

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 5905-03  
Bill No.: SCS for HCS for HB 2216  
Subject: Cities, Towns and Villages; Department of Natural Resources; Water Resources and Water Districts; Property, Real and Personal; Public Service Commission; Utilities  
Type: Original  
Date: May 4, 2018

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Bill Summary: This proposal modifies provisions relating to water usage.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
General Revenue	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0 or (Unknown)</b>	<b>\$0 or (Unknown)</b>	<b>\$0 or (Unknown)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
<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>			
<b>FUND AFFECTED</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>
<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>			
<b>FUND AFFECTED</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>
<b>Local Government</b>	<b>\$0 or (Unknown)</b>	<b>\$0 or (Unknown)</b>	<b>\$0 or (Unknown)</b>

## FISCAL ANALYSIS

### ASSUMPTION

#### Section 386.266

Officials from the **Office of Administration - Facilities Management Design and Construction (FMDC)** state the following:

Section 386.266.4 of this bill allows water and sewer corporations with more than 8,000 Missouri retail customers to apply to the Public Service Commission for an interim rate change outside of a general rate proceeding due to any revenue variation resulting from increases or decreases in residential, commercial, public authority, and sale for resale usage to ensure that revenue requirements are met. FMDC is unable to predict the extent of water and sewer rate adjustments allowed by this subsection.

FMDC assumes that the above referenced provision will increase water and sewer utility rates, and therefore, FMDC's expenditures for those utilities. Without additional information, FMDC is unable to accurately calculate the amount of such increases. In the last three fiscal years, FMDC has averaged \$1.2 million in water expenditures (excludes MODOT, Conservation and Higher Education). For each one percent increase in water rates the additional cost to FMDC would be approximately \$12,048 annually.

**Oversight** notes the Senate Committee Substitute removes sewer corporations from the bill. Oversight will reflect an impact of \$0 or (Unknown) for possible increases in utility costs.

#### §640.648

In response to a previous version, officials at the **City of St. Charles** assumed this bill prohibits political subdivisions from restricting private wells in certain instances. A private well would introduce additional demand on sewer systems, since the amount of water used would be unknown. If fire protection is provided by a public water supply, then the burden of the cost would be borne on the other customers and not the owner of the private well. Public water systems are regulated, are constantly monitoring water quality and must provide safe water to the public. A private well is not under the same regulations. Additionally, if a public system was connected to the same system as a private well (as a backup to the private system) and a backflow valve failed, this could cause contamination of the public system. The true fiscal impact of such legislation would be extremely difficult to calculate.

ASSUMPTION (continued)

In response to a previous version, officials at the **City of Springfield** assumed there is a potential negative fiscal impact, however the impact is unquantifiable without knowing how the proposal will affect City departments.

**Oversight** assumes this proposal prohibits political subdivisions from restricting the rights of certain property owners with regard to water resources. While there are advantages and disadvantages of owning a private well vs. a public water supply, there are also rules and regulations in place to monitor public water supplies. Oversight assumes the proposal would not have a direct fiscal impact on local political subdivisions.

In response to a previous version, officials at the **State Tax Commission** assumed no fiscal impact from this proposal.

In response to a previous version, officials at **Boone County** and the **Callaway County Commission** each assumed no fiscal impact to their respective entities from this proposal.

Bill as a Whole

Officials at the **Department of Natural Resources** and the **Department of Economic Development's Public Service Commission, Office of Public Counsel** and the **Division of Energy** each assume no fiscal impact to their respective agencies from this proposal.

Officials from the **Attorney General's Office (AGO)** assume any potential cost arising from this proposal can be absorbed with existing resources. AGO may seek additional appropriations if the proposal results in a significant increase in litigation.

Officials at **St. Louis County** and the **City of Kansas City** each assume no fiscal impact to their respective entities from this proposal.

<u>FISCAL IMPACT - State Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
<b>GENERAL REVENUE FUND</b>			
<u>Cost - FMDC - Possible increase in utility cost</u>	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b>\$0 or <u>(Unknown)</u></b>	<b>\$0 or <u>(Unknown)</u></b>	<b>\$0 or <u>(Unknown)</u></b>

<u>FISCAL IMPACT - Local Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
<b>LOCAL POLITICAL SUBDIVISIONS</b>			
<u>Cost - Possible increase in utility cost</u>	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>
<b>ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS</b>	<b>\$0 or <u>(Unknown)</u></b>	<b>\$0 or <u>(Unknown)</u></b>	<b>\$0 or <u>(Unknown)</u></b>

FISCAL IMPACT - Small Business

There could be a direct fiscal impact to small businesses who sell private wells as a result of this proposal. Small businesses may also see an increase in utility costs.

FISCAL DESCRIPTION

This bill enables water corporations with more than 8,000 Missouri retail customers to apply to the Public Service Commission for an interim rate change outside of a general rate proceeding to ensure that revenue requirements are met.

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

Office of Administration  
Facilities Management, Design and Construction  
City of St. Charles  
City of Springfield  
Department of Natural Resources  
Department of Economic Development  
Public Service Commission  
Office of Public Counsel  
Division of Energy  
Office of the Attorney General  
State Tax Commission  
St. Louis County  
Boone County  
Callaway County Commission  
City of Kansas City

Ross Strope



Acting Director  
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