

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3918-01
Bill No.: HB 1666
Subject: Environmental Protection; Natural Resources Dept.
Type: Original
Date: March 10, 2008

Bill Summary: Establishes the Missouri Global Warming Solutions Act of 2008 to reduce carbon dioxide emissions

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
General Revenue	\$0	(\$953,314)	(\$654,886)
Total Estimated Net Effect on General Revenue Fund	\$0	(\$953,314)	(\$654,886)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
General Revenue	0	8	8
Total Estimated Net Effect on FTE	0	8	8

☒ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Agriculture and Public Service Commission** assume no fiscal impact to their agency.

Officials from the **Department of Conservation (MDC)** assume the proposal would have unknown impact on MDC funds but the impact would exceed \$100,000 annually. The legislation would require extensive monitoring and annual reporting of greenhouse gases. Regulation requirements related to fuel, choice of vehicles, open standards, or materials could easily impact Department funds.

Oversight assumes without detailed information from the Department of Conservation the initial impact to the MDC would be \$0.

Officials from the **Department of Natural Resources (DNR)** assume this proposal would establish the Missouri Global Warming Solutions Act of 2007 to reduce carbon dioxide emissions.

Section 643.706 would require the Missouri Air Conservation Commission (MACC) to monitor and regulate sources of emissions of greenhouse gases that cause global warming in order to reduce emissions of greenhouse gases.

Section 643.709 would require the MACC to adopt regulations to require the reporting and verification of statehood greenhouse gas emissions and to monitor and enforce compliance with this program on or before January 1, 1010. Those regulations must:

- 1) require the monitoring and annual reporting of greenhouse gas emissions from greenhouse gas emission sources beginning with the sources or categories of sources that contribute the most to statewide emissions;
- 2) account for greenhouse gas emissions from all electricity consumed in the state, including transmission and distribution line losses from electricity generated within the state or imported from outside the state;
- 3) ensure rigorous and consistent accounting of emissions, and provide reporting tools and formats to ensure collection of necessary data;
- 4) and ensure that greenhouse gas emission sources maintain comprehensive records of all reported greenhouse gas emissions.

ASSUMPTION (continued)

The MACC would be required to periodically review and update its emission reporting requirements, as necessary, and review existing and proposed international, federal, and state greenhouse gas emission reporting programs and make reasonable efforts to promote consistency among the programs established under this proposal, and to streamline reporting requirements on greenhouse gas emission sources.

Section 643.712 would require the MACC to determine what the statewide greenhouse gas emissions level was in 1990, and approve a statewide greenhouse gas emissions limit that is equivalent to that level to be achieved by 2022. In order to ensure the most accurate determination feasible, the MACC must evaluate the best available scientific, technological, and economic information on greenhouse gas emissions to determine the 1990 level of greenhouse gas emissions. The MACC must make recommendations to the Governor and the General Assembly on how to continue reductions of greenhouse gas emissions beyond 2022.

Section 643.715 would require the MACC on or before July 1, 2009, to publish and make available to the public a list of discrete early action greenhouse gas emission reduction measures that can be implemented prior to the measures and limits adopted under this proposal. On or before January 1, 2012, the MACC must adopt regulations to implement the measures identified on the list published. The regulations adopted by the MACC must achieve the maximum technologically feasible and cost-effective reductions in greenhouse gas emissions from those sources or categories of sources. The regulations adopted under this proposal must be enforceable no later than January 1, 2012.

On or before January 1, 2011, the MACC must prepare and approve a plan for achieving the maximum technologically feasible and cost-effective reductions in greenhouse gas emissions from sources or categories of sources of greenhouse gases by 2022 under this proposal. The MACC must consult with all state agencies with jurisdiction over sources of greenhouse gases, including the Public Service Commission, on all elements of its plan that pertain to energy-related matters including, but not limited to, electrical generation, load based-standards or requirements, the provisions of reliable and affordable electrical service, petroleum refining, and statewide fuel supplies to ensure the greenhouse gas emissions reduction activities to be adopted and implemented by the MACC are complementary, nonduplicative.

On or before January 1, 2013, the MACC must adopt greenhouse gas emission limits and emission reduction measures by regulation to achieve the maximum technologically feasible and cost-effective reductions in greenhouse gas emissions in furtherance of achieving the statewide limit, to become operative beginning on January 1, 2014.

ASSUMPTION (continued)

The MACC must rely on the best available economic and scientific information and its assessment of existing and projected technological capabilities when adopting the regulations. The MACC must consult with the Public Service Commission in the development of the regulations as they affect electricity and natural gas providers in order to minimize duplicative or inconsistent regulatory requirements. After January 1, 2013, the MACC may revise regulations and adopt additional regulations.

The MACC must consult with other states, and the federal government, and other nations to identify the most effective strategies and methods to reduce greenhouse gases, manage greenhouse gas control programs, and to facilitate the development of integrated and cost-effective regional, national, and international greenhouse gas reduction programs. The MACC must ensure that the greenhouse gas emission reduction rules, regulations, programs, mechanisms, and incentives under its jurisdiction, where applicable and to the extent feasible, direct public and private investment toward the most disadvantaged communities in Missouri and provide an opportunity for small businesses, schools, affordable housing associations, and other community institutions to participate in and benefit from statewide efforts to reduce greenhouse gas emissions.

Section 643.718 requires the MACC to monitor compliance with and enforce any rule, regulation, order, emission limitation, or emissions reductions measures adopted.

Section 643.721 would require the MACC to promulgate rules to implement the provisions of this proposal.

DNR would request eight (8) FTE to implement this proposal. DNR would request two Environmental Engineer II's, one Environmental Specialist IV, and five Environmental Specialist III's. The department anticipates these additional expenses would begin July 1, 2009 (FY10).

The FTE would conduct the inventory, monitoring, inspections, enforcement and tracking of greenhouse gas data, costing an estimated \$703,314 in FY10. They would be involved in the implementation of the strategies put into place, the rule development process, public awareness efforts, and are expected to remain up to date on activities at the national and international levels, concerning greenhouse gas emissions and the latest technology.

This proposal would require funding for a MOEIS database rewrite to capture the required data, costing an estimated \$250,000. The total additional expenses would result in an estimated fiscal impact of \$953,314 in FY10.

ASSUMPTION (continued)

Missouri's involvement in The Climate Registry was used to understand how greenhouse gas emissions data can be managed. If the Environmental Protection Agency (EPA) utilizes The Climate Registry's protocol, the department's estimated costs should be sufficient to implement this proposal. However, if EPA chooses to use a different method, additional staff may be needed beyond what is included in this fiscal note for enforcement.

This proposal contains no funding source. For purposes of this fiscal note, DNR assumed General Revenue Funding as current emission fees do not apply to this proposal.

<u>FISCAL IMPACT - State Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
GENERAL REVENUE			
<u>Cost - Department of Natural Resources</u>			
Salaries (8 FTE)	\$0	(\$407,513)	(\$419,738)
Fringe Benefits	\$0	(\$180,202)	(\$185,608)
Equipment & Expense	\$0	(\$115,599)	(\$49,540)
Other Fund Costs	<u>\$0</u>	<u>(\$250,000)</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$0</u>	<u>(\$953,314)</u>	<u>(\$654,886)</u>
Estimated Net FTE	0	8	8

<u>FISCAL IMPACT - Local Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

It is likely that small businesses will be regulated under the rules implemented to reduce Greenhouse Gases as a result of this legislation.

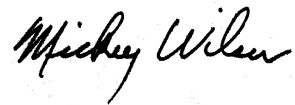
FISCAL DESCRIPTION

The proposed legislation establishes the Missouri Global Warming Solutions Act of 2008 to reduce carbon dioxide emissions.

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

Department of Natural Resources
Department of Agriculture
Public Service Commission
Department of Conservation

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

Mickey Wilson, CPA
Director
March 10, 2008