

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1798-02
Bill No.: HCS for HB 647
Subject: Business and Commerce: Public Service Commission; Utilities
Type: Original
Date: April 2, 2009

Bill Summary: Modifies provisions regarding energy efficiency and the environment

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
General Revenue	(\$14,047,000)	(\$47,933)	(\$49,372)
Total Estimated Net Effect on General Revenue Fund	(\$14,047,000)	(\$47,933)	(\$49,372)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Missouri Alternative Energy Loan Authority Fund	Unknown to (Unknown)	Unknown to (Unknown)	(Unknown to (Unknown)
Total Estimated Net Effect on <u>Other</u> State Funds	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown)

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
General Revenue	1 FTE	1 FTE	1 FTE
Missouri Alternative Energy Loan Authority Fund	1 FTE	1 FTE	1 FTE
Total Estimated Net Effect on FTE	2 FTE	2 FTE	2 FTE

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☒ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Local Government	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Missouri Senate** state this proposed legislation either has no fiscal impact as it relates to their agency or minimal costs which can be absorbed by present appropriations.

Officials from the **Office of State Courts Administrator** state this proposal will have no fiscal impact on the Courts.

According to officials from the **Office of Secretary of State (SOS)**, many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the proposal. 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 \$2,500.

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 request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

§256.620 - Water systems servicing charitable or benevolent organizations

According to officials from the **Department of Natural Resources (DNR)**, this section of the proposed legislation would amend the Water Well Drillers Act to exempt any public water system serving any benevolent or charitable organization from all rules related to well construction except for rules applying to domestic wells and rules that require proof of quantity of water drawn from such wells, if the total volume of water drawn from the well does not exceed 15,000 gallons per month and the well or pump installation does not present a threat to groundwater. The 15,000 gallon limitation does not apply to water systems serving a shelter or similar emergency facility during a local, state or national emergency.

DNR assumes there are five or more wells per county that meet this exemption, and one fifth of those would be inspected each year. DNR would require monthly reporting from the exempt wells to establish they are in fact exempt. In addition, DNR would conduct periodic inspections of such facilities to review their qualifications for the exemption as well as other aspects of public drinking water supplies. DNR would request one (1) Environmental Specialist I/II/III to conduct the additional activities created by this proposal. Costs to inspect these facilities would be approximately \$62,130 annually (\$545 per inspection).

ASSUMPTION (continued)

Oversight has, for fiscal note purposes only, changed the starting salary for an Environmental Specialist I to correspond to the second step above minimum for comparable positions in the state's merit system pay grid. This decision reflects a study of actual starting salaries for new state employees for a six month period and the policy of the Oversight Subcommittee of the Joint Committee on Legislative Research.

§360.106 - LEED certification for school district construction projects

Officials from **DNR** state their agency would not anticipate a direct fiscal impact from this section.

Officials from the **Department of Elementary and Secondary Education** state this section requires school districts participating in the Missouri Health and Educational Facilities Authority (MOHEFA) direct deposit program to certify a cost analysis of building to LEED certification or equivalent versus without LEED certification or equivalent. This is a new cost to school districts to participate in the direct deposit program which will be paid by taxpayers of the district through a probably higher debt service tax rate. In addition, MOHEFA will have increased administrative costs for reviewing all agreements to ensure these provisions have been met. The increased MOHEFA costs will increase the amount the state must pay MOHEFA for administering the direct deposit program. Since the funding for MOHEFA administration costs comes from the Gaming Proceeds for Education Fund, any increase to MOHEFA results in less for the school foundation formula.

Neither the local cost nor the MOHEFA cost can be estimated but in the aggregate would be greater than \$100,000.

Oversight assumes additional administrative costs incurred by MOHEFA to review the cost analyses will be absorbed within current appropriations. If a significant number of school districts pursue funding through MOHEFA, additional funding could be requested from the School District Bond Fund.

§386.756 - Provision of HVAC services by utilities

Officials from the **Department of Economic Development - Public Service Commission** and **Office of Public Counsel** state this section of the proposal will have no fiscal impact on their respective divisions.

ASSUMPTION (continued)

Officials from the **Office of State Courts Administrator** state this section will have no fiscal impact on the Courts.

Officials from the **Office of Attorney General** assume that any potential costs arising from this section can be absorbed with existing resources.

Officials from **DNR** state their agency would not anticipate a direct fiscal impact from this section.

§393.1122 - Establishes the Missouri Alternative Energy Loan Authority

Officials from the **Office of State Treasurer** state that this section of the proposal has no direct fiscal impact on their agency.

Officials from the **Department of Economic Development - Public Service Commission** and **Office of Public Counsel** state this section will have no fiscal impact on their respective divisions.

Officials from the **Office of the Governor** stated this proposal will result in no added cost to the Governor's Office.

Officials from the **Department of Natural Resources (DNR)** assume the department's Energy Center would require resources to carry out the duties that would result from this proposal with regard to rule making, financial administration including loan application review, technical review and loan closing; general and specific inquiries regarding loans available through the Authority and record retention.

DNR assumes they would request one (1) Energy Specialist II, one (1) Energy Engineer II and 0.5 Office Support Assistant to implement this proposal.

Based on information from another loan authority and also since it is unknown how many loans would be generated in a given year, **Oversight** assumes one staff position will be sufficient to assist in administering this program. **Oversight** has, for fiscal note purposes only, changed the starting salary for an Energy Specialist II to correspond to the second step above minimum for comparable positions in the state's merit system pay grid. This decision reflects a study of actual starting salaries for new state employees for a six month period and the policy of the Oversight Subcommittee of the Joint Committee on Legislative Research.

ASSUMPTION (continued)

Based on “reasonable and necessary expenses” for board members from other boards within the Department of Insurance, Financial Institutions and Professional Registration, **Oversight** has estimated the cost per meeting per member at \$272.50. Estimating a total of six meetings per year, the annual cost for the seven members would be \$11,445 in FY 09, \$11,788 in FY 10, and \$12,142 in FY 2012.

Oversight assumes that it is not known if all of the initial appropriation of \$14,000,000 to the Missouri Alternative Energy Loan Authority Fund will be distributed the first year to eligible entities or if there will be carryover to future years. **Oversight** further assumes that income in the form of loan repayments, fees, and charges may begin to be credited to the fund beginning in FY 2010.

§414.530 through 414.570 - Missouri Propane Education and Research Council

Officials from the **Department of Agriculture** and **Department of Natural Resources** assume there would be no fiscal impact to their agencies.

§640.300 through 640.345 - Voluntary environmental audits

Officials from the **State Auditor's Office** and **Department of Transportation** assume no fiscal impact to their agency.

Officials from the **Department of Natural Resources (DNR)** assume the language as currently written in this proposal is consistent with the federal audit policy. Therefore, for purposes of this fiscal note, DNR would not anticipate any significant direct fiscal impact from this proposal.

Officials from the **Office of Attorney General (AGO)** assume there may be additional litigation resulting from this proposal, and that §640.300 - 640.340 of the proposal would result in additional costs to hire expert witnesses to replace the information currently available in environmental audit reports. Costs are unknown but potentially significant, requiring additional staff.

Oversight assumes the presumed additional litigation is speculative and for fiscal note purposes only, will assign no cost. If this portion of the proposed legislation does indeed result in significant increased litigation, personal services can be requested through the appropriations process.

ASSUMPTION (continued)

\$644.570 - Storm Water Grants and Loans

Officials from the **Department of Natural Resources** state that their agency would not anticipate a direct fiscal impact from this section.

<u>FISCAL IMPACT - State Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
GENERAL REVENUE			
<u>Cost - Department of Revenue - Well inspections (\$256.620)</u>			
Personal Services (1 FTE)	(\$24,296)	(\$30,809)	(\$31,733)
Fringe Benefits	(\$12,122)	(\$14,982)	(\$15,432)
Equipment and Expenses	<u>(\$10,082)</u>	<u>(\$2,142)</u>	<u>(\$2,207)</u>
Total	(\$47,130)	(\$47,933)	(\$49,372)
<u>Cost - Appropriation to Missouri Alternative Energy Loan Authority (\$393.1122)</u>	<u>(\$14,000,000)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(\$14,047,130)</u>	<u>(\$47,033)</u>	<u>(\$49,372)</u>
Estimated Net Effect on FTE for General Revenue	1 FTE	1 FTE	1 FTE

<u>FISCAL IMPACT - State Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
MISSOURI ALTERNATIVE ENERGY LOAN AUTHORITY FUND			
<u>Income</u> - General Revenue - Appropriation (§393.1122)	\$14,000,000	\$0	\$0
<u>Income</u> - Loan repayments, fees and charges (§393.1122)	Unknown	Unknown	Unknown
<u>Cost</u> - Loans to qualifying entities (§393.1122)	(Unknown)	(Unknown)	(Unknown)
<u>Cost</u> - Expenses of Missouri Alternative Energy Loan Authority members (§393.1122)	(\$11,445)	(\$11,788)	(\$21,142)
<u>Cost</u> - Department of Natural Resources			
Personal Services (1 FTE) (§393.1122)	(\$29,211)	(\$36,105)	(\$37,188)
Fringe Benefits	(\$14,205)	(\$17,558)	(\$18,085)
Equipment and Expenses	<u>(\$7,576)</u>	<u>(\$2,142)</u>	<u>(\$2,207)</u>
Total	<u>(\$50,992)</u>	<u>(\$55,805)</u>	<u>(\$57,480)</u>
ESTIMATED NET EFFECT ON MISSOURI ALTERNATIVE ENERGY LOAN AUTHORITY FUND	<u>Unknown to (Unknown)</u>	<u>Unknown to (Unknown)</u>	<u>Unknown to (Unknown)</u>
Estimated Net Effect on FTE for the Missouri Alternative Energy Loan Authority	1 FTE	1 FTE	1 FTE

<u>FISCAL IMPACT - Local Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
LOCAL POLITICAL SUBDIVISIONS			
<u>Income</u> - Loans from Missouri Alternative Energy Loan Authority (§393.1122)	Unknown	Unknown	Unknown
<u>Savings</u> - Reduced utility costs (§393.1122)	Unknown	Unknown	Unknown
<u>Cost</u> - Renewable energy projects and energy efficiency and related expenses (§393.1122)	(Unknown)	(Unknown)	(Unknown)
<u>Cost</u> - Loan repayments, fees and charges (§393.1122)	(Unknown)	(Unknown)	(Unknown)
<u>Cost</u> - School Districts - Cost analysis of LEED certification for construction projects (§360.106)	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>Unknown to (Unknown)</u>	<u>Unknown to (Unknown)</u>	<u>Unknown to (Unknown)</u>

FISCAL IMPACT - Small Business

The proposal would stimulate the availability, sale and installation of energy efficiency and renewable energy products throughout the state. (§393.1122)

FISCAL DESCRIPTION

§256.620 - Water systems servicing charitable or benevolent organizations

This section of the proposal would amend the Water Well Drillers Act to exempt any public water system serving any benevolent or charitable organization from all rules related to well construction except for rules applying to domestic wells and rules that require proof of quantity of water drawn from such wells, if the total volume of water drawn from the well does not exceed 15,000 gallons per month and the well or pump installation does not present a threat to

FISCAL DESCRIPTION (continued)

groundwater. The 15,000 gallon limitation does not apply to water systems serving a shelter or similar emergency facility during a local, state or national emergency.

§360.016 - LEED certification for school district construction projects

Any public school district contemplating new construction or renovation of any public school building would be required to certify a cost analysis of building to LEED certification or equivalent certification versus the long-term cost of ownership and operation of a new or renovated building without LEED certification or equivalent certification. The school district must include reasons in their certification for their recommendation to build or not to build to LEED certification or equivalent certification, taking into account the differences in the cost analysis. No funding of any type would be provided to a public school district for new construction or renovation of any public school building unless these criteria are satisfied.

§393.1122 - Missouri Alternative Energy Loan Authority

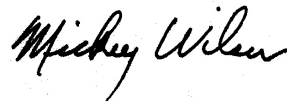
This section establishes the Missouri Alternative Energy Loan Authority, within the Department of Natural Resources, to provide low-interest loans to public and private entities for the purpose of financing various energy-saving projects and services. The authority will consist of seven members appointed by the Governor with the advice and consent of the Senate. The authority must file an annual financial statement with the department director.

An initial appropriation of \$14 million to the newly created Missouri Alternative Energy Loan Authority Fund will be made; and the fund may receive annual appropriations from the General Assembly as well as from any gifts, contributions, grants, or bequests.

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 Natural Resources
Department of Economic Development
 Public Service Commission
 Office of Public Counsel
Office of State Courts Administrator
Office of Attorney General
Missouri Senate
Office of the Governor
Office of State Treasurer
Office of Secretary of State
 Administrative Rules Division
Department of Transportation
Department of Agriculture
Missouri State Auditor
Department of Elementary and Secondary Education



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April 2, 2009