COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0809S.04P
Bill No.: Perfected SS for SB 44
Subject: Public Service Commission; Sewers and Sewer Districts; Utilities; Water Resources and Water Districts
Type: Original
Date: April 14, 2021

Bill Summary: This proposal establishes provisions related to utilities.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
General Revenue*	$0 to (Unknown)	$0 to (Unknown)	$0 to (Unknown)
Total Estimated Net Effect on General Revenue	**$0 to (Unknown)**	**$0 to (Unknown)**	**$0 to (Unknown)**

* OA-FMDC assumes that the maximum possible increase in water and sewer costs that could occur because of this legislation would be a 15% maximum potential increase in water and sewer of $417,852.99; however, Since it is unknown what eligible projects these companies would engage in or what rate adjustments would be approved by the Public Service Commission (if any), Oversight will reflect a range from $0 (no utility will increase rates) to an unknown cost

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Public Service Commission Fund (0607)	$0 to ($282,309)	$0 to ($334,064)	$0 to ($337,342)
Other State Funds	$0 to (Unknown)	$0 to (Unknown)	$0 to (Unknown)
Blind Pension Fund (0621)	$0	$0	(Unknown)
Total Estimated Net Effect on Other State Funds	**$0 to (Greater than ($282,309)**	**$0 to (Greater than ($334,064)**	**(Unknown, Could exceed $337,342)**

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Public Service Commission Fund (0607)	0 to 3.28 FTE	0 to 3.28 FTE	0 to 3.28 FTE
Total Estimated Net Effect on FTE	**0 to 3.28 FTE**	**0 to 3.28 FTE**	**0 to 3.28 FTE**

☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed $250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

☐ Estimated Net Effect (savings or increased revenues) expected to exceed $250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Local Government	**$0 to (Unknown)**	**$0 to (Unknown)**	**(Unknown, Could be substantial)**

FISCAL ANALYSIS

ASSUMPTION

Sections 393.1500 - 393.1509 - Missouri Water and Sewer Infrastructure Act

Officials from the **Department of Commerce and Insurance (DCI) - Public Service Commission (PSC)** assume the proposed bill would allow all water or sewer companies to file a petition and proposed rate schedule with the Public Service Commission (PSC) to create or change Missouri Water and Sewer Infrastructure Rate Adjustments (WSIRA) between general rate cases, but no more than twice in a twelve month period.

If passed, the bill could potentially result in an estimated 4 to 8 cases each year. If this forecast is accurate, this will result in a significant incremental workload for the Commission. At this time, they estimate that enactment of this bill would require the addition of at least two FTE, one being a Utility Regulatory Engineer I at $65,899 annually and the other a Utility Regulatory Auditor III at $51,808 annually. Additionally, they anticipate workload increases for other existing staff, particularly for three specific positions: Regulatory Law Judge (.52 FTE), Chief Counsel (.42 FTE), and Legal Counsel (.34 FTE). However, the workload increases for those three positions does not exceed a full new FTE for each respective position.

Since it is unknown what eligible projects companies would engage in or what rate adjustments would be approved by the Public Service Commission (if any), **Oversight** will reflect a range of $0 to the estimate cost provided by the DCI-PSC of $282,309 in FY 2022, $334,064 in FY 2023 and $337,342 in FY 2024.

Officials from the **Department of Commerce and Insurance – Office of Public Council** assume this legislation would increase the workload of the OPC staff because it will require review of up to two additional annual filings for each large water company, with a greatly expanded base of eligible project costs to be reviewed in each petition. A fiscal impact on the OPC is not anticipated. However, should the extent of the work be more than anticipated, the department would request additional appropriation and/or FTE through the budget process.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for the Office of Public Council.

Officials from the **Office of Administration - Facilities Management Design and Construction (OA-FMDC)** assume this bill creates the Missouri Water and Sewer Infrastructure Act, which specifies that a water or sewer corporation may file a petition and proposed rate schedules with the Public Service Commission to create or change a water and sewer infrastructure rate adjustment (WSIRA) that provides for the recovery of pretax revenues associated with eligible infrastructure projects.

Section 393.1506 states that the WSIRA individually, or when combined with an infrastructure system replacement surcharge shall not produce revenues in excess of fifteen percent of the water or sewer corporation's base revenue.

OA-FMDC assumes this proposal could increase utility costs for OA, other state agencies and for local governments. However, the amount of increase, if any, is unknown because OA-FMDC has no way of knowing what eligible projects companies would engage in or what rate adjustments would be approved by the Public Service Commission.

OA-FMDC assumes that the maximum possible increase in water and sewer costs that could occur because of this legislation would be 15% based on section 393.1506, although not directly applicable.

Using a three-year average (FY17 - FY19) and a 15% increase, the maximum potential increase in water and sewer costs to OA-FMDC is $417,852.99 (see below). OA-FMDC estimates the impact of this bill is $0 to $417,852.99.

	2017	2018	2019	3 Year Total	3 Year Average	15% Increase
Water	$ 1,036,487.97	$ 1,005,759.16	$ 1,176,095.41	$ 3,218,342.54	$ 1,072,780.85	$ 160,917.13
Sewer	$ 1,644,132.17	$ 1,731,695.02	$ 1,762,889.98	$ 5,138,717.17	$ 1,712,905.72	$ 256,935.86
	$ 2,680,620.14	$ 2,737,454.18	$ 2,938,985.39	$ 8,357,059.71	$ 2,785,686.57	$ 417,852.99

Oversight assumes this proposal allows a water or sewer corporation to file a petition and proposed rate schedules with the Public Service Commission to create or change a water and sewer infrastructure rate adjustment (WSIRA) that provides for the recovery of pretax revenues associated with eligible infrastructure projects. Oversight assumes this proposal could increase utility cost for the Office of Administration as well as other state agencies and local governments. Since it is unknown what eligible projects companies would engage in or what rate adjustments would be approved by the Public Service Commission (if any), Oversight will reflect a range from $0 (no utility will increase rates) to an unknown cost to the General Revenue Fund, other state funds and local political subdivisions.

Officials from the **City of Corder** assume this proposal would fiscally impact their city. The City of Corder does not have current estimates on infrastructure improvements needed at this time.

Officials from the **Attorney General's Office**, the **Department of Natural Resources**, the **Missouri Department of Conservation**, the **Department of Transportation**, the **Metropolitan St. Louis Sewer District**, the **High Point Elementary School**, the **Lexington**

water/Wastewater District, the **Little Blue Valley Sewer District**, **the Platte County Pwsd**, the **Saline County Pwsd**, the **City of Springfield**, the **Tri County Water Authority** and the **Wayne County Pwsd** each assume the proposal will have no fiscal impact on their respective organizations.

Oversight notes that the above mentioned agencies 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 those organizations.

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

<u>Senate Amendment 1– Rural Electric Cooperatives meetings</u>

Oversight assumes this part of the proposal is permissive to rural electric cooperatives and would not have a fiscal impact on state agencies or on local political subdivisions.

<u>Senate Amendment 2 –Provisions Relating to Common Sewer Districts</u>

In response to a similar proposal from this year (SB 558), officials from the **Little Blue Valley Sewer District** assumed a direct impact on their ability to issue bonds for expansion of their sewer plant. The sewer district is a very small portion of the county and a vote in the county to allow for additional debt could have an adverse outcome. Due to the growth of the County in the area they serve, they are in need of expanding their sewer treatment plant. In order to complete the expansion, they need to issue debt. This gives them the ability to go directly to their customers for approval.

Oversight assumes this proposal modifies the provisions for subdistricts which are part of a common sewer district in certain counties (Jackson and Cass) to issue bonds for the subdistrict. This proposal changes the percentage of voters required to assent from $4/7^{th}$ of voters of the subdistrict voting to $3/4^{th}$ of the customers of the subdistrict as defined in §204.370. Oversight assumes §204.569 is codifying statute to reflect the same percentage as §204.370 and will have no direct fiscal impact.

In response to a similar proposal from this year (SB 558), officials from the **Office of the Secretary of State** and the **Joint Committee on Administrative Rules** each assumed the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

In response to a similar proposal from this year (SB 558), officials from the **Metropolitan St. Louis Sewer District** assumed the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for that agency.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other local election authorities, counties and sewer 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>Senate Amendment 3 – Classifications of Certain Property</u>

Officials from the **State Tax Commission** have reviewed a similar proposal, SB 196, and determined the act reclassifies stationary property used for transportation or storage of liquid and gaseous products, including petroleum products, natural gas, water and sewage from real to tangible personal property and the provisions of law relating to depreciable tangible personal property would be applied to the above mentioned. This will have an unknown fiscal impact on counties, cities, school districts who rely on property taxes as revenue, as real property does not depreciate.

The act modifies the definition of original cost for the purposes of depreciable tangible personal property and places this property under a depreciation schedule provided in 137.122. This may result in an unknown lower assessments and revenue for those counties, school districts etc. with a tax situs for said property and equipment.

In response to a similar proposal from this year (SB 196), officials from the **Office of Administration - Budget and Planning** assumed this proposal may impact TSR. This proposal may impact the calculation under Article X, Section 18(e).

Section 137.010 would move stationary property used for the transportation or storage of liquid and gaseous products, except propane or LP gas equipment, from the classification of “real property” to the classification of “tangible personal property”.

Section 137.122 details the depreciation schedule for business tangible personal property.

Subsection 137.122.5 would require all stationary property used for the transportation or storage of liquid and gaseous products (except propane or LP gas equipment), even such property put into place prior to January 2, 2006, to be assessed as provided under Section 137.122.

If these provisions impact the assessed value of stationary property used for the transportation or storage of liquid and gaseous products (except propane or LP gas equipment), then this proposal may impact the Blind Pension Trust Fund as well as local property tax funds. Therefore, B&P estimates that this proposal may impact TSR and the Blind Pension Trust Fund.

In response to a similar proposal from this year (SB 196), officials from the **Department of Revenue**, **Department of Commerce and Insurance**, **Office of the State Auditor** and the **Department of Social Services** each assumed the proposal will have no fiscal impact on their respective organizations.

In response to a similar proposal, SCS for SB 785 (2020), officials from the **Department of Commerce and Insurance** stated changes in the amount of property taxes payable by natural gas utilities due to this reclassification may have an impact on customer rates of an unknown magnitude.

In response to a similar proposal from this year (SB 196), officials from the **Ste. Genevieve County Assessor's Office** stated Ste. Genevieve County is one of 10 counties plus the City of St. Louis that has gas pipe line assets for the MO Natural Gas/Laclede/Spire Company on the eastern side of the State of MO. Approximately .0745% of the Company's assets are in Ste. Genevieve County. The proposed language would shift a burden of $18,300 annually to other County taxpayers. While that amount might not seem significant, please consider the impact what this could do to the other counties. I estimate a total loss for these 10 counties plus the City of St Louis could be approximately $24,564,000.

This is an estimate for only one of the six Natural Gas Distribution Companies in the State of MO. This does not take into consideration Private Water Companies.

I have also calculated the impact this proposed language would have on the reclassification of Underground Tanks that store gas at local gas stations in Ste Genevieve County. That loss in revenue/shift of burden to others would be approximately $25,000 annually.

In response to a similar proposal from this year (SB 196), officials from the **Bollinger County Assessor's Office** assumed the average loss in revenue to be $15,131 or more due to reductions in valuations. Although Bollinger County is not significant, 3.5% percent of the other 25 counties that have Ameren; the potential lost revenues across the state could be $4,323,128.

In response to a similar proposal from this year (SB 196), officials from the **Boone County Assessor's Office** assumed changing the definition of all stationary property used for transportation of natural gas and sewage from real to personal property will cost the taxing entities of Boone County $2 million annually. Tangible personal property includes things like automobiles and farm implements which are not permanently attached to the land. Natural gas and sewer lines are permanently attached to the land. Easements for Ameren and Missouri American Water Supply to treat waste water and deliver natural gas to their homes are part of the fee simple interest in real property. The value of those easements has increased over time just like the land under their homes. It is counter intuitive to define natural gas and sewer lines as personal property. They are not moveable. They are permanently attached to the land. The easements required to provide service increase in value rather than decrease over time.

This legislation would violate the ad valorem principle of taxation. The Missouri State Tax Commission's definition of fair market value follows. True Value in Money is the price the property would bring after a reasonable exposure to the open market when offered for sale by a person who is willing but not obligated to purchase it but not forced to do so. Defining a natural gas distribution system as personal property subject to the MACRS depreciation schedule would not accurately reflect fair market value. Changing the definition from real to personal property would understate the fair market value of natural gas distribution systems and waste water treatment companies.

Monopolies are regulated by the Public Service Commission and they are guaranteed a constant rate of return for their investors. This legislation would result in a windfall of profits for monopolies like Ameren and Missouri American Water Supply.

In response to a similar proposal from this year (SB 196), officials from **Cape Girardeau County Assessor's Office** stated, after an analysis of the gas distribution accounts in Cape Girardeau County and the potential impact of SB 196 on those accounts, it is estimated that Cape Girardeau County could lose as much as $29,000,000 in market value, or over $9,000,000 in assessed valuation. A rough estimate of taxes lost based on average total tax rate of the areas, plus commercial surcharge, could be around $500,000 annually.

Oversight assumes this proposal reclassifies certain property from real property to tangible personal property that is now subject to a depreciation schedule. Oversight assumes this proposal could lower assessed values and subsequent tax revenues. In addition, some counties indicated that personal property was not subject to a surtax which would also result in lower tax revenues.

However, **Oversight** notes local property tax revenues are designed to be revenue neutral from year to year. The tax levy is adjusted relative to the assessed value to produce roughly the same revenue from the prior year with an allowance for growth. Alternatively, some taxing entities have tax rate ceilings that are at their statutory or voter approved maximum. For these taxing entities, any decrease in the assessed values would not be offset by a higher tax rate (relative to current law) rather it would result in a loss of revenue.

Based on information provided by the Office of the State Auditor, **Oversight** notes, in 2020, there were over 2,500 tax entities with 4,000 different tax rates. Of those entities, 2,980 tax rate ceilings were below the entities' statutory or voter approved maximum tax rate and 1,098 tax rate ceilings were at the entities' statutory or voter approved maximum rate. (These numbers do not include entities which use a multi-rate method and calculate a separate tax rate for each subclass of property.)

Oversight assumes this proposal could result in lower assessed values and subsequent tax revenues; therefore, Oversight will show an unknown negative impact to the Blind Pension Fund and local political subdivisions. However, Oversight assumes some taxing entities will be able to increase the tax rate levied on other types of property to make-up for the lost revenue.

Oversight assumes this proposal could increase utility rates. However, Oversight assumes this is an indirect effect of this proposal and therefore will not show costs related to potential utility rate increases in this fiscal note.

Although the effective date of this proposal, if passed, would be FY 2022 (August 2021), the next re-assessment cycle would not occur until calendar year 2023; therefore, **Oversight** assumes this proposal would likely take effect calendar year 2023 with impacted revenues occurring in FY 2024 (December 2023).

Senate Amendment 1 to Senate Amendment 3

Oversight assumes this Amendment is to correct a drafting error and therefore will have no fiscal impact to state or local government.

Senate Amendment 4

Oversight assumes this amendment authorizes a 10 year sunset date for the Missouri Water and Sewer Infrastructure Act and therefore will have no fiscal impact on state or local government.

Senate Amendment 5 – Assessment of Certain Public Utility Property

Officials from the **State Tax Commission (STC)** have reviewed this proposal and determined school, fire districts and cities, counties in which the real and personal property of any public utility that utilizes Chapter 100 that has tax situs would realize an unknown positive fiscal impact with the inclusion of the entire value of the Chapter 100 real and personal property of the generation portion held by a utility (determined by depreciated cost) as part of their (local) tax base. The act proposes that said property will be valued locally and the value would stay with local taxing districts in which the property is located. School districts and other local taxing jurisdictions that may have miles of line within their district, but not the Chapter 100 assessment assets, would lose that valuation in their tax base. The fiscal impact would be unknown in both circumstances as it would be dependent on the amount of depreciation, size and scope of said Chapter 100 property. The proposed depreciation is based on the cost information for the generation portion from the Federal Energy Regulatory Commission filed report at transfer of ownership "and depreciate the costs provided in a manner similar to other commercial and industrial property".

In current law, property of electric companies (state centrally assessed) are categorized as “local property “and “distributable property" for ad valorem purposes. The value of all distributable is apportioned to the local taxing districts according to the number of miles of line in the counties and districts. All taxing districts with miles of line in a county that a centrally assessed company serves, shares the ad valorem valuation of all distributable property. In contrast, the value of local property stays with the local taxing districts in which the property is located.

In response to a similar proposal from this year (SB 92), officials from the **Office of Administration - Budget and Planning (B&P)** assumed this provision may impact TSR. This provision may impact the calculation under Article X, Section 18(e).

This proposal states that if any public utility company has ownership of any property associated with a generation project that was constructed using public financing under Chapter 100, that property shall be taxed by a county assessor under Chapter 137.

Beginning January 1, 2022, any public utility company assessed under Chapter 153 that has property associated with a generation project that was constructed using public financing under Chapter 1000 shall be assessed using the following methodology:

- All qualifying property shall be assessed at the local level, and not by the State Tax Commission. The local assessor must use cost information from the public utility company and shall then depreciate the costs similar to other commercial and industrial property.
- Land and buildings related to the qualifying generation project shall be assessed under Chapter 137.
- All other business or personal property related to the generation project shall be assessed using Section 137.122.

B&P notes that the term "generation project" is not defined and could include: solar, thermal, coal, nuclear, hydroelectric, gas, or other forms of energy generation.

B&P notes that currently, public utilities are assessed property taxes under Chapter 153. In the event that a public utility was to purchase or build qualifying generation project property, the qualifying property would instead be assessed under Chapter 137. B&P further notes that the two methods are not identical and may have a significant positive or negative impact on local revenues depending on the physical location of the public utility's property. In addition, if the assessed value of such property differs between the county assessor methodology under Chapter 137 and the STC methodology under Chapter 153, then this proposal may impact revenues to the Blind Pension Trust Fund.

In response to a similar proposal from this year (SB 92), officials from the **Office of the State Auditor** and the **Department of Revenue** each assumed the proposal will have no fiscal impact on their respective organizations.

In response to a similar proposal from this year (SB 92), officials from the **Department of Commerce and Insurance** assumed the proposal will have no fiscal impact on their organization.

Upon further inquiry, the **Department of Commerce and Insurance** stated their response was related to the operations of the Public Service Commission only. It does not contemplate any impact to public utilities.

In response to a similar proposal from this year (SB 92), officials from the **City of Kansas City** stated this legislation provides that real and personal property tax of any public utility company that utilizes Chapter 100 financing be assessed only upon the county assessor's local tax rolls. As the City collects taxes from utilities directly, this would result in a negative fiscal impact.

In response to a similar proposal from this year (SB 92), officials from the **Boone County Assessor's Office** stated Boone County has not used Chapter 100 financing for any projects of this nature. Counties which have financed projects of this nature would benefit financially.

In response to the previous version o, officials from the **City of Hale** and the **Metropolitan St. Louis Sewer District** each assumed the proposal would have a fiscal impact on their respective organizations.

In response to a similar proposal from this year (SB 92), officials from the **Lincoln County Assessor's Office**, **City of Springfield**, City of **Claycomo** and the **City of Corder** each assumed the proposal will have no fiscal impact on their respective organizations.

In response to a similar proposal from this year (SB 92), officials from the **City of Ballwin**, **City of Hughesville**, **City of O'Fallon**, **St. Louis Budget Division**, **Cass County PWSD #2**, **Hughesville Water & Wastewater**, **Lexington Water & Wasterwater**, **Little Blue Valley Sewer District**, **Macon County PWSD #1**, **Platte County PWSD #6**, **South River Drainage District**, **City of Springfield Utilities**, **St. Charles County PWSD #2**, **Stone County PWSD #1** and the **Wayne County PWSD #2** each assumed the proposal would have no fiscal impact on their respective organizations.

Oversight assumes this proposal would change the way public utilities utilizing Chapter 100 financing are assessed. Currently, they are centrally assessed and distributable. This proposal would require these public utilities to be assessed at the local level and would no longer be distributable.

Oversight notes the Blind Pension Fund (0621) is calculated as an annual tax of three cents on each one hundred dollars valuation of taxable property ((Total Assessed Value/100)*.03). Oversight assumes this proposal could have an unknown impact (positive or negative) on tax revenues to the Blind Pension Fund if the locally assessed values differ from the centrally assessed values.

Oversight assumes to reach a revenue impact of $250,000 in the Blind Pension Fund would require a change in assessed value of approximately $830 million. Oversight assumes it is unlikely the difference between the centrally assessed valuation and locally assessed valuation would differ to that degree. Therefore, Oversight assumes the impact on the Blind Pension Fund would be less than $250,000 for this section.

Oversight assumes local taxing entities with tax situs would experience an unknown positive impact while local taxing entities with property that is no longer centrally assessed and distributable would experience an unknown negative impact.

Additionally, **Oversight** notes property tax revenues are generally designed to be revenue neutral from year to year. The tax levy is adjusted relative to the assessed value to produce roughly the same revenue from the prior year with an allowance for growth. Therefore, Oversight assumes this proposal could impact property tax levies.

Oversight assumes public utilities could experience an impact if the centrally assessed valuation and locally assessed valuation differ causing a change in the amount of property taxes owed. Oversight will show an unknown impact (positive or negative) for public utilities using Chapter 100 financing.

Although the effective date of this proposal, if passed, would be FY 2022 (August 2021), the next re-assessment cycle would not occur until calendar year 2023 with impacted revenues occurring in FY 2024 (December 2023).

<u>Senate Amendment 6 – Prohibiting the Connection or Reconnection of Utility Service</u>

In response to a similar proposal from this year (SB 230), officials from the **Department of Natural Resources** and the **Department of Commerce and Insurance** each assumed the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

In response to a similar proposal from this year (SB 230), officials from the cities of **Ballwin**, **Corder**, **Kansas City**, **O'Fallon**, **Springfield** and **St. Louis**, the **Cass County Public Water Supply District (PWSD) #2**, **Clarence Water/Wastewater**, **Corder Water/Wastewater**, **Lexington Water/Wastewater**, the **Little Blue Valley Sewer District**, the **Macon County PWSD #1**, the **Metropolitan St. Louis Sewer District**, the **Platte County PWSD #6**, the **South River Drainage District**, the **Ste. Genevieve County PWSD #1**, the **Tri County Water Authority** and the **Wayne County PWSD #2** each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

In response to similar legislation from 2020, SB 1048, officials from the **Glasgow Village Street Lighting District** assumed the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note.

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

Senate Amendment 7

Oversight assumes this amendment will have no fiscal impact on state or local governments.

FISCAL IMPACT – State Government	FY 2022 (10 Mo.)	FY 2023	FY 2024
GENERAL REVENUE FUND			
Cost - Office of Administration Potential increase in water and sewer utility costs (§§393.1500 - 393.1059) p. 4	$0 to (Unknown)	$0 to (Unknown)	$0 to (Unknown)
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	**$0 to (Unknown)**	**$0 to (Unknown)**	**$0 to (Unknown)**
BLIND PENSION FUND			
Revenue Loss - loss of tax revenue from real property now assessed as personal property and subject to a depreciation schedule §137.010 & 137.122 (SA 3)	$0	$0	(Unknown)
Revenue (Gain or Loss) - property owned by public utilities utilizing Chapter 100 financing is locally assessed §153.030 (SA 5)	$0	$0	(Unknown) to Unknown
ESTIMATED NET EFFECT ON THE BLIND PENSION FUND	**$0**	**$0**	**(Unknown)**
PUBLIC SERVICE COMMISSION FUND (0607)			
Cost - DCI - PSC			
Salaries	$0 to ($168,337)	$0 to ($204,025)	$0 to ($206,065)
Fringe Benefits	$0 to ($89,450)	$0 to ($108,022)	$0 to ($108,710)

Equipment and Expense	$0 to ($24,522)	$0 to ($22,017)	$0 to ($22,567)
Total Cost - DCI-PSC	$0 to ($282,309)	$0 to ($334,064)	$0 to ($337,342)
Total FTE Change - DCI-PSC	0 to 3.28 FTE	0 to 3.28 FTE	0 to 3.28 FTE
ESTIMATED NET EFFECT TO THE PUBLIC SERVICE COMMISSION FUND (0607)	**$0 to ($282,309)**	**$0 to ($334,064)**	**$0 to ($337,342)**
Estimated Net FTE Change to the Public Service Commission Fund (0607)	0 to 3.28 FTE	0 to 3.28 FTE	0 to 3.28 FTE
OTHER STATE FUNDS			
Cost - Various State Agencies Potential increase in water and sewer utility costs p. 4	$0 to (Unknown)	$0 to (Unknown)	$0 to (Unknown)
ESTIMATED NET EFFECT TO OTHER STATE FUNDS	**$0 to (Unknown)**	**$0 to (Unknown)**	**$0 to (Unknown)**

FISCAL IMPACT – Local Government	FY 2022 (10 Mo.)	FY 2023	FY 2024
LOCAL POLITICAL SUBDIVISIONS			
Cost - Local Governments Potential increase in water and sewer utility costs p. 4	$0 to (Unknown)	$0 to (Unknown)	$0 to (Unknown)
Revenue Loss - loss of tax revenue from real property now assessed as personal property and subject to a depreciation schedule §137.010 & 137.122 (SA 3)	$0	$0	(Unknown, Could be substantial)
Cost or Savings - Public Utilities - from a change in the assessed valuation of property and subsequent property taxes due§153.030 (SA5)	$0	$0	(Unknown) to Unknown
Revenue Gain - for taxing entities with tax situs for public utilities using Chapter 100 financing §153.030 (SA 5)	$0	$0	Unknown
	$0	$0	$0
Revenue (Loss) - for taxing entities with property owned by public utilities using Chapter 100 financing that is no longer distributable§153.030 (SA 5)	$0	$0	(Unknown)
ESTIMATED NET EFFECT TO LOCAL POLITICAL SUBDIVISIONS	**$0 to (Unknown)**	**$0 to (Unknown)**	**(Unknown, Could be substantial)**

FISCAL IMPACT – Small Business

This legislation could result in increases to a small business' utility rates quicker than under current ratemaking practices in Missouri.

FISCAL DESCRIPTION

This act creates provisions relating to water and sewer infrastructure.

COMPETITIVE BIDDING (Section 393.358): Currently, water corporations with more than 1,000 customers are required to use a competitive bidding process for no less than 10% of the corporation's external expenditures for planned infrastructure projects on the water corporation's distribution system. Under this act, such competitive bidding process shall be used for 20% of the corporation's external expenditures for such projects.

WATER AND SEWER INFRASTRUCTURE RATE ADJUSTMENT (Sections 393.1500-393.1509):

The act establishes the Missouri Water and Infrastructure Act, which specifies that a water or sewer corporation that provides water or sewer service to more than 8,000 customer connections may file a petition and proposed rate schedules with the Public Service Commission to create or change a water and sewer infrastructure rate adjustment (WSIRA) that provides for the recovery of pretax revenues associated with eligible infrastructure system projects. The WSIRA and any future changes must meet specific requirements set forth in the act.

The Commission shall not approve a WSIRA for a water or sewer corporation that has not had a general rate proceeding decided or dismissed in the 3 years before the filing of a WSIRA petition unless the water or sewer corporation has filed for or is the subject of a new general rate proceeding.

At the time the water or sewer corporation files a petition for a WSIRA, it shall submit proposed WSIRA rate schedules and supporting documentation, and the corporation shall also serve the Office of Public Counsel with a copy of the petition, rate schedules, and documentation. Upon the filing of a petition, the Commission shall conduct an examination of the proposed WSIRA, as specified in the act. The Commission may hold a hearing on the petition and any associated WSIRA rate schedules. If the Commission finds that a petition complies with the requirements set forth in the act, the Commission shall enter an order authorizing the water or sewer corporation to implement the WSIRA. A corporation may petition the Commission for a change in its WSIRA no more than two times in every 12-month period.

The act lists what information the Commission may consider in determining the appropriate pretax revenues and how the WSIRA is calculated. If this information is unavailable and the Commission is not provided such information on an agreed-upon basis, the Commission shall use the last authorized overall pretax weighted average cost of capital in a general rate proceeding for the water or sewer corporation. At the end of each 12-month calendar year that a WSIRA is in effect, the corporation shall reconcile the differences between the revenues from a WSIRA and the appropriate pretax revenues found by the Commission for that period and submit the reconciliation and proposed WSIRA to the Commission for approval to recover or credit the difference.

A water or sewer corporation that has a WSIRA shall file revised WSIRA schedules when new base rates and charges become effective following a general rate proceeding that includes the WSIRA eligible costs in the base rates. Once the eligible costs are included in the water or sewer corporation's base rates, the corporation shall reconcile any previously unreconciled WSIRA revenues to ensure that revenues resulting from the WSIRA match as closely as possible the appropriate pretax revenues.

A water or sewer corporation's filing of a petition to establish or change a WSIRA is not considered a request for a general increase in the corporation's base rates and charges.

Commission approval of a petition to establish or change a WSIRA shall in no way be binding upon the Commission in determining the ratemaking treatment to be applied to eligible infrastructure system projects during a subsequent general rate proceeding when the Commission may undertake to review the prudence of such costs. If, during a subsequent general rate proceeding, the Commission disallows recovery of costs associated with eligible infrastructure system projects previously included in a WSIRA, the water or sewer corporation shall offset its WSIRA in the future as necessary to recognize and account for any such over collections.

Nothing in the act impairs the authority of the Commission to review the reasonableness of the rates or charges of a water or sewer corporation, including review of the prudence of eligible infrastructure system replacements made by a water or sewer corporation.

This act reclassifies stationary property used for transportation or storage of liquid and gaseous products, including, but not limited to, petroleum products, natural gas that is not propane or LP gas, water, and sewage, from real property to tangible personal property. (Section 137.010)

Beginning January 1, 2021, the provisions of current law relating to depreciable tangible personal property shall apply to all stationary property used for transportation or storage of liquid and gaseous products, including, but not limited to, petroleum products, natural gas that is not LP gas, water, and sewage that was or will be placed in service at any time. (Section 137.122).

Beginning January 1, 2022, this act provides that any real and personal property owned by a public utility company that was constructed using chapter 100 financing shall, upon the transfer of such property to the public utility company, be assessed upon the local tax rolls. Any property consisting of land and buildings shall be assessed pursuant to current law relating to the assessment of such property in general, and all other business or personal property shall be assessed pursuant to the depreciation schedule provided under current law.

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

Attorney General's Office
Department of Commerce and Insurance
Department of Natural Resources
Attorney General's Office
Office of Administration
Department of Transportation
Missouri Department of Conservation
Metropolitan St. Louis Sewer District
Corder Water Waste District
High Point Elementary School
Lexington Water/Water Waste District
Little Blue Valley Sewer District
Platte County Pwsd
Saline County Pwsd
City of Springfield
Tri County Water Authority
Wayne County Pwsd
Office of the State Auditor
Bollinger County Assessor's Office
Boone County Assessor's Office
Ste. Genevieve County Assessor's Office

Julie Morff
Director
April 14, 2021

Ross Strope
Assistant Director
April 14, 2021

KC:LR:OD