

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1960-03
Bill No.: SCS for HB 923
Subject: Boards, Commissions, Committees, Councils; Economic Development
 Department; Energy; Natural Resources Department; Utilities; Waste-Solid
Type: Original
Date: May 1, 2015

Bill Summary: This proposal modifies provisions relating to the environment.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Solid Waste Management Fund*	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

* Cost avoidance equal to the loss of revenue in FY18.

Numbers within parentheses: () indicate costs or losses. This fiscal note contains 9 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
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 2016	FY 2017	FY 2018
Solid Waste Management Districts	\$0	\$0	\$0 or (up to \$1,000,000)

FISCAL ANALYSIS

ASSUMPTION

§§ 29.380, 260.325 - Solid Waste Management District Audits:

Officials from the **Office of the State Auditor (SAO)** assume the proposal would not fiscally impact their agency.

Oversight assumes this provision could have a financial impact on solid waste management districts. Districts would be required to reimburse the SAO for costs of conducting an audit of the district if requested by the SAO.

Oversight assumes costs of conducting an audit and moneys collected from Solid Waste Management Districts would be deposited in the Petition Audit Revolving Trust Fund. Audit reimbursement costs will be limited to 2% of the Solid Waste Management District's annual monetary allocation.

In response to similar legislation filed this year (SB 152), officials from the **Southwest Missouri Solid Waste Management - District N** assume a savings could incur from the bi-annual financial audit currently required for all districts receiving \$200,000 or less. District N pays \$3,800 every two years for a financial audit.

District N assumed this proposal could result in a cost of \$1,900 from the Office of the State Auditor to audit the District based upon the 2% maximum reimbursement auditor's fee.

Oversight is unable to determine how many audits would be completed for solid waste management districts, and of those audits, how many audits the Office of the State Auditor would request reimbursement from the district. Therefore **Oversight** will not reflect any additional cost or savings to solid waste management districts from this provision.

§ 260.330 - Landfill Tipping Fees:

Officials from the **Department of Natural Resources (DNR)** note currently, the moratorium on increasing the demolition landfill tipping fee and the transfer station tipping fee is set to expire in 2017. This provision would extend the moratorium to 2027.

Officials from the **St. Louis-Jefferson Solid Waste Management District (SWMD)** assume this proposal extends the cap on the solid waste management fund for an additional 10 years.

ASSUMPTION (continued)

SWMD assumes this would have a negative fiscal impact on resources available for local recycling programs and solid waste management district administration due to the lack of annual CPI inflation adjustment. This has been suspended for the last ten years, which led to a loss of approximately \$1,000,000 per year to the statewide solid waste management fund.

SWMD assumes based on an annual CPI inflation adjustment of 2%, and an annual disposal estimate of 5 million tons, extending the cap for an additional 10 years would result in the loss of an additional \$1,000,000 per year for local recycling programs.

Oversight assumes this provision extends the moratorium on increasing the demolition landfill tipping fee and the transfer tipping fee to the year 2027. These fees could be adjusted annually under current law, beginning in FY18, by the same percentage as the increase in the general price level as measured by the Consumer Price Index (CPI) if the moratorium on increasing the tipping fee were to expire.

Oversight assumes a direct fiscal impact of \$0 (DNR may choose not to increase the fee) or a loss up to (\$1,000,000) per year to the Solid Waste Management Fund passed on to Solid Waste Management Districts, beginning in FY18, if the moratorium would be allowed to expire and the tipping fee adjusted by the CPI.

§ 260.335- Allocation of Solid Waste Management Fund Moneys & Grants:

In response to similar legislation filed this year (SB 152), officials from the **Department of Natural Resources (DNR)** assumed this provision would provide that DNR may allocate up to \$200,000 each year to those solid waste management districts receiving fewer funds than under the previous district funding formula.

DNR assumes this provision appears to provide a funding mechanism for the newly defined "solid waste management projects" in years when insufficient or inadequate district grant applications are received by a district.

Currently DNR is not required to approve or deny grant applications in a specified number of days. Section 260.335.5 of this proposal sets forth a timeline for which DNR is required to either approve or deny an application.

DNR assumes the current statutory language provides for up to 50% of a solid waste management district's allocation to be used for implementation of a solid waste management plan and district operations and for at least 50% of a solid waste management district's allocation to be

ASSUMPTION (continued)

allocated to cities, counties, persons or entities providing various solid waste management services. This provision sets forth criteria that may be considered in establishing the order of district grant priority.

Bill as a Whole:

In response to similar legislation filed this year (SB 152), officials from the **Department of Natural Resources (DNR)** assume the department's Solid Waste Management Program anticipates the streamlining of the grant review and approval process will off-set any additional hours required to complete the biennial fiscal monitoring of the solid waste management districts.

Officials from the **Department of Economic Development, Office of the Attorney General, Office of the State Auditor** and the **Metropolitan St. Louis Sewer District** each assume the proposal would not fiscally impact their respective agencies.

<u>FISCAL IMPACT - State Government</u>	FY 2016	FY 2017	FY 2018
	(10 Mo.)		
SOLID WASTE MANAGEMENT FUND			
<u>Loss - DNR</u>			
§ 260.330 - Tipping fee CPI adjustment: moratorium moved from 2017 to 2027	\$0	\$0	\$0 or (up to \$1,000,000)
<u>Cost Avoidance - DNR</u>			
§ 260.330 -Tipping fee CPI adjustment revenue sent to Solid Waste Management Districts	<u>\$0</u>	<u>\$0</u>	<u>\$0 or up to \$1,000,000</u>
ESTIMATED NET EFFECT ON THE SOLID WASTE MANAGEMENT FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
SOLID WASTE MANAGEMENT DISTRICTS			
<u>Loss - SWMD</u>			
§ 260.330 - Tipping fee CPI adjustment: moratorium moved from 2017 to 2027	<u>\$0</u>	<u>\$0</u>	<u>\$0 or (up to \$1,000,000)</u>
ESTIMATED NET EFFECT ON SOLID WASTE MANAGEMENT DISTRICTS	<u>\$0</u>	<u>\$0</u>	<u>\$0 or (up to \$1,000,000)</u>

FISCAL IMPACT - Small Business

§ 260.320 - Solid Waste Management Executive Boards:

Small businesses providing recycling and solid waste management services could see a positive fiscal impact. Under this provision Solid Waste Management District Executive Boards are encouraged to engage these small businesses and not perform projects that would compete with these small businesses.

§ 260.330 - Landfill Tipping Fees:

Small business solid waste management companies could expect to see a cost avoidance as a result of this proposal.

FISCAL DESCRIPTION

AUDITS (Sections 29.380 & 260.325) - Currently, the State Auditor shall conduct audits of solid waste management districts and may request reimbursement for such audits. Under this act, the State Auditor may conduct audits and may request reimbursement for such audits with the reimbursement deposited in the Petition Audit Revolving Trust Fund. If the Auditor does request such reimbursement, the solid waste management districts shall reimburse the Auditor for such audits. Such reimbursement shall be limited to 2% of the solid waste management district's annual allocation.

This act also modifies the frequency of financial audits for solid waste management districts. Currently, districts receiving more than \$200,000 annually are required to have an annual audit

FISCAL DESCRIPTION (continued)

while districts receiving less than \$200,000 are required to have an audit every 2 years. The Department of Natural Resources is required to audit district grants every 3 years. Under this act, districts receiving more than \$800,000 annually are required to have an annual audit, while districts receiving \$800,000 or less but more than \$250,000 are required to have an audit every 2 years. All other districts shall be monitored every 2 years by the Department of Natural Resources, and they may be required to arrange an independent audit. Further, the Department shall audit district grants every 5 years, or as deemed necessary based upon district grantee performance.

SOLID WASTE MANAGEMENT PROJECTS (Sections 260.200 & 260.335) - This act defines the term "solid waste management projects" and changes certain references to "projects" to "solid waste management projects".

TEXTILES (Section 260.250) - Currently, solid waste management districts are required to address the recycling, reuse and handling of certain products. This act adds textiles to this requirement.

EXECUTIVE BOARDS (Sections 260.320 & 260.324) - Currently, Solid Waste Management District Executive Boards are required to encourage small businesses to engage and compete in the delivery of recycling and solid waste management services. Under this act, an executive board shall not perform solid waste management projects that compete with a qualified private enterprise.

No person shall be disqualified from receiving a grant for providing solid waste management and recycling services if they have a familial relationship with any member of the Solid Waste Management District Executive Board. However, their grant application must be approved by a vote of 2/3 of the board and such executive board member shall abstain from voting on the grant application or such member shall forfeit membership on the Solid Waste Management District Executive Board and Council.

SOLID WASTE MANAGEMENT PLANS (Sections 260.225 & 260.325) -

The Department of Natural Resources is required to prepare model solid waste management plans. This act requires that the plans provide for economical recycling and waste management through regional and district cooperation.

Currently, any county within a region that is not a member of a district is required to submit a solid waste management plan to the Department of Natural Resources. This act repeals this

FISCAL DESCRIPTION (continued)

requirement.

ALLOCATION OF SOLID WASTE MANAGEMENT FUND MONEYS & GRANTS (Section 260.335) - Currently, the moratorium on increasing the demolition landfill tipping fee and the transfer station tipping fee is set to expire in 2017. This act extends the moratorium to 2027.

This act lists criteria that solid waste management districts may use in establishing district grant priority. Any allocated district moneys remaining at the fiscal year due to inadequate grant applications shall be reallocated for grant applications in subsequent years and projects other than district operations. Any district moneys remaining after 5 years shall revert to the Solid Waste Management Fund.

Currently, the Department of Natural Resources is not required to approve or deny grant applications in a specified number of days. This act sets forth a timeline for which DNR is required to either approve or deny an application.

SOLID WASTE ADVISORY BOARD (Sections 260.335, 260.345) - Currently, the Solid Waste Advisory Board is composed of the chairman of the executive board of each solid waste management district. Under this act, the Board shall be composed of the chairman of the executive board of each solid waste management district, or his or her designee. Currently, 5 additional members are appointed to the Board by the Director of the Department of Natural Resources. This act changes the appointing authority from the Director of the Department to the Program Director of the Solid Waste Management Program.

This act modifies the duties of the Solid Waste Advisory Board by requiring that the Board submit an annual report to the Department of Natural Resources on a number of subjects, including unfunded solid waste management projects. This act also requires the Board to prepare an annual report to committees in the General Assembly regarding solid waste.

Under this act, the Solid Waste Advisory Board is required to hold regular meetings on a quarterly basis. A special meeting of the Board may occur under certain conditions. In addition, this act modifies the conditions under which the Board may conduct business.

STATE ENERGY PLAN (Section 620.3150) - Under this act, if a state energy plan is developed by the Division of Energy, such plan shall only be implemented upon approval by the General Assembly by concurrent resolution.

SOURCES OF INFORMATION

Department of Natural Resources
Department of Economic Development
Office of the State Auditor
St. Louis-Jefferson Solid Waste Management District
Southwest Missouri Solid Waste Management - District N
Office of the Attorney General
Metropolitan St. Louis Sewer District



Mickey Wilson, CPA
Director
May 1, 2015

Ross Strobe
Assistant Director
May 1, 2015