COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0026H.02I
Bill No.: HB 564
Subject: Mining and Oil and Gas Production; Administration, office Of; Counties; Crimes and Punishment
Type: Original
Date: March 4, 2021

Bill Summary: This proposal establishes procedures for the distribution of moneys received from mining royalties on federal land within the state.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
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Total Estimated Net Effect on General Revenue	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on Other State Funds	**$0**	**$0**	**$0**

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on FTE			

☐ Estimated Net Effect (expenditures or reduced revenues) expected to exceed $250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

☐ Estimated Net Effect (savings or increased revenues) expected to exceed $250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Local Government*	**$0**	**$0**	**$0**

*Revenue and Loss (potential change in who receives mining royalties) net to zero.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of the State Treasurer (STO)** state subsections 256.727.3-6 of this proposal require the State Treasurer's Office to "allocate the percentage of the total moneys received as required by this section among the counties in which the minerals were produced based on the proportion each county's mineral royalty revenue bears to the total mineral royalty revenue received by the state for that calendar quarter. The State Treasurer shall pay the amount calculated to each county." in the following manner:

(1) Fifty percent of moneys received by the state under subsection 1 of this section shall be allocated and paid to the counties as provided in this section.
(2) The counties shall use any moneys received under this section solely for the following:
  (a) Planning, constructing, and maintaining county roads;
  (b) Public facilities; and
  (c) The provision of public services.
(3) As used in this section, "public facilities" includes, but is not limited to, any facility used primarily for public use purposes as determined by the governing body of the county whether located on public or private property."

"Any remaining moneys received by the state under subsection 1 of this section that are not distributed to counties under this section shall be allocated and paid to the school districts of this state in proportion to the area of such lands in such school district in which the lands producing such moneys are or were located."

The STO estimates that 1 FTE – Accounting Clerk at $24,744 annually to the General Revenue Fund would be required to fulfill the duties listed above. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect the estimated impact provided by the STO in the fiscal note.

Oversight notes that current duties are fulfilled by the Office of Administration. Oversight assumes the STO, perhaps with assistance from OA, could implement these changes with existing resources.

Oversight contacted several counties in 2019 regarding similar legislation (SB 202). Oversight found that there are no standard procedures as to how counties currently allocate mining royalties. Officials from **Iron County** stated that mining royalties are divided between schools and road and bridge funds based on the amount of forest land within each school district. This is determined by utilizing the model for forest cropland distribution, as there is currently no system under statute specifically for mining royalties. Officials from **Madison County** stated that mining specific royalties have not been received in their county for a long time; however, should they receive mining royalties, most of the money received would go to school districts.

According to the **Office of Administration (OA)**, there are currently two federal pass-through programs that OA administers. Altogether, OA typically passes $6-7 million per year on to the counties through two different appropriations in OA's budget. This legislation would require the STO to process the payments instead of OA. OA states that this legislation would not change procedures within their department as their Accounting Division would still have to approve the payment as all STO payments come to the OA-Accounting Division for approval. OA assumes the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note.

Oversight notes that counties have been disbursed mining royalties from Office of Administration but the allocation within those specific counties to schools, roads and bridges, public facilities and public services vary from county to county. The various entities (public schools, public works and public safety) within the county may or may not have a fiscal impact depending on how that specific county is currently distributing moneys. Therefore; Oversight will range the fiscal impact from (unknown) (local entity has been receiving a larger percent than the proposed legislation allocates) to unknown (local entity has been receiving a lesser percentage than the proposed legislation allocates); however, the estimated fiscal impact to the entities across county government(s) will net to $0.

Officials from the **Department of Natural Resources**, the **Department of Revenue**, the cities of: **Ash Grove**, **Bland**, **Bridgeton**, **Claycomo**, **Corder**, **Kansas City**, **Mansfield**, **Neosho**, **Norborne**, **O'Fallon**, **Puxico**, **Southwest City**, **Springfield**, **St. Louis Budget Division**, the school districts: **Gasconade Co. R-I**, **Cordon Parks Elementary**, **High Point R-III** and **Malta Bend R-V** each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other cities, school districts, associations, and counties were requested to respond to this proposed legislation but did not. A general listing of political subdivisions included in our database is available upon request.

FISCAL IMPACT – State Government	FY 2022 (10 Mo.)	FY 2023	FY 2024
	$0	**$0**	**$0**

FISCAL IMPACT – Local Government	FY 2022 (10 Mo.)	FY 2023	FY 2024
LOCAL POLITICAL SUBDIVISIONS			
Revenue - Mining royalties re-allocated to public schools, maintenance, public safety - may be different than current practice	Unknown	Unknown	Unknown
Loss - Mining royalties re-allocated to public schools, maintenance, public safety - may be different than current practice	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT TO LOCAL POLITICAL SUBDIVISIONS	**$0**	**$0**	**$0**

FISCAL IMPACT – Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This bill specifies that all moneys paid to the state by the U.S. Secretary of the Treasury from mining royalties on federal land in the state must be deposited in the newly created "Federal Mineral Royalties Distribution Fund" and within three months following the calendar quarters ending in March, June, September, and December, the Director of the Department of Revenue must certify to the State Treasurer the amount of moneys received for royalties.

The State Treasurer must allocate the total money received among the counties in which the minerals were produced based on the proportion each county's mineral royalty revenue bears to the total received by the state. Of the money received, 50% must be allocated and paid to the counties for planning, construction, and maintenance of county roads, public facilities, and public services. The remaining moneys received are to be allocated and paid to the school districts of the state in proportion to the area of federal mining lands in the district.

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 Revenue
Office of Administration
Office of the State Treasurer
Cities of:
Ash Grove
Bland
Bridgeton
Claycomo
Corder
Kansas City
Mansfield
Neosho
Norborne
O'Fallon
Puxico
Southwest City
Springfield
St. Louis Budget Division
School Districts:
Gasconade Co. R-I
Cordon Parks Elementary

High Point R-III
Malta Bend R-V

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March 4, 2021

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March 4, 2021

KC:LR:OD