

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4238H.03P
Bill No.: Perfected HCS for HB 1734
Subject: Utilities
Type: Original
Date: March 23, 2022

Bill Summary: This proposal modifies provisions for public utilities.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
General Revenue Fund	\$0 to (Unknown, Greater than \$250,000)	\$0 to (Unknown, Greater than \$250,000)	\$0 to (Unknown, Greater than \$250,000)
Total Estimated Net Effect on General Revenue	\$0 to (Unknown, Greater than \$250,000)	\$0 to (Unknown, Greater than \$250,000)	\$0 to (Unknown, Greater than \$250,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
Various State Funds	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
Missouri Disaster Fund (0663)*	\$0	\$0	\$0
Total Estimated Net Effect on Other State Funds	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)

*Transfer-in and expenses net to zero.

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
Total Estimated Net Effect on FTE	0	0	0

- 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 2023	FY 2024	FY 2025
Local Government	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)

FISCAL ANALYSIS

ASSUMPTION

In response to a previous version, officials from the **Office of Administration - Facilities Management, Design and Construction (FMDC)** stated this bill contains a number of provisions that FMDC assumes have the potential to impact utility costs for FMDC and other state and local government entities. However, FMDC is unable to determine the amount of such impact as it depends on a number of factors including the actions of utility companies and decisions of the Public Service Commission. Therefore, the impact of this bill is unknown.

Oversight assumes this proposal modifies accounting practices of electrical, gas, sewer and water corporations. Oversight assumes rate changes through amortization could be made as a result of this proposal that will be passed onto various customer classes.

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 how much of a rate increase will be authorized (if any), Oversight will reflect a range from \$0 (no utility will increase rates) to an unknown cost to the state and local political subdivisions for higher utility costs, however, Oversight assumes the potential increase in utility cost will be less than \$250,000 in a given fiscal year.

In response to a previous version, officials from the **Department of Commerce and Insurance (DCI)** stated this bill is anticipated to have no fiscal impact to the department. 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 DCI.

In response to a previous version, officials from the **Missouri Department of Transportation, Missouri Department of Conservation**, cities: **Kansas City, O'Fallon, Springfield**, and the utilities: **Metropolitan St. Louis Sewer District, South River Drainage District, St. Charles County Pwsd St. Louis-Jefferson Swmd, Hancock Street Light District, Clarence Water/Wastewater and Wayne County Pwsd** 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 these entities.

Rule Promulgation

In response to a previous version, officials from the **Joint Committee on Administrative Rules** assumed this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

In response to a previous version, officials from the **Office of the Secretary of State (SOS)** noted 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 \$5,000. 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 its 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.

SEQ CHAPTER \h \r 1SEQ CHAPTER \h \r 1

House Amendment 1 – §393.1715

In response to a similar proposal from this year (HB 1673), officials from the **Department of Commerce and Insurance** 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 this section.

SEQ CHAPTER \h \r 1 SEQ CHAPTER \h \r 1House Amendment 2

Oversight assumes House Amendment 2 will have no fiscal impact on state or local government.

House Amendment 3 - §44.032

In response to a similar proposal from this year (HCS for HB 2328), officials from the **Department of Public Safety - State Emergency Management Agency (SEMA)** assumed there will be a fiscal impact in regard to §44.032 that could require a substantial amount of General Revenue. While there has been ongoing discussions regarding obligation of funds for the “Missouri Disaster Fund”, there is currently no General Revenue obligated to the fund.

SEMA states that Missouri just received a new Major Presidential Disaster Declaration, FEMA-4636-DR-MO, for severe storms and tornadoes that occurred on December 10, 2021. The declaration is for seven counties and has eight applicants. Seven of the eight applicants are Rural Electric Coops (REC's). FEMA has estimated the disaster damages for DR 4636 at \$27.3 million. All of the \$27.3 million in estimated damages belong to the REC's with the exception of \$63,000, which is road and debris damage in Reynolds County.

SEMA states the HCS would allow the REC's, per statute, to receive state general revenue funds from SEMA for damages incurred due to storm events during response/recovery efforts. If the storm event became a federally declared disaster, it is possible that SEMA could receive reimbursement from FEMA at a 75% federal cost share with the state paying the 25% non-federal cost share. If the storm event did not meet the criteria to be a federally declared event, the

state would have to pay the full 100% out of state general revenue with no avenue for reimbursement.

Oversight assumes, based on SEMA's response, that General Revenue funds will be used to cover expenses under §44.032. Oversight will reflect a \$0 to (Unknown, Greater than \$250,000) impact to General Revenue and will assume that expenses to the Missouri Disaster Fund will equal the amount transferred in from General Revenue and net to zero. Oversight notes as of February 2022, the balance in the Missouri Disaster Fund is \$638,477.

In response to a similar proposal from this year (HCS for HB 2328), officials from the **Department of Commerce and Insurance**, the **Department of Economic Development**, the **Department of Natural Resources**, the **Missouri Department of Conservation**, the **Missouri Department of Transportation**, the **Office of Administration**, the **Hughesville Water/Wastewater**, the **Little Blue Valley Sewer District**, the **Metropolitan St. Louis Sewer District**, the **South River Drainage District**, the **Wayne County PWSD #2**, and the **Hancock Street Light District** each assumed the proposal will have no fiscal impact on their respective organizations.

Oversight only reflects the responses received from state agencies and political subdivisions; however, other electric companies and cooperatives and utilities were requested to respond to this proposed legislation but did not. A general listing of political subdivisions included in the Missouri Legislative Information System (MOLIS) database is available upon request.

<u>FISCAL IMPACT – State Government</u>	FY 2023 (10 Mo.)	FY 2024	FY 2025
GENERAL REVENUE FUND			
<u>Cost</u> - Office of Administration Potential increase in electric utility costs	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>
<u>Transfer Out</u> – to Missouri Disaster Fund to now potentially cover rural electric cooperatives HA3 (p. 3) (\$44.032)	\$0 to <u>(Unknown,</u> Greater than <u>\$250,000)</u>	\$0 to <u>(Unknown,</u> Greater than <u>\$250,000)</u>	\$0 to <u>(Unknown,</u> Greater than <u>\$250,000)</u>
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	<u>\$0 to</u> <u>(Unknown,</u> Greater than <u>\$250,000)</u>	<u>\$0 to</u> <u>(Unknown,</u> Greater than <u>\$250,000)</u>	<u>\$0 to</u> <u>(Unknown,</u> Greater than <u>\$250,000)</u>
MISSOURI DISASTER FUND (0663)			
<u>Transfer In</u> – from General Revenue (p. 3) (\$44.032) HA3	\$0 to Unknown, Greater than \$250,000	\$0 to Unknown, Greater than \$250,000	\$0 to Unknown, Greater than \$250,000
<u>Cost</u> – SEMA (\$44.032) Disaster damages (p. 3) HA3	\$0 to <u>(Unknown,</u> Greater than <u>\$250,000)</u>	\$0 to <u>(Unknown,</u> Greater than <u>\$250,000)</u>	\$0 to <u>(Unknown,</u> Greater than <u>\$250,000)</u>
ESTIMATED NET EFFECT ON THE MISSOURI DISASTER FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
VARIOUS STATE FUNDS			
<u>Cost</u> - Various State Agencies Potential increase in electric utility costs	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>
ESTIMATED NET EFFECT TO VARIOUS STATE FUNDS	<u>\$0 to</u> <u>(Unknown)</u>	<u>\$0 to</u> <u>(Unknown)</u>	<u>\$0 to</u> <u>(Unknown)</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2023 (10 Mo.)	FY 2024	FY 2025
LOCAL POLITICAL SUBDIVISIONS			
<u>Cost</u> - Local Governments Potential increase in electric utility costs	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>
ESTIMATED NET EFFECT TO LOCAL POLITICAL SUBDIVISIONS	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>

FISCAL IMPACT – Small Business

Small businesses could have an increase in utility cost as a result of this proposal.

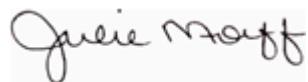
FISCAL DESCRIPTION

This proposal modifies provisions for public utilities.

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 Commerce and Insurance
Missouri Department of Conservation
Missouri Department of Transportation
Office of Administration
Office of the Secretary of State
Joint Committee on Administrative Rules
Kansas City
City of O'Fallon
City of Springfield
Metropolitan St. Louis Sewer District
South River Drainage District
St. Louis-Jefferson Swmd
Hancock Street Light District
Clarence Water/Wastewater
Wayne County Pwsd



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