

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1920H.03P
 Bill No.: Perfected HCS for HB Nos. 948 & 915
 Subject: Mining and Oil and Gas Production; Office of Administration; Counties; Crimes and Punishment; Federal - State Relations
 Type: Original
 Date: April 26, 2023

Bill Summary: This proposal modifies provisions relating to the distribution of revenue from mineral mining on federal land.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
General Revenue	Up to (\$479,002)	Up to (\$370,563)	(\$16,600)
Total Estimated Net Effect on General Revenue	Up to (\$479,002)	Up to (\$370,563)	(\$16,600)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Total Estimated Net Effect on FTE	0	0	0

- 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 2024	FY 2025	FY 2026
Local Government*	\$0 or Up to \$400,000	\$0 or Up to \$354,368	\$0

*For Section 12.070 - income to remain the same; only the distribution between counties will change

FISCAL ANALYSIS

ASSUMPTION

§12.070 – Federal Mining Revenue Distribution

Officials from the **Missouri Department of Agriculture (MDA)**, the **Office of Administration - Budget and Planning**, **Department of Natural Resources** and **Missouri Department of Transportation** each assume the proposal will have no fiscal impact on their respective organizations.

In response to a previous version, officials from the **Missouri Department of Conservation** assumed the proposal would have no fiscal impact on their organization.

Oversight notes that the above mentioned agencies have stated the proposal would not have a direct fiscal impact on their organizations. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note for these agencies.

Officials from the **Department of Elementary and Secondary Education (DESE)** assume that this will require programming changes to the foundation formula to comply with the new language. OA-ITSD provided an estimate to make the necessary changes. It's assumed the Foundation Formula application has calculation criteria covering this language/source of funds, being that it's related to an act of Congress from 1908. It's assumed that this application needs modification to handle changes as proposed, and that the application can withstand the changes to the calculations and functionality. It's also assumed no additional data is needed to provide these revisions to district funding inside/within the Foundation Formula application/processes in place today.

The additional cost is estimated to be \$79,002 in FY 2024, \$16,195 in FY 2025 and \$16,600 in FY 2026.

Oversight does not have information to the contrary and therefore, Oversight will reflect the estimates as provided by DESE.

Upon further inquiry regarding Section 12.070, MDA noted the department has not received any payments from the National Forest Receipts Program. **Oversight** looked at reports from the United States Department of Agriculture – Forest Service regarding the Secure Rural Schools program. It appears that the last payment made to Missouri was in 2016 in the amount of \$1,089,471 and was distributed to several counties in which the Mark Twain National Forest is located:

Carter	Bollinger	Ozark	Howell	Butler	Barry
Texas	Taney	Stone	Ste. Gen.	Wright	Douglas
Christian	Washington	Ripley	Iron	Callaway	Boone
Phelps	Oregon	Laclede	Wayne	Reynolds	Crawford
Shannon	St. Francois	Madison	Dent	Pulaski	

It appears that each county received an average of \$0.71 - \$0.73 per acre of Mark Twain National Forest within their county, with the exception of Ste. Genevieve County (\$1.40 per acre) and Shannon County (\$0.64 per acre).

Oversight notes this proposal changes the distribution of these funds among these counties.

§163.024 - Fine Revenue for Certain School Districts

Officials from **Department of Elementary and Secondary Education (DESE)** believe the potential impact is unknown based on the language as written. If the school district had to record the Doe Run Fines as fines, it would reduce the amount of basic formula funds owed to the school district which could be a savings to the state. If the school district has received Doe Run Fines and it has reduced their basic formula payment DESE will be required to pay those funds back to the district which would be a cost to the state. DESE is unable to estimate the exact amount of the impact without knowing the amount of fines involved.

Officials from the **Department of Natural Resources (DNR)** assume the proposal will have no fiscal impact on their organization.

Officials from the **Office of Administration - Budget and Planning (B&P)** state B&P defers to the Department of Natural Resources for potential impacts to the county school funds based on their issuance of penalties authorized in this section. To the extent that any additional revenues to the county school funds are considered fines that could impact school finances, B&P defers to the Department of Elementary and Secondary Education for the potential impact.

Previously, **DESE** stated the fines paid into the Iron County school fund are from the Doe Run mine settlement and if those fines had to be included in the districts local effort calculations it would result in a lower foundation formula to those districts.

That being said, the last time these same fines where paid, this exact same law was in place to prevent the large fine amount from devastating the amount of foundation formula the affected districts would receive. So the reply was in reference to the fact that last time these same fines were paid they were not included as part of the local effort deduction.

But there would officially be a lower formula call if this law were not in place, but at this time DESE does not have enough information in order to estimate that.

Oversight notes the following school districts appear to be located in Iron County:

- South Iron County R-I School Districts (Hold Harmless)
- Arcadia Valley R-II
- Belleview R-III
- Iron County C-4 School District (Hold Harmless)

Per the second amended and restated Administrative Order on Consent No. APCP-2019-001 the penalty to be paid by the respondents is \$1,200,000 in three annual payments of \$400,000, a fourth payment of \$354,368 plus an additional payment of \$384,771.

Based on information provided by DNR, **Oversight** notes the first two payments of \$400,000 have been paid as well as the payment for \$384,771 for a total of \$1,184,771. The remaining payment of \$400,000 was due by September 9, 2022 and a fourth payment of \$354,368 is due September 8, 2023.

Based on information provided by DESE, **Oversight** notes some of the school districts located in Iron County are considered hold harmless and the state aid payment would not change regardless of the whether the fine revenue is included in the calculation of local effort for districts considered hold harmless. However, two of the districts are not considered hold harmless and any fine revenue not included in the calculation of local effort as a result of this proposal would result in a dollar for dollar increase in the state aid calculation. Therefore, Oversight will show a range of impact from \$0 (districts impacted are considered hold harmless) to a potential increased call to the foundation formula.

Oversight anticipates the exclusion of the fine revenue from the calculation of local effort would not impact the foundation formula until the year following remittance. Therefore, Oversight will show a cost for General Revenue beginning in FY 2024 for an amount equal to the fine revenue of \$400,000 followed by \$354,368 in FY 2025.

Oversight only reflects the responses received from state agencies and political subdivisions; however, county commissioners, and school districts were requested to respond to this proposed legislation but did not. A listing of political subdivisions included in the Missouri Legislative Information System (MOLIS) database is available upon request.

<u>FISCAL IMPACT – State Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
GENERAL REVENUE FUND			
<u>Cost – DESE – programming changes - §12.070</u>	(\$79,002)	(\$16,195)	(\$16,600)
<u>Cost - increased call to the foundation formula if the increase in specific fine revenue is not include in the calculation of local effort - §163.024</u>	<u>\$0 or (Up to \$400,000)</u>	<u>\$0 or (Up to \$354,368)</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>Up to (\$479,002)</u>	<u>Up to (\$370,563)</u>	<u>(\$16,600)</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
SCHOOL DISTRICTS IN IRON COUNTY			
<u>Revenue - increase in state aid payments to impacted school districts - §163.024</u>	<u>\$0 or Up to \$400,000</u>	<u>\$0 or Up to \$354,368</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON SCHOOL DISTRICTS IN IRON COUNTY	<u>\$0 or Up to \$400,000</u>	<u>\$0 or Up to \$354,368</u>	<u>\$0</u>
COUNTIES			
<u>Counties - where mining occurs §12.070</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>
<u>Counties – where mining does not occur §12.070</u>	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>
ESTIMATED NET EFFECT ON COUNTIES	<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 specifies that moneys received by the state under provisions of the federal law for all mineral products extracted from national forest reserves are to be distributed for the benefit of public schools and roads.

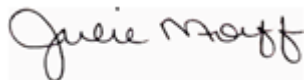
The revenue allocated to each county shall be equally divided between the public schools and roads of such county. The bill requires 85% of the total revenue of such mineral products shall be distributed to counties where mining occurs in proportion to the minerals extracted per year in each county where mining occurs and 15% of the total revenue of such mineral products shall be distributed equally between the counties where mining does not occur. The revenue allocated to each county shall be equally divided between the public schools and roads of such county.

Under the provisions of this bill, no money received by the Iron County school fund from the specified administrative order issued by the Department of Natural Resources shall be included as part of the school district's local effort calculation. The Department of Elementary and Secondary Education shall reimburse Iron County School District for the amount of any moneys that are or have been included in such school district's local effort.


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

Missouri Department of Agriculture
Office of Administration - Budget and Planning
Department of Elementary and Secondary Education
Department of Natural Resources
Missouri Department of Conservation
Missouri Department of Transportation



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