

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5216-01
Bill No.: HB 2343
Subject: Water Resources and Water Districts; Department of Natural Resources
Type: Original
Date: February 14, 2020

Bill Summary: This proposal modifies provisions relating to public water systems.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Federal EPA Funds	\$0 or Up to (\$13,385,310)	\$0 or Up to (\$13,385,310)	\$0 or Up to (\$13,385,310)
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0 or Up to (\$13,385,310)	\$0 or Up to (\$13,385,310)	\$0 or Up to (\$13,385,310)

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Federal EPA Funds	0 or Up to 113.59 FTE	0 or Up to 113.59 FTE	0 or Up to 113.59 FTE
Total Estimated Net Effect on FTE	0 or Up to 113.59 FTE	0 or Up to 113.59 FTE	0 or Up to 113.59 FTE

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 2021	FY 2022	FY 2023
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Natural Resources (DNR)** assume the following regarding this proposal:

§640.147, RSMo, conflicts with the federal definition of a public water system as outlined in the federal Safe Drinking Water Act 40 CFR §141.2 and published in the Federal Register at 63 FR 41940 on August 5, 1998, "Definition of a Public Water System in Safe Drinking Water Act Section 1401(4) as Amended by the 1996 SDWA Amendments." In this notice, EPA identifies human consumption to include the following: drinking, bathing, showering, cooking, dishwashing, or maintaining oral hygiene. EPA further clarified in the notice that bathing includes use of water for personal hygiene purposes in a home, business setting, school, etc. EPA restated this interpretation in the Airline Drinking Water Rule, published at 74 FR 53,590 on October 19, 2009. In this rule, EPA clarified that Human Consumption means drinking, bathing, showering, hand washing, teeth brushing, food preparation, dishwashing, and maintaining oral hygiene.

The proposed legislation would result in Missouri having a definition of a public water system that is less stringent than the federal definitions and interpretation. This could result in the Environmental Protection Agency (EPA) taking action against the State's primacy delegation for implementing the Safe Drinking Water Act in Missouri.

If the Department loses its primacy delegation, it would lose federal grant funding including the Drinking Water Revolving Fund (DWSRF), Capitalization Grant, and the PWSS Performance Partnership Grant (PPG).

The Department uses the DWSRF Capitalization (CAP) Grant to make low-interest loans and grants to public water systems for infrastructure improvements. The Department also reserves 31% of this grant to fund the cost of implementing the drinking water program and to fund associated grant and service programs that benefit public water systems. The Department utilized the PWSS PPG to fund staff and associated costs for implementing drinking water primacy activities.

In FY 2019, the Department received \$21,331,000 in PPG funding and CAP grant funding. A total of 113.59 FTE relied on this funding department wide. Based on how all drinking water funding sources (safe drinking water fund, general revenue, administration fees, and federal) are expended, fund availability, and grant liquidation dates each year, it is not feasible to breakdown the FTE.

ASSUMPTION (continued)

Oversight does not have any information to the contrary in regards to DNR’s assumptions. Oversight will range the fiscal impact of the potential loss of federal funding from \$0 (Missouri is not found to be out of compliance with federal regulations) to a loss of up to \$21,331,000 (Missouri is found to be non-compliant with federal regulations) per fiscal year.

In addition, Oversight will range the potential savings from the loss of FTE from \$0 (no FTE are eliminated) to the savings indicated by DNR (all 113.59 FTE funding by the PPG and CAP grants are eliminated) on the fiscal note.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other water districts 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.

<u>FISCAL IMPACT - State Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
FEDERAL EPA FUNDS			
<u>Savings</u> - DNR - potential elimination of 113.59 FTE	\$0 or Up to \$7,945,690	\$0 or Up to \$7,945,690	\$0 or Up to \$7,945,690
<u>Loss</u> - DNR - potential loss of federal funding	\$0 or Up to <u>(\$21,331,000)</u>	\$0 or Up to <u>(\$21,331,000)</u>	\$0 or Up to <u>(\$21,331,000)</u>
ESTIMATED NET EFFECT ON FEDERAL EPA FUNDS	<u>\$0 or Up to (\$13,385,310)</u>	<u>\$0 or Up to (\$13,385,310)</u>	<u>\$0 or Up to (\$13,385,310)</u>
Estimated Net FTE Change to Federal EPA Funds	0 or Up to 113.59 FTE	0 or Up to 113.59 FTE	0 or Up to 113.59 FTE
<u>FISCAL IMPACT - Local Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
	<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 a business's water system is not a public water system, regardless of if it meets the definition, if the business does not serve water from the system for the purpose of drinking. If a facility does not fill out the Public Water System Inventory Questionnaire to determine if a facility's water system should be regulated as a public water system, the department may include the name of a facility on a public list indicating the facility failed to submit the questionnaire, but no additional penalty can apply.

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



Julie Morff
Director
February 14, 2020



Ross Strobe
Assistant Director
February 14, 2020