

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5325-05
Bill No.: HCS for HB 1358
Subject: Fees; Sewers and Sewer Districts
Type: Original
Date: April 5, 2012

Bill Summary: This proposal combines myriad provisions relating to political subdivisions.

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | |
|---|------------|------------|------------|
| FUND AFFECTED | FY 2013 | FY 2014 | FY 2015 |
| | | | |
| | | | |
| Total Estimated Net Effect on General Revenue Fund | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON OTHER STATE FUNDS | | | |
|---|------------|------------|------------|
| FUND AFFECTED | FY 2013 | FY 2014 | FY 2015 |
| | | | |
| | | | |
| Total Estimated Net Effect on <u>Other</u> State Funds | \$0 | \$0 | \$0 |

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 7 pages.

| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | |
|---|----------------|----------------|----------------|
| FUND AFFECTED | FY 2013 | FY 2014 | FY 2015 |
| | | | |
| | | | |
| Total Estimated Net Effect on <u>All</u> Federal Funds | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE) | | | |
|---|----------------|----------------|----------------|
| FUND AFFECTED | FY 2013 | FY 2014 | FY 2015 |
| | | | |
| | | | |
| Total Estimated Net Effect on FTE | 0 | 0 | 0 |

- 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).

| ESTIMATED NET EFFECT ON LOCAL FUNDS | | | |
|--|-------------------------|-------------------------|-------------------------|
| FUND AFFECTED | FY 2013 | FY 2014 | FY 2015 |
| Local Government | \$0 or (Unknown) | \$0 or (Unknown) | \$0 or (Unknown) |

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Natural Resources, State Tax Commission, Office of the State Courts Administrator, Department of Insurance, Financial Institutions and Professional Registration, Department of Economic Development - Division of Business and Community Services, Department of Economic Development - Missouri Housing Development Commission, Department of Economic Development - Missouri Development Finance Board, Department of Economic Development - Office of the Public Counsel, Department of Economic Development - Public Service Commission, Joint Committee on Administrative Rules, Office of the State Treasurer, Missouri Local Government Employees Retirement System and Office of Administration** each assume the current proposal would not fiscally impact their respective agencies.

Officials from the **Department of Elementary and Secondary Education (DESE)** state there is no anticipated state cost to the foundation formula associated with this proposal. To the extent fine revenues exceed 2004-2005 collections, any increase in this money distributed to school districts increases the deduction in the foundation formula the following year. Therefore the affected districts will see an equal decrease in the amount of funding received through the formula the following year; unless the affected districts are hold-harmless, in which case the districts will not see a decrease in the amount of funding received through the formula (any increase in fine money distributed to the hold-harmless districts will simply be additional money). An increase in the deduction (all other factors remaining constant) reduces the cost to the state of funding the formula.

Officials from the **Department of Revenue (DOR) and Office of Administration - Information Technology Services Department (ITSD-DOR)** state that the IT portion of the fiscal impact is estimated with a level of effort valued at \$2,120. The value of the level of effort is calculated on 80 FTE hours.

Oversight assumes ITSD - DOR is provided with core funding to handle a certain amount of activity each year. Oversight assumes ITSD - DOR could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, ITSD - DOR could request funding through the appropriation process.

Officials from the **DOR** assume the proposal requires each city, town or village that meets the criteria established in subsection 6 to file an annual report. If the qualifying cities, towns and villages do not comply with the provisions of this section, the entity will be subject to a civil

ASSUMPTIONS (continued)

penalty in an amount up to \$1,000. DOR states that the department must create the document and make it available in all cities, towns and villages. If any excess fines were due, DOR would need to issue billings to the applicable cities, towns and villages.

Officials from the **Attorney General's Office** and **Department of Public Safety** assume that any costs associated with this proposal can be absorbed with existing resources.

In response to a previous version of this legislation, officials from the **County of St. Louis** and **Metropolitan St. Louis Sewer District** each assume the current proposal would not fiscally impact their respective agencies.

In response to a previous version of this legislation, officials from the **Office of the Governor**, **Office of the State Auditor** and **Joint Committee on Public Retirement** assume the current proposal would not fiscally impact their agency.

Section 67.312

In response to a similar version of this proposal, officials from the **Public Water Supply District #2 of St. Charles County** assumed the proposal would preempt the District's authority to fix rates and charges for wastewater services based upon sound financial principles. This could cause the District to violate its existing bond covenants causing a downgrading of its bond rating and increasing interest costs to the District estimated at hundreds of thousands of dollars per year. In addition, substantial banking, bond and legal fees would be incurred to help prevent defaults on existing bonds, causing an increase in the monthly water and sewer bills for District customers.

In addition, the District stated that if the proposal passed it could prevent or limit the District's ability to collect enough revenue to operate effectively and efficiently. Ultimately, if unable to determine its own sewer rate structure to fund sewer system operations and maintenance, pay off existing bond debt and meet legal requirements, the proposal could cause a negative impact in Lake St. Louis and surrounding areas.

Oversight assumes for fiscal note purposes that the impact to Public Water Supply District #2 of St. Charles County will be \$0 or (unknown). If there is no change or it is less than 200% of the sewage or wastewater treatment fee imposed by the other entity, than there will not be a fiscal impact. If there is a change greater than 200%, and it is approved by the voters, there will not be a fiscal impact. If there is a change greater than 200%, and it isn't approved by the voters, the

ASSUMPTIONS (continued)

District cannot pass the fee collection on to customers, which will result in an unknown negative impact.

In response to a previous version of this legislation, officials from the **Department of Health and Senior Services** assumed the proposal would not fiscally impact their agency.

Officials from the **Office of the Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with the core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

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.

Officials from the **Missouri State Employees Retirement System** did not respond to Oversight's request for fiscal impact.

Officials from the **Cities of Ashland, Belton, Bernie, Bonne Terre, Boonville, California, Cape Girardeau, Clayton, Columbia, Dardenne Prairie, Excelsior Springs, Florissant, Frontenac, Fulton, Gladstone, Grandview, Harrisonville, Independence, Jefferson City, Joplin, Kansas City, Kearney, Kennett, Knob Noster, Ladue, Lake Ozark, Lebanon, Lee Summit, Liberty, Linn, Louisiana, Maryland Heights, Maryville, Mexico, Monett, Neosho, O'Fallon, Pacific, Peculiar, Popular Bluff, Raytown, Republic, Richmond, Rolla, Sedalia, Springfield, St. Charles, St. Joseph, St. Louis, St. Robert, Sugar Creek, Sullivan, Warrensburg, Warrenton, Webb City, Weldon Spring and West Plains** did not respond to Oversight's request for fiscal impact.

Officials from the **Counties of Andrew, Barry, Bates, Boone, Buchanan, Butler, Callaway, Camden, Cape Girardeau, Carroll, Cass, Cole, Cooper, DeKalb, Franklin, Greene,**

ASSUMPTIONS (continued)

Hickory, Holt, Jackson, Jasper, Jefferson, Johnson, Knox, Laclede, Lafayette, Lawrence, Lincoln, Marion, Miller, Moniteau, Monroe, Montgomery, New Madrid, Nodaway, Ozark, Pemiscot, Perry, Phelps, Platte, Pulaski, Scott, St. Charles, St. Francois, Taney, Texas, and Warren did not respond to Oversight’s request for fiscal impact.

| | | | |
|---|---------------------|---------|---------|
| <u>FISCAL IMPACT - State Government</u> | FY 2013 (10 Mo.) | FY 2014 | FY 2015 |
|---|---------------------|---------|---------|

| | | | |
|--|------------|------------|------------|
| | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
|--|------------|------------|------------|

| | | | |
|---|---------------------|---------|---------|
| <u>FISCAL IMPACT - Local Government</u> | FY 2013 (10 Mo.) | FY 2014 | FY 2015 |
|---|---------------------|---------|---------|

LOCAL POLITICAL SUBDIVISIONS

Costs - Prohibits fees from being greater than 200% or more of the fee charged by an 3rd party unless approved by the voters. If the fees change but aren’t approved for an increase to the customers this could result in a cost to the water districts.

| | | |
|---------------------|---------------------|---------------------|
| \$0 or (Unknown) | \$0 or (Unknown) | \$0 or (Unknown) |
|---------------------|---------------------|---------------------|

| | | | |
|---|-------------------------|-------------------------|-------------------------|
| ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS | <u>\$0 or (Unknown)</u> | <u>\$0 or (Unknown)</u> | <u>\$0 or (Unknown)</u> |
|---|-------------------------|-------------------------|-------------------------|

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

The proposal combines myriad provisions relating to political subdivisions.

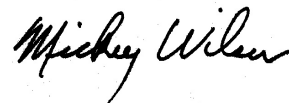
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Economic Development
Department of Natural Resources
Department of Public Safety
Department of Health and Senior Services
Office of the State Courts Administrator
Attorney General's Office
Department of Insurance, Financial Institutions and Professional Registration
State Tax Commission
Department of Revenue
Office of the State Auditor
Office of the State Treasurer
Joint Committee on Public Retirement
Missouri Local Government Employees Retirement System
Joint Committee on Administrative Rules
Department of Elementary and Secondary Education
Office of Administration
Office of the Governor
County of St. Louis
Public Water Supply District #2 of St. Charles County
Metropolitan St. Louis Sewer District

NOT RESPONDING

Missouri State Employees Retirement System
Numerous Cities
Numerous Counties



Mickey Wilson, CPA
Director
April 5, 2012