

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4879-08
Bill No.: Truly Agreed To and Finally Passed SS for SCS for HCS for HB 2120
Subject: Utilities; Water Resources and Water Districts
Type: Original
Date: June 11, 2020

Bill Summary: This proposal modifies provisions relating to utility infrastructure.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
General Revenue* **	\$0 or (Unknown)	\$0 or (Could Exceed \$5,000,000)	\$0 or (Could Exceed \$5,000,000)
Total Estimated Net Effect on General Revenue	\$0 or (Unknown)	\$0 or (Could Exceed \$5,000,000)	\$0 or (Could Exceed \$5,000,000)

*Oversight notes this proposal (§620.2459) extends the sunset date of an existing program (from August 28, 2021 to June 30, 2027). Accordingly, the fiscal note reflects the continuation of appropriations/ expenditures under the Broadband Internet Grant Program at either the FY 2020 level (\$5 million) or the FY 2021-approved level (\$0).

**Subject to appropriation, school districts may test sources of potable water in public school buildings serving students under first grade and constructed before 1996 for lead contamination (§701.200)

Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains 11 pages.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
State Facility Maintenance and Operation Fund	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
Other State Funds	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
Total Estimated Net Effect on <u>Other</u> State Funds	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Total Estimated Net Effect on FTE	0	0	0

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	(Unknown)	(Unknown)	(Unknown)

FISCAL ANALYSIS

ASSUMPTION

§67.5122 - Uniform Small Wireless Facility Deployment Act - Expiration Date

Oversight notes this section extends the expiration date of the Uniform Small Wireless Facility Deployment Act from January 1, 2021 to January 1, 2025.

Oversight notes, in response to a similar proposal from 2020 (HB 2182), which eliminated the expiration date of the Uniform Small Wireless Facility Development Act, officials from the **Department of Revenue, Missouri Department of Commerce and Insurance, Missouri Department of Transportation, Missouri Department of Economic Development, Missouri Department of Natural Resources, Office of State Court Administrator, Office of Administration, City of Springfield, and City of Kansas City** each stated this proposed section would not have a direct fiscal impact on their respective organizations.

Oversight notes the agencies mentioned above have each stated the proposed legislation would not have a direct fiscal impact on their respective organizations. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero fiscal impact in the fiscal note for these organizations as it relates to this section.

§393.1009 - Gas Utility Plan Projects

Officials from the **Department of Commerce and Insurance (DCI) - Office of the Public Counsel (OPC)** assume there will be a need for an additional Public Utility Accountant I-III at \$50,112 annually to review the increased costs included in ISRS petitions, the increased projects, plant, and costs that will be reviewed in general rate cases. The cost for such analyst would be approximately \$65,000 annually.

Oversight assumes this legislation will not generate a sufficient workload for the OPC to require an additional FTE, and therefore assume DCI-OPC could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, DCI-OPC could request funding through the appropriation process.

ASSUMPTION (continued)

§393.1012 - Utility Provisions

Officials from the **Office of Administration (OA) - Facilities Management Design and Construction (FMDC)** state this section prohibits ISRS revenues from exceeding ten percent of the gas corporation's base revenue. Therefore, FMDC assumes the most costs would increase is 10%. FMDC used a four-year average (FY16 - FY19) and applied a 1%, 5% and 10% increase to determine the maximum amount that could be charged based on this legislation.

This bill requires gas corporations to develop a pre-qualification process for contractors to install ISRS-eligible gas utility plant projects by Jan. 1, 2022. And, it requires that gas corporations seeking ISRS charges after that date use competitive bidding process for installing no less than 25% of ISRS-eligible gas utility plant projects. Arguably, these provisions could result in decreased infrastructure system replacement surcharges after January 1, 2022. However, it appears that the impact would be small, and at most would offset the increased costs identified above. Therefore, the impact of sections 393.1009 to 393.1015 of this bill is \$0 to \$353,312.

		1.00%	5.00%	10.00%
Gas with Fuel Oil	\$3,533,122	\$35,331	\$176,656	\$353,312

Oversight assumes this proposal allows gas corporations to file a petition and propose rate schedules with the Public Service Commission to establish or change ISRS rate schedules (that will allow for adjustment of the gas corporation's rate and charges to provide for the recovery cost).

Oversight assumes this proposal could potentially increase gas utility costs for the Office of Administration as well as other state agencies and local governments if more utility companies are allowed to file ISRS plans. Since it is unknown how many additional amortizations will be authorized (if any), Oversight will range the cost from \$0 (no utility will increase rates) to an unknown amount to the State Facility Maintenance and Operation Fund (0501) and a \$0 to unknown cost to other state funds and local political subdivisions.

ASSUMPTION (continued)

§393.1015 - Gas Corporation Petitions

Oversight notes this section extends the amount of time for reporting to the Public Service Commission and when orders become effective after a petition. Oversight assumes there will no fiscal impact from this section.

§620.2459 - Broadband Internet Grant Program Sunset Extension

Officials from the **Office of Administration - Budget & Planning Division (B&P)** state this proposal will have no direct impact on General Revenue (GR) and Total State Revenues (TSR) or the calculation pursuant to Article X, Section 18e.

For Fiscal Year 2020, \$5 million is appropriated for the Broadband program. This proposal extends the program to June 30, 2027. To the extent new appropriations are made from GR, resources otherwise available for other budget priorities might be reduced.

This proposal may result in additional induced revenues, which B&P cannot estimate.

Oversight notes HB 7 of the 2019 Regular Session appropriated \$5 million for the Broadband Internet Grant Program. Oversight also notes the TAFP (CCS for SCS for HS for HCS for HB 2007) version of **HB 2007 (2020)** appropriates \$0 to DED for Broadband Grants (Section 7.105).

Officials from the **Department of Economic Development, Department of Elementary and Secondary Education, Department of Transportation and Office of the State Treasurer** each assume the proposal will have no fiscal impact on their respective organizations.

Oversight notes that the agencies mentioned above have stated the proposal would not have a direct fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note for these agencies.

Oversight notes this proposed legislation extends the sunset date of the Broadband Internet Grant Program from August 28, 2021 to June 30, 2027. Oversight notes \$5,000,000 was appropriated to the program for Fiscal Year 2020. Oversight notes this program is subject to appropriation each year and, therefore, the fiscal impact cannot be quantified until future appropriations are made by the General Assembly.

ASSUMPTION (continued)

For purposes of this fiscal note, Oversight will report a potential negative fiscal impact from \$0 (FY 2021 appropriation level) to an amount that could exceed the amount equal to Fiscal Year 2020's appropriation level for the program of \$5,000,000.

§§640.141, 640.142, 640.144 & 640.145 - Community Water Systems

Officials from the **Department of Natural Resources, Department of Economic Development and Department of Corrections** each assume the proposal will have no fiscal impact on their respective organizations.

Officials from the **Office of Administration (OA) - Facilities Management Design and Construction (FMDC)** assume this section creates additional obligations for community-based water systems that use an Internet-connected control system. The definition of community-based water systems could apply to state-owned facilities. However, FMDC believes that this bill will not have any fiscal impact because FMDC does not maintain any water systems that use an Internet-connected control system.

Oversight notes that the agencies mentioned above have stated the proposal would not have a direct fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note for these agencies.

Officials from the **City of Kansas City** assume the proposal would have no fiscal impact on their organization. Exceptions have been created in various provisions of the proposal for cities with populations in excess of 30,000.

Oversight notes that the City of Kansas City has stated the proposal would not have a direct fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note for the City of Kansas City.

Oversight notes that cities with a population of less than 30,000 could incur costs to upgrade their water systems and perform the required inspections listed in this proposal; therefore, Oversight will reflect an “unknown” cost to local political subdivisions.

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

ASSUMPTION (continued)

§701.200 - Water Testing in Certain Elementary School Buildings

Officials from the **Department of Natural Resources, Department of Health and Senior Services** and **Department of Elementary and Secondary Education** each assume the proposal will have no fiscal impact on their respective organizations.

Oversight notes that the agencies mentioned above have stated the proposal would not have a direct fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note for these agencies.

Officials from the **Office of Administration (OA) - Facilities Management Design and Construction (FMDC)** assume this section permits, subject to appropriations, each school district to test a sample of a source of potable water from a public school building serving students under first grade and constructed before 1996. It appears this bill would apply to state run schools for which FMDC provides maintenance and operational services. There are currently 34 state schools that serve children and youth between the ages of 5 and 21. It appears all were built before 1996. FMDC assumes the average cost for testing is \$14 to \$30. Assuming only one water source per building is tested, the cost to test all state schools would be less than \$1,020. FMDC assumes that DESE would be responsible for providing notice as required by this bill.

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

Officials at the **Secretary of State (SOS)** assume that many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The Secretary of State's office 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 Secretary of State's office for Administrative Rules is less than \$5,000. The Secretary of State's office recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize 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 our office can sustain with our core budget. Therefore, we reserve 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.

ASSUMPTION (continued)

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 require additional resources.

Officials from the **Joint Committee on Administrative Rules (JCAR)** state that the proposal is not anticipated to cause a fiscal impact to their agency beyond its current appropriation.

Oversight received no responses from school districts regarding the fiscal impact of this bill. Oversight presents this fiscal note on the best current information available. If additional responses are received, Oversight will review to determine whether to prepare an updated fiscal and seek the necessary approval to publish a new fiscal note.

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

Oversight assumes that because this bill permits schools to test drinking water for lead, and makes it subject to appropriation, this will have net \$0 direct fiscal impact to school districts, and \$0 or (Unknown) to state agencies depending upon the number of school districts that apply to be tested, the number of water sources tested, and the appropriation approved by the state.

Oversight notes, according to statistics from the Department of Elementary and Secondary Education, there are 1,228 elementary school buildings and 44 charter elementary school buildings in Missouri. Oversight does not have information regarding the ages of the buildings. Oversight notes testing could be conducted at several water sources within a single building.

Oversight will reflect an unknown amount of state appropriation for this program.

<u>FISCAL IMPACT - State Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
GENERAL REVENUE			
<u>Revenue Reduction</u> - Extended expiration date of the Broadband Internet Grant Program (subject to appropriation) (§620.2459) p. 5	\$0	\$0 or Could exceed (\$5,000,000)	\$0 or Could exceed (\$5,000,000)
<u>Transfer out</u> - Appropriation for school water testing (§701.200) p. 8	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	\$0 or <u>(Unknown)</u>	\$0 or (Could Exceed <u>\$5,000,000)</u>	\$0 or (Could Exceed <u>\$5,000,000)</u>
STATE FACILITY MAINTENANCE AND OPERATION FUND (0501)			
<u>Cost</u> - OA - Potential increase in gas utility costs (§§393.1012 & 393.1015) p. 4	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>
ESTIMATED NET EFFECT ON THE STATE MAINTENANCE AND OPERATION FUND	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>
VARIOUS STATE FUNDS			
<u>Cost</u> - OA - Potential increase in gas utility costs (§§393.1012 & 393.1015) p. 4	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>
ESTIMATED NET EFFECT TO VARIOUS STATE FUNDS	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
LOCAL POLITICAL SUBDIVISIONS			
<u>Transfer in</u> - Funds to school districts for water testing (§701.200) p. 8	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
<u>Cost</u> - Potential increase in gas utility costs (§§393.1012 & 393.1015) p. 4	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>
<u>Cost</u> - School district water testing (§701.200) p. 7	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
<u>Cost</u> - Update water systems and perform inspections (§§640.141, 640.142, 640.144 & 640.145) p. 6	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

FISCAL IMPACT - Small Business

§620.2459 - This proposed legislation could impact any small business that would not have been awarded a grant had the sunset/expiration date of this program be extended.

§§640.141, 640.142, 640.144 & 640.145 - There may be a direct fiscal impact to those community water systems that meet the definition of a small business as a result of this proposal. This may include not only those systems that will be regulated, but also any small business that may have to adjust water rates to allow the water system to comply with this bill.

FISCAL DESCRIPTION

This proposal establishes provisions relating to utility infrastructure.

This legislation is not federally mandated but may be duplicative of parts of the American Water and Infrastructure Act (AWIA). It would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Natural Resources
Department of Corrections
Department of Economic Development
City of Kansas City
Department of Elementary and Secondary Education
Department of Health and Senior Services
Joint Committee on Administrative Rules
Secretary of State
Department of Commerce and Insurance - Office of the Public Counsel
Office of Administration - Facilities Management Design and Construction
Office of the State Treasurer
Office of Administration - Budget and Planning
Department of Transportation
Department of Revenue
Office of the State Courts Administrator



Julie Morff
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June 11, 2020



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June 11, 2020