

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4834-04
Bill No.: SCS for HB 1728
Subject: Public Service Commission
Type: Original
Date: May 3, 2006

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
General Revenue	\$0	\$803,630	\$1,099,564
Total Estimated Net Effect on General Revenue Fund	\$0	\$803,630	\$1,099,564

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
The Public Counsel Fund*	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

*** Offsetting income and expenses**

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Revenue, Office of Secretary of State, and the Office of the State Treasurer** each assume the proposal would not fiscally impact their respective agencies.

Officials from the **Department of Economic Development - Public Service Commission (PSC)** assume the proposed legislation would affect their agency. It appears the PSC Budget & Fiscal Services Dept. (BFS) would be responsible for calculation of the OPC annual assessment on behalf of OPC, similar to the current annual PSC assessment process/procedure per Chapter 386.370 RSMo. BFS would render an assessment statement to each regulated public utility company. BFS also may need to deposit any OPC assessment payments to the credit of the newly created "Public Counsel Fund" with the State Treasurer, maintain an accounts receivable ledger for the OPC assessment and provide potential answers/follow-up to any inquiries regarding such.

The PSC assumes, however, the proposed legislation would not create the need for additional personnel or budgetary appropriations. As stated above, there would be additional staff resources/costs devoted to the OPC assessment in the proposed legislation and could be absorbed within existing agency appropriations. The fiscal impact of this legislation cannot be reasonably determined as the degree of PSC/BFS involvement in the OPC assessment, once rendered, is unknown.

ASSUMPTION (continued)

Officials from the **Department of Economic Development - Office of Public Counsel (OPC)** state the proposal would change the source of funds used to operate the agency from general revenue to a special fund. The revenues for the funds would come from assessments on regulated utilities, which would recover the assessments through rates charged to customers.

Because utilities are permitted to pay assessments in quarterly installments, it is assumed that the OPC's operations in the first quarter of the first fiscal year after the bill becomes effective will be funded through General Revenue. Any allocation of cost for the Office of Administration Central Service Cost Allocation Plan are not included in the estimate.

The OPC assumes a savings to the General Revenue fund (and a corresponding loss to the new Public Counsel Fund) of \$803,630 in FY 2008 (9 months) and \$1,099,564 in FY 2009. OPC has accounted for roughly \$60,000 in Leased Space expense in their calculation.

The FY 2006 budget for the OPC includes \$540,030 (11 FTE) of personal service costs and \$189,930 of expenses and equipment, for a total of \$729,960. The OPC added fringe benefits (of 44.06% of personal service) as well as leased space expense to the budgetary line item 7.175 for FY 2006. Growing these amounts by 2.5 percent for personal service and 3 percent for expense and equipment and leased space, **Oversight** agrees with the estimates provided by OPC. Oversight also assumes that if this proposal becomes effective August 28, 2006, the OPC will not make assessments and collections for FY 2007, but will start with FY 2008.

Officials from the **Office of the Governor** did not respond to a request for fiscal impact; however, **Oversight** assumes, based on previous responses from the Office of the Governor, that no fiscal impact will result from this proposed legislation.

This proposal will increase Total State Revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2007	FY 2008	FY 2009
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GENERAL REVENUE FUND

Savings - Office of Public Counsel

Personal Service (11 FTE)	\$0	\$425,527	\$581,553
Fringe Benefits	\$0	\$187,487	\$256,232
Expense and Equipment	<u>\$0</u>	<u>\$190,616</u>	<u>\$261,779</u>
<u>Total Savings</u> - OPC	\$0	\$803,630	\$1,099,564

**ESTIMATED NET EFFECT TO THE
GENERAL REVENUE FUND**

	<u>\$0</u>	<u>\$803,630</u>	<u>\$1,099,564</u>
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PUBLIC COUNSEL FUND

Income - Increased assessments on
regulated utilities

	\$0	\$803,630	\$1,099,564
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Costs - Office of Public Counsel

Personal Service	\$0	(\$425,527)	(\$581,553)
Fringe Benefits	\$0	(\$187,487)	(\$256,232)
Expense and Equipment	<u>\$0</u>	<u>(\$190,616)</u>	<u>(\$261,779)</u>
<u>Total Costs</u> - OPC	<u>\$0</u>	<u>(\$803,630)</u>	<u>(\$1,099,564)</u>

**ESTIMATED NET EFFECT TO THE
PUBLIC COUNSEL FUND**

	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2007	FY 2008	FY 2009
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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FISCAL IMPACT - Small Business

Small businesses may have a slightly higher utility bill as a result of this proposal. Small regulated utility businesses may have to pay an assessment to the Office of Public Counsel and pass on this costs to its customers.

DESCRIPTION

SECTION 386.202

No commissioner or employee of the Public Service Commission who is responsible for regulating or making recommendations on the regulation of gas, electric, water, or telephone utilities shall be employed by any public utility engaged in such areas of regulation for a period of no less than two years after the individual has completed his or her employment with the commission.

SECTION 386.700

The Director of the Department of Economic Development may remove the Public Counsel for inefficiency, neglect of duty, or misconduct in office.

SECTION 386.715

The proposal creates an assessment-based funding mechanism for the Office of Public Counsel (OPC) similar to that currently utilized by the Public Service Commission (PSC). Prior to the beginning of each fiscal year, the OPC shall present to the PSC their estimated expenses attributable to the regulation of public utilities. The act provides for a three year phase-in that allows the OPC to utilize allocations from the PSC for their assessments; after that time, those allocations shall be based upon information maintained by the OPC. The calculation for the assessments is detailed in the act and is similar to the assessment currently utilized by the PSC. The total amount of assessments from both the OPC and the PSC shall not exceed one fourth of one percent of the total gross intrastate operating revenues of all regulated utilities.

The assessments rendered by the OPC shall be made available to the utilities on or before July first with the payment due either on or before July fifteenth or in four equal installments throughout the fiscal year. The moneys from the assessments shall be deposited into the newly created Public Counsel Fund.

Nothing in the section shall authorize the PSC to determine how the OPC allocates the estimated expenses directly attributable to the regulation of public utilities or how the assessment imposed under this section is spent by OPC.

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
Public Service Commission
Office of Public Counsel
Department of Revenue
Office of the State Treasurer
Office of Secretary of State

NOT RESPONDING

Office of the Governor

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
May 3, 2006