

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0894-01  
Bill No.: HB 207  
Subject: Cities, Towns, and Villages; Public Service Commission; Utilities  
Type: Original  
Date: February 24, 2009

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Bill Summary: Prohibits a municipality or utility company from requiring an owner of a premises to pay delinquent utility bills for his or her occupants

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 6 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
<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 FULL TIME EQUIVALENT (FTE)</b>			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
<b>Local Government</b>	<b>(Unknown - Expected to Exceed \$100,000)</b>	<b>(Unknown - Expected to Exceed \$100,000)</b>	<b>(Unknown - Expected to Exceed \$100,000)</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Office of State Courts Administrator** state this proposal will have no fiscal impact on the Courts.

Officials from the **Department of Economic Development - Public Service Commission** and **Office of Public Counsel** state this proposal will have no fiscal impact on their respective divisions.

Officials from the **City of Cape Girardeau** state this proposal would cause a negative impact by weakening the city's ability to recover amounts that are owed to it.

Officials from the **City of West Plains** state this proposal will have no fiscal impact on their city because they do not charge owners for renters bills left unpaid. The renters are unable to get utility services at any other location until they have paid their bill.

Officials from the **City of Maryville** state the provisions of this proposal would cost their city at least \$1,000 per year. They assumed they might raise the utility deposit significantly.

Officials from the **City of Kansas City** Water Services Department estimate that this legislation could cost the City and its ratepayers approximately \$7.25 million over the three fiscal year period. This will require that the Water Services Department reduce the number of days allowed for customers to pay their accounts before they are turned over to collections and will potentially increase their bad debt allowance which is included in the cost of service passed onto their customers. Also, the cost for collections activities will potentially increase as they are required to file legal actions in greater volumes to protect collections activities.

This proposed legislation has the potential of placing the following amounts of revenue at risk:

FY 2009 - \$2,325,000  
FY 2010 - \$2,418,000  
FY 2011 - \$2,514,000  
Total - \$7,257,000

Officials from the **Public Water Supply District #2 of St Charles County** state they could expect to lose between \$4,000 to \$8,000 per year from 2010 through 2012 in lost revenue. The Water District's other customers would then pay to cover the lost revenue. As an alternative, all  
ASSUMPTION (continued)

renter's accounts would be placed in the owners' names rather than the tenants' names.

Officials of the **St. Louis Metropolitan Sewer District (MSD)** stated that a change which requires the district to pursue only the tenant for delinquent sewer charges would result in major programming and implementation costs to current district systems. There would be additional staffing needs and costs, and an estimated increase in the district's outstanding accounts receivables and bad debt allowance. Officials estimate on-going costs to the district of \$380,750 in FY 2010; \$2,473,080 in FY 2011; and \$3,788,645 in FY 2012. They further state that the past practice of billing tenants only and not the owner has been the primary contributor over the last 20 years to MSD's current outstanding receivables of \$21 million and \$33 million in bad debt allowance.

Officials from the **Little Blue Valley Sewer District** state the proposal will not affect their district.

In response to an identical proposal from last session (HB 1531 - FN 3418-02), officials of the **Pulaski County Sewer District # 1** stated that the potential would exist for an annual loss of revenue for the district. Officials did not estimate the amount of annual loss but assumed it would be significant.

**Oversight** assumes the tenant would be responsible for attorney's fees associated with court action against the tenant for recovery of sums owed.

**Oversight** assumes, based on responses from cities and utilities, that without the ability to collect a delinquent account from the owner, and if the delinquent tenant were not located, there would be an unknown loss of income to the utility or political subdivision. **Oversight** assumes the annual loss on a statewide basis is unknown, but would exceed \$100,000.

<u>FISCAL IMPACT - State Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
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## **LOCAL POLITICAL SUBDIVISIONS**

Loss - Municipalities and utilities -  
Utility costs not recovered.

(Unknown -  
Expected to  
Exceed  
\$100,000)

(Unknown -  
Expected to  
Exceed  
\$100,000)

(Unknown -  
Expected to  
Exceed  
\$100,000)

## **ESTIMATED NET EFFECT ON POLITICAL SUBDIVISIONS**

(Unknown -  
Expected to  
Exceed  
\$100,000)

(Unknown -  
Expected to  
Exceed  
\$100,000)

(Unknown -  
Expected to  
Exceed  
\$100,000)

## FISCAL IMPACT - Small Business

Small utility businesses in the state could realize a loss of income associated with the collection of delinquent accounts if the delinquent tenant were not located for the collection process.

## FISCAL DESCRIPTION

This proposed legislation prohibits a municipality or utility company supplying an occupant of a premise with a utility service from holding the owner of the premise liable for the occupant's delinquent utility payment. The municipality or utility company can recover reasonable attorney fees in a civil suit against the occupant.

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

LMD:LR:OD (12/02)

Department of Economic Development

Public Service Commission

Office of Public Counsel

Office of State Courts Administrator

Cities

Kansas City

Maryville

West Plains

Cape Girardeau

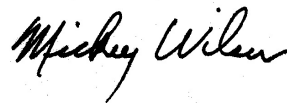
Sewer Districts

Little Blue Valley

Metropolitan St Louis

Public Water Supply District #2 of St Charles

Pulaski County Sewer District #1



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Director

February 24, 2009