

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 6214-03
Bill No.: HCS for HB 2306
Subject: Environmental Protection; Water Resources and Water Districts; Department of Natural Resources
Type: Original
Date: February 28, 2018

Bill Summary: This proposal establishes the Environmental Restoration Corporation Act.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Technology Fund	(\$70,000)	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	(\$70,000)	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on FTE	0	0	0

☐ 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 2019	FY 2020	FY 2021
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of the Secretary of State (SOS)** state the following regarding this proposal:

SOS is a silo IT department. All changes to software would require working with a third party vendor and/or the Information Technology department.

SOS would have to conduct a business analysis in order to change the automated processes performed by our business software. The IT department would need to create new tables, reports, and software application process to allow "Environmental Restoration Corporations" to be a filing type for creation and amending, change the wording on certain screens through the online application, and update the current merge form. We anticipate a one-time cost to the Office of the Secretary of State of \$70,000 to change the current software operated by the Business Services Division.

This would be a new entity type and thus require employees to learn a new desk. Based on expected use of this entity type, the new duties would be given to existing employees and increase the base compensation for each the amount of work load increase as equated to a .50 FTE. If the new entity type were to receive more use beyond projections, SOS would ask for a full time person to handle the increase in filings.

It is unknown how many Environmental Restoration Corporations will be created. However, each one created would need to register with our office.

Because this is a new filing type, SOS estimates 1 filing per month at an average filing fee of \$25.00 each. An estimated (without the tech fund fee) of \$200.00 (1 filing x 10 months = 10 filings yearly * \$20.00 average filing fee) would be deposited into General Revenue (GR). As this new filing type becomes more popular an estimated increase of 20% for FY 2020 and 25% increase for FY 2021.

Filing Fee breakdown:

\$20.00 for general revenue (GR)

\$ 5.00 for technology trust fund (TF)

ASSUMPTION (continued)

FY2019

\$20 average GR filing fee

1 filing per month x 10 months = 10 yearly filings

10 (2019) filings x \$20 average filing fee = \$200 GR deposit

\$5 Tech Fund Fee per filing x 10 yearly filings = \$50 TF deposit

FY 2020

\$20 average GR filing fee

1 filing per month x 12 months = 12 yearly filings

12 yearly filings x 20% increase = 14 yearly filings (2020 filings)

14 (2020) filings * \$20 average filing fee = \$280 GR deposit

Annual Reports 10 (2019) * \$10 = \$100

\$5 Tech Fund Fee per filing x 14 creation filings = \$70 TF deposit

\$5 Tech Fund Fee per filing x 10 annual report filings = \$50 TF deposit

FY 2021

\$20 average GR filing fee

1 filing per month x 12 months = 12 creation filings

12 yearly filings x 25% increase = 15 yearly filings (2021 filings)

15 (2021) filings * \$20 average filing fee = \$300 GR deposit

Annual Reports 19 (2019=10 & 2020=14) * \$10 = \$240 GR deposit

\$5 Tech Fund Fee per filing x 15 creation filings = \$75 TF deposit

\$5 Tech Fund Fee per filing x 24 annual report filings = \$120 TF deposit

Oversight assumes SOS is provided with core funding to handle a certain amount of activity each year. Oversight assumes SOS could absorb the personnel costs related to this proposal. Oversight will reflect a fiscal impact of \$70,000 for IT services in FY 2019. Oversight will not reflect the revenue derived from the fees associated with the new filing type as it is minimal.

Officials from the **Department of Natural Resources** and **Department of Health and Senior Services** each assume the proposal will have no fiscal impact on their respective organizations.

ASSUMPTION (continued)

Officials from the **Office of the State Auditor** assume the proposal should have no fiscal impact. Any impact can be absorbed through current appropriations.

<u>FISCAL IMPACT - State Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
TECHNOLOGY FUND			
<u>Cost - SOS - IT services</u>	<u>(\$70,000)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON THE TECHNOLOGY FUND	<u>(\$70,000)</u>	<u>\$0</u>	<u>\$0</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
	<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.

FISCAL DESCRIPTION

This bill creates the "Environmental Restoration Corporation Act," which allows for the formation of a nonprofit corporation to hold, manage, or own environmentally impaired property that is subject to an ongoing cleanup or remedial action. In addition to the powers of all nonprofit corporations, any environmental restoration corporation has certain additional powers as specified in the bill, including the ability to acquire, accept, convey, dispose, encumber, manage and own real property that is subject to certain clean up or remedial action and to enter into contracts with private or public entities to conduct, manage, oversee, and regulate activities that may be necessary for the implementation of clean up and remedial actions on such property.

Any environmental restoration corporation will be managed by a board of no less than five directors, who will initially be appointed by the incorporators. The bill specifies the make up of the board and its duties and requirements. All actions of the corporations must be taken at meetings open to the public.

FISCAL DESCRIPTION (continued)

If an environmental restoration corporation receives public funds for any activities at a specific property, the corporation must allow for periodic audits by the State Auditor and upon request, provide an annual report to the General Assembly concerning the receipt and use of the funds.

Any conveyance of property to a third party must include an environmental covenant. Prior to acquiring interest in real property subject to restoration activities, a corporation must undertake all due diligence activities under U.S. Environmental Protection Agency regulations to qualify as a bona fide prospective purchaser, which would make the corporation immune from liability under certain Missouri laws. A corporation owes no duty of care and has no liability to any trespasser or other person who enters onto the corporation's property.

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 Secretary of State
Department of Natural Resources
Department of Health and Senior Services
State Auditor's Office

Ross Strobe



Acting Director
February 28, 2018