

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0304-03
Bill No.: SCS for HCS for HB 160
Subject: Children and Minors; Cities, Towns and Villages; Corporations; Education, Elementary and Secondary; Department of Health and Senior Services; Health, Public; Department of Natural Resources; Political Subdivisions; Public Service Commission; Sewers and Sewer Districts; Utilities; Water Resources and Water Districts
Type: Original
Date: April 29, 2019

Bill Summary: This proposal creates provisions relating to the regulation of water usage.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
General Revenue Fund	\$0 to (Unknown, could exceed \$858,600)	\$0 to (Unknown, could exceed \$858,600)	\$0 to (Unknown, could exceed \$858,600)
Total Estimated Net Effect on General Revenue	\$0 to (Unknown, could exceed \$858,600)	\$0 to (Unknown, could exceed \$858,600)	\$0 to (Unknown, could exceed \$858,600)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 9 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
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 2020	FY 2021	FY 2022
Local Government	(Unknown)	(Unknown)	(Unknown)

FISCAL ANALYSIS

ASSUMPTION

Section 386.264

Officials from the **Department of Economic Development - Public Service Commission (Commission)** assume the proposal will have no fiscal impact on their organization because the Commission currently considers these types of proposals in its proceedings of general rate proceedings. This legislation provides a definition of “low-income customer.”

The bill allows the Commission to establish, as part of a rate case, a low income rate for water and/or sewer customers. Once approved, low income customers would not automatically be enrolled in the lower rate because neither the utility nor the Commission know if a customer qualifies as a low income customer. Typically what would happen is a customer would contact either the utility or a Community Action Agency (CAP) asking questions or requesting assistance. It would be up to either the utility or the CAP to determine whether the customer qualifies, and to explain the opportunity for a low income rate.

The utility company would also likely send out statements on its bills indicating something similar to - if you have trouble paying your bill, please contact us.

If a customer contacts the Commission about the inability to pay a bill, the Commission's Consumer Services Department (CSD) typically refers the customer to the utility. If the customer has concerns that the utility is not following statutes, rules, or its tariffs, CSD will inform the customer that he may file an informal or formal complaint with the Commission for further review.

As far as recovery of lost revenues. The bill indicates the low income rates will not be detrimental to the utility. In a rate case, the Commission determines a revenue requirement amount that the utility is allowed to recover. That amount is then divided, through rate design, among the various customer classes (residential, industrial, commercial, etc.). The total revenue requirement (pot of money) will not change, but the difference that would have been recovered from those customers that receive the low income rate, had they continued to pay the residential rate, will be allocated to all other rate classes in a manner determined as part of the rate case. This is no different than is done today for other "special" rates such as economic development riders, rate caps pursuant to SB 564, special rates as a result of HB 1 from the 2017 special session.

ASSUMPTION (continued)

Oversight assumes this proposal allows lost revenues from utility companies offering a lower fixed charge to be recouped by various customer classes. Oversight assumes this proposal could increase utility cost for the Office of Administration and for local governments. Since it is unknown how many customers will qualify and request a lower rate (if any), Oversight will reflect a range from \$0 (no change in utility rates) to and unknown cost to the state and local political subdivisions.

Section 640.141 - 640.145

Oversight assumes the local political subdivisions (public water systems serving less than 50,000 customers) will incur costs related to this proposal. Oversight will reflect an “unknown” cost to local political subdivisions that will be required to update their systems to comply with the requirements of this proposal.

Section 701.200

Oversight assumes this proposal requires each school district to test each source of potable water in a public school building in that district serving students under first grade and constructed before 1996 for lead contamination. Sampling shall be completed by December 31, 2021. Oversight also assumes a school district may seek a waiver of the requirements if the district has collected a sample of water and results were obtained prior to August 28, 2019.

Oversight notes that there are 1,272 total public and charter elementary school buildings in Missouri. For fiscal note purposes, Oversight assumes 75% of these buildings were built before 1996 and that an average cost to test is between \$14 and \$30. Oversight will also assume each building has an average of 30 water sources, but it should be noted that a public building could have more than 30 water sources.

	30 sources per building		75 sources per building	
# of Elementary School Buildings	1,272	1,272	1,272	1,272
75% of buildings	954	954	954	954
Cost per test	\$14	\$30	\$14	\$30
Total Cost	\$400,680	\$858,600	\$1,001,700	\$2,146,500

Oversight notes that this proposal is subject to appropriation and therefore will not reflect a cost to the local school districts.

ASSUMPTION (continued)

Oversight will range the cost to the General Revenue Fund as \$0 (money is not appropriated to pay for the testing) to Unknown could exceed \$858,600 (954 buildings x 30 water sources x \$30 testing). Oversight assumes if there is not a state appropriation for this testing, the local school districts will not be required to conduct the testing.

Officials from the **Department of Health and Senior Services (DHSS)** assume the proposed legislation requires the Department of Health and Senior Services to develop guidance and draft a message for school districts regarding the collection and testing of water samples. DHSS will also be required to develop and make publicly available a list of laboratories approved for lead analysis. It is estimated that guidance and message development would take a Senior Epidemiology Specialist 40 hours, which would be an annual cost of \$984.40. (Senior Epidemiology Specialist annual salary - \$51,179)

The proposed legislation also requires DHSS to receive testing results from schools and potentially file them. It is estimated that this would take a Senior Office Support Assistant

approximately 40 hours, which would be an annual cost of \$516.60. (Senior Office Support Assistant annual salary - \$26,821)

In addition, the proposed legislation requires the department to review waiver requests. DHSS is aware of only a limited number of schools that have already completed the required testing; therefore, it is not anticipated that this review will take a substantial amount of time. It is estimated that reviewing waiver requests would take a Senior Epidemiology Specialist 15 hours, which would be an annual cost of \$369.15. (Senior Epidemiology Specialist annual salary - \$51,179)

The salaries listed for these positions reflects the average annual salary of staff in these positions within the Division of Community and Public Health as of December 1, 2018

The department anticipates being able to absorb these costs. However, until the FY20 budget is final, the department cannot identify specific funding sources.

Oversight notes that the DHSS 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 their agency.

ASSUMPTION (continued)

Officials from the **Department of Elementary and Secondary Education** defer to the local school districts to estimate the fiscal impact of the proposed legislation on their respective organization.

Officials from the **Springfield Public Schools** and the **Wellsville-Middleton R-1 School District**, 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.

Bill as a whole:

Officials from the **Office of the Secretary of State (SOS)** assume 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 the 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.

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 this legislation is not anticipated to cause a fiscal impact beyond its current appropriation.

Oversight assumes JCAR will be able to administer any rules resulting from this proposal with existing resources.

ASSUMPTION (continued)

Officials from the **Department of Economic Development (Division of Energy and Office of Public Counsel)**, the **Department of Corrections**, the **Office of Administration**, the **Attorney General's Office**, the **Department of Social Services** and the **Metropolitan St. Louis Sewer District** each assume the proposal will have no fiscal impact on their respective organizations.

Officials from the **Department of Natural Resources (DNR)** assume this version of the proposal would not have a fiscal impact on their agency. Section 640.145 now puts an exemption in for State Parks; therefore, there will be no cost for DNR.

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 these agencies.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other utilities were requested to respond to this proposed legislation but did not. For a general listing of political subdivisions included in our database, please refer to www.legislativeoversight.mo.gov.

FISCAL IMPACT - State Government	FY 2020 (10 Mo.)	FY 2021	FY 2022
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GENERAL REVENUE FUND

Cost - Office of Administration Potential increase in water and sewer utility costs (\$386.264)	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
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Cost - Lead testing for local school districts (\$701.200)	\$0 to (Unknown, could exceed \$858,600)	\$0 to (Unknown, could exceed \$858,600)	\$0 to (Unknown, could exceed \$858,600)
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ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	\$0 to (Unknown, could exceed \$858,600)	\$0 to (Unknown, could exceed \$858,600)	\$0 to (Unknown, could exceed \$858,600)
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FISCAL IMPACT - Local Government	FY 2020 (10 Mo.)	FY 2021	FY 2022
LOCAL POLITICAL SUBDIVISIONS			
Income - reimbursement to school districts for lead testing - subject to state appropriation	\$0 to Unknown, could exceed \$858,600	\$0 to Unknown, could exceed \$858,600	\$0 to Unknown, could exceed \$858,600
Costs - school districts for lead testing - subject to state appropriation	\$0 to (Unknown, could exceed \$858,600)	\$0 to (Unknown, could exceed \$858,600)	\$0 to (Unknown, could exceed \$858,600)
Cost - Local Governments Potential increase in water and sewer utility costs (\$386.264)	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
Cost - Update water systems (\$640.141-640.145)	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT TO LOCAL POLITICAL SUBDIVISIONS	(Unknown)	(Unknown)	(Unknown)

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

This bill authorizes the Public Service Commission, during a general rate proceeding, to set a separate, lower fixed charge or customer charge for low-income customers of water corporations and sewer corporations.

This proposal creates the Missouri Water Safety and Security Act.

This act requires each school district to test each source of potable water in a public school building in that district serving students under first grade and constructed before 1996 for lead contamination as specified in the act. The water samples shall be submitted to a Department of Health and Senior Services-approved laboratory and the results of such testing shall be submitted to the Department. If any of the samples tested exceed 5 parts per billion, the school district shall

FISCAL DESCRIPTION (continued)

notify the parents or guardians of enrolled students. If the samples tested are less than or equal to 5 parts per billion, the district may notify parents individually or on the school's website.

The sampling and analysis shall be completed by December 31, 2020. A school district may seek a waiver from these requirements from the Department if the district has previously tested the building's potable water as specified in the act and submits those results to the Department by December 31, 2019.

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
Division of Energy
Attorney General's Office
Department of Natural Resources
Department of Social Services
Office of Administration
Metropolitan St. Louis Sewer District
Department of Corrections
Office of the Secretary of State
Joint Committee on Administrative Rules
Department of Elementary and Secondary Education
Wellsville-Middleton R1 School District
Springfield School District



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