in the short term. However as costs continue to rise and federal sources of funds are reduced, there is concern the level of service will decline. The department assumes the level of services would have to be adjusted to match the funds available.

By extending the water permit fee rate structure, this proposal is estimated to generate an estimated \$4.5M in revenue annually. The department assumes that a 20% increase in fees across the board would offset the estimated revenue shortfalls.

**Oversight** assumes these costs would be considered during the restructuring process by the joint committee. Oversight also assumes the proposed legislation would extend an existing provision by removing or changing the expiration date, and would extend the fiscal impact associated with that existing provision. Therefore, Oversight has reflected no fiscal impact for the extension.

C. Water Pollution Control Bonds

Officials from the **Office of Administration, Division of Accounting** assumed a previous version of this legislative authorization increase proposal would have no direct fiscal impact, but there would be a fiscal impact if any of the currently outstanding authorization is actually issued. There would need to be debt service funding of approximately \$700,000 for principal and interest for every \$10 million dollars issued and one time costs of approximately \$178,842 for each issuance.

Officials from the **Office of the State Treasurer, the Office of Administration, Division of Accounting and Division of Budget and Planning, the Department of Economic Development, Office of Public Counsel and Public Service Commission** and the **City of Centralia** assumed a previous version of this proposal would have no fiscal impact on their organizations.

ASSUMPTION (continued)

Officials from the **Office of the Attorney General** and the **Office of the State Auditor** assumed that a previous version of this proposal would have no fiscal impact on their organizations.

In response to a previous version of this proposal, officials of the **Department of Natural Resources (DNR)** assumed that bonds are sold on an as needed basis. Bond sales lag authorization by approximately 3 years.

37(e) money is approved for \$10 million to be spent as follows:  
\$7 Million for the 40% State Construction Grant Program  
\$3 Million for the Rural Water and Sewer grants

37(g) money is approved for \$10 Million to be spent as follows:  
\$5 Million for Rural Water grants and loans  
\$5 Million for Rural Sewer grants and loans

37(h) money is approved for \$20 Million to be spent as follows:  
\$10 Million for storm water grants  
\$10 Million for storm water loans

<u>FISCAL IMPACT - State Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
	<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.

## DESCRIPTION

### A. Sewer Construction

The proposal would authorize public utility districts and municipalities to lay, install, construct, repair, and maintain sewer and water lines in public highways, roads, streets, and alleys, subject to the reasonable rules and regulations of governmental bodies having jurisdiction over such public places. The utility districts and municipalities would be required to preserve the rights of the public in its use of thoroughfares and the equal rights of other utilities thereto.

Construction within the right-of-way of any state highway by municipalities and public utility districts would be subject to the control and supervision of the state highways and transportation commission.

### B. Joint Stormwater Program Study Committee

This proposal would create a joint committee of the Missouri Legislator to study stormwater issues.

### C. Water Pollution Control Bonds

This proposal would authorize the Board of Fund Commissioners to issue additional bonds for grants and loans pursuant to several sections of Article III of the Missouri Constitution. The authorizations are for:

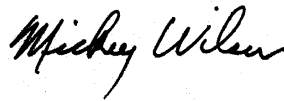
- (1) \$10 million of bonds for waste water pollution control, drinking water system improvements, and storm water control pursuant to Section 37(e);
- (2) \$10 million of bonds for rural water and sewer projects pursuant to Section 37(g); and
- (3) \$20 million of bonds for storm water control plans, studies, and projects in first classification counties and the City of St. Louis pursuant to Section 37(h).

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 the State Auditor  
Office of the Attorney General  
Office of the State Treasurer  
Office of Administration  
    Division of Accounting  
    Division of Budget and Planning  
Department of Economic Development  
    Office of Public Counsel  
    Public Service Commission  
Department of Natural Resources  
City of Centralia

Mickey Wilson, CPA

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Director  
April 18, 2006