

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1462-04  
Bill No.: Truly Agreed to and Finally Passed HS for SCS for SB 374  
Subject: Environmental Protection; Air Pollution; Natural Resources Dept.; Business and Commerce  
Type: Original  
Date: May 29, 2001

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON STATE FUNDS</b>			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Natural Resources Protection Fund - Air Permit	\$0	(\$144,560)	(\$133,478)
<b>Total Estimated Net Effect on <u>All</u> State Funds</b>	<b>\$0</b>	<b>(\$144,560)</b>	<b>(\$133,478)</b>

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
None	\$0	\$0	\$0
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 4 pages.

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## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Department of Transportation** assume the proposed legislation would have no fiscal impact on their agency.

Officials from the **City of St. Louis** assume that their city is not considered to be a non-attainment area and therefore assumes no fiscal impact would result from passage of this proposal.

Officials of the **Office of Secretary of State** assume the Air Conservation Commission would promulgate rules to implement this proposal. Based on experience with other divisions, the rules, regulations and forms issued by the Air Conservation Commission could require as many as approximately 46 pages in the *Code of State Regulations*. For any given rule, roughly half again as many pages are published in the *Missouri Register* as in the *Code* because cost statements, fiscal notes and the like are not repeated in the *Code*. SOS estimates the cost of a page in the *Missouri Register* and *Code of State Regulations* to be \$23.00 and \$27.00, respectively. Therefore, for FY 02 costs are estimated at \$2,829. The actual costs could be more or less than the numbers given. The impact of this legislation in future years is unknown and depends upon the frequency and length of rules filed, amended, rescinded and withdrawn.

**Oversight** assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Officials from the **Department of Natural Resources** assume this proposal requires the Air Pollution Control Program to develop an emissions banking and trading program for criteria pollutants or their precursors in any area that is not currently in attainment of a National Ambient Air Quality Standard. The department will need to request additional staffing to handle the tracking and review of banking requests to satisfy these requirements.

The Department of Natural Resources would request two (2) FTEs to implement the increased technical review associated with a new Emissions Banking and Trading program.

The Environmental Engineers I/II - (1.5 FTEs) would be responsible for the technical review for the emissions banking and trading programs in all non-attainment and maintenance areas in Missouri. These FTEs would need to determine if each application demonstrates enforceable, permanent and real emission reductions. These evaluations will likely be included in construction permit applications. DNR estimates that they will receive 100 more applications

ASSUMPTION (continued)

(above the amount currently received) for Electrical Utilities and that each application will require 30 hours of review time for a total of 3,000 hours of additional work.

The Accounting Analyst I/II - (.5 FTE) would manage the emissions bank and be responsible for tracking every emission credit issued by the department for the life of the credit. This FTE would also review/approve transfer requests, serialize credits, and create emissions banking reports. The banking portion of this program would take 1,000 hours of additional work.

**Oversight** notes that DNR's salaries were adjusted to reflect salaries more closely in line with the State's hiring practices.

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
<b>NATURAL RESOURCES</b>			
<b>PROTECTION FUND - AIR PERMIT</b>			
<u>Costs - Department of Natural Resources</u>			
Personal Service (2 FTE)	\$0	(\$88,189)	(\$90,394)
Fringe Benefits	\$0	(\$29,393)	(\$30,128)
Expense and Equipment	<u>\$0</u>	<u>(\$26,978)</u>	<u>(\$12,956)</u>
<b>ESTIMATED NET EFFECT ON</b>			
<b>NATURAL RESOURCES</b>			
<b>PROTECTION FUND - AIR PERMIT</b>	<b><u>\$0</u></b>	<b><u>(\$144,560)</u></b>	<b><u>(\$133,478)</u></b>
<u>FISCAL IMPACT - Local Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small businesses could be affected by provisions of this proposal.

DESCRIPTION

This proposal requires the Missouri Air Conservation Commission, within the Department of Natural Resources (Division of Environmental Quality), to establish emissions trading programs to achieve the national air standards required under the federal Clean Air Act. The Commission

DESCRIPTION (continued)

shall consider certain factors listed in the act in establishing the program. The program shall apply in non-attainment areas, which are areas in which the air does not meet one or more of the National Ambient Air Quality Standards. The Department of Natural Resources shall register credits and administer the Missouri emissions bank.

Under the program, owners of air pollutant sources located in non-attainment areas may document permanent, measurable and federally-approved reductions in emissions and receive credits for the reductions. The credits may be traded or transferred to other air pollutant sources within the same non-attainment area in which the emissions reduction occurred, but only if there will be no adverse impact on air quality. Creditable reductions shall only be given for emission reductions that occur after the effective date of the proposal. In non-attainment areas, the banked credits shall be reduced each year by 3 percent as long as the area remains classified as a non-attainment area.

This legislation is not federally mandated and would not require additional capital improvements or rental space.

Officials from the Department of Natural Resources note that Section 643.220 (Air Emissions Banking/Trading) does not specifically duplicate any current programs. However, The Air Pollution Control program does have a banking provision in 10 CSR 10-6.060 "Construction Permits Required." In addition, the program has developed an emissions banking and trading program for Electrical Utilities. This program is outlined in 10 CSR 10-6.350 entitled "Emission Limitations and Emissions Trading of Oxides of Nitrogen." Both of these regulations would be similar to the proposal. The current statute allows for the development of banking and trading programs to address areas with problematic air quality.

SOURCES OF INFORMATION

Department of Natural Resources  
Department of Transportation  
Office of Secretary of State  
City of St. Louis



Jeanne Jarrett, CPA  
Director

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