

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1786-01  
Bill No.: HB 801  
Subject: Utilities; Water Resources and Water Districts  
Type: Original  
Date: April 8, 2019

---

Bill Summary: This proposal establishes provisions relating to water safety and security.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
General Revenue	(\$1,922,480 - \$2,422,480)	(\$1,747,095 - \$1,997,095)	(\$1,756,556 - \$2,006,556)
<b>Total Estimated Net Effect on General Revenue</b>	<b>(\$1,922,480 - \$2,422,480)</b>	<b>(\$1,747,095 - \$1,997,095)</b>	<b>(\$1,756,556 - \$2,006,556)</b>

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

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 10 pages.

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

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
General Revenue	11 FTE	11 FTE	11 FTE
<b>Total Estimated Net Effect on FTE</b>	<b>11 FTE</b>	<b>11 FTE</b>	<b>11 FTE</b>

☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
<b>Local Governments</b>	<b>( Unknown)</b>	<b>( Unknown)</b>	<b>( Unknown)</b>

## **FISCAL ANALYSIS**

### **ASSUMPTION**

Officials from the **Department of Natural Resources (DNR)** assume the following regarding this proposal:

#### *Division of Environmental Quality*

##### Section 640.141

States, "each public water system" which means approximately 2,700 public water systems in the State would be required to submit plans and reports to the Department. The Department does not track which public water systems are not connected to the internet; therefore, does not have the ability to report this information.

##### Section 640.141.3(1) and (2)

The requirement to replace water lines will result in an increase of review of construction authorizations submitted. This is estimated to result in the need for two (2) Environmental Engineer II positions. Extra engineering duties will also require one (1) Senior Office Support Assistant staff position.

##### Section 640.141.3(2)

In addition, the bill will require the tracking of notices of violation (NOVs) for purposes of requiring mitigation plans and staff will be needed to review, track, and monitor these plans. The bill will require one (1) additional Environmental Specialist III.

##### Section 640.142.1

The bill also includes the review, tracking, and monitoring of an annual certification report. This will require one (1) additional Environmental Specialist III.

It is anticipated that each of the Department's Regional Offices (5) will need an additional Environmental Engineer III to review the additional records and plans required by this bill when conducting sanitary surveys.

OA-ITSD services will be required for a first year implementation cost of \$39,000 for development of an enforcement tracking system. The numbers below indicate approximate annual maintenance costs. These figures are based on verbal information received from the current contract holder.

ASSUMPTION (continued)

<b>Initial Fee</b>	<b>SaaS FY 1</b>	<b>SaaS FY 2</b>	<b>SaaS FY 3</b>	<b>SaaS FY 4</b>	<b>SaaS FY 5</b>
\$39,000	\$29,000	\$29,725	\$30,468	\$31,230	\$32,011

FTE Needs:

<b>Quantity</b>	<b>Position Title</b>	<b>Annual Salary*</b>	<b>Total</b>
7	Environmental Engineer II	\$58,393	\$408,748
2	Environmental Specialist III	\$51,108	\$103,616
1	Senior Office Support Assistant	\$30,088	\$30,088
			<b>\$542,452**</b>

\*Using midpoint annual salary from OA Uniform Classification and Pay System Basic Compensation Plan

\*\*Associated indirect costs are not included.

The Division of Environmental Quality will not be able to absorb the costs related to this proposed legislation. Based on current projections, the department estimates the Safe Drinking Water fee fund will encounter fund solvency issues within the next 2-3 fiscal years. The fund will not be able to sustain current levels of effort plus the provisions of this proposed legislation.

Division of State Parks

Section 640.141 will require an unspecified amount to be expended to upgrade and maintain water production and storage facilities. Using a 25 year upgrade schedule, the Department would anticipate upgrading two systems per year at an estimated \$750,000 to \$1,000,000 per year.

The proposal will also require Division of State Parks to develop one (1) FTE, Design Engineer III at current annual salary rate of \$64,662 (equivalent position salary currently within the division), Fringes of \$28,195, \$7,630 of one-time expenses for computer equipment and office furniture, \$10,000 of continuing expenses for travel and supplies to manage the Asset Management Plans (AMPs) and contract an engineering firm to initially develop 49 AMPs, one

ASSUMPTION (continued)

for each system, for a total approximate cost of \$250,000 - \$500,000. The engineering firm would be required to conduct, under the proposal, an evaluation of each park's water system, develop a comprehensive plan for repair and replacement of the components, and develop a digitized map using GIS to locate water lines, valves, hydrants, etc.

The Division of State Parks does not have the existing budget authority to absorb the costs for the proposed legislation.

**Oversight** was unable to verify DNR's assumptions; however, Oversight assumes DNR will incur costs related to this proposal and will reflect those costs on the fiscal note.

Oversight inquired of **DNR** as to how much was collected for penalties assessed in FY 2018 for violations of the Safe Drinking Water regulations. DNR notes \$59,475 in penalties was assessed and \$8,475 was collected. The funds collected for penalties go to Schools; therefore, **Oversight** will reflect revenue of "Less than \$100,000" to schools on the fiscal note.

Officials from the **Department of Corrections, Department of Economic Development - Office of Public Counsel** and **Department of Economic Development - Public Service Commission** each assume the proposal will have no fiscal impact on their respective organizations.

**Oversight** notes that the agencies mentioned above 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.

Officials from the **City of Kansas City** assume this proposal will have a negative fiscal impact on the City of Kansas City. The proposed legislation mandates creation of an asset management plan (AMP) within one year of its effective date. The AMP includes replacement of a percentage of the entire system annually, or as determined by a detailed engineering analysis as well as development of various programs designed to accomplish specific goals. It also prescribes details of a program to inspect, identify, and repair or replace all water system valves and fire hydrants. It includes significant reporting requirements associated with these activities, which would create additional costs, estimated by KC Water as a range because there is no way to know exactly what would be required by regulators. A water system is defined by statute. For Kansas City, that includes 2,800 miles of water mains, a 240 million gallon per day treatment plant, 4 major pump stations, 14 re-pump stations, numerous water storage facilities, and connections with the transmission systems of six other regional water suppliers that can be activated in case of an emergency.

ASSUMPTION (continued)

Though the City makes significant investments in its system each year, it does so based upon its priorities, arrived at by balancing its system needs, existing regulatory requirements and the concerns of its ratepayers which include but are not limited to affordability and safety. The below information is what KC Water estimates the actual cost of the proposed legislation would be for the City, but does not take into account what the City currently plans to spend on related activities.

- 4/10 of 1% water main replacement would require 11.2 miles/year at a cost of \$1,100,000 per mile for a total yearly cost of \$12,320,000 based on current cost
- Water supply and treatment inspection program \$42,680,000 based on priority projects
- An alternative physical mapping system \$10,000 per year
- Cyber risk plan is estimated at \$1,000,000. The City currently uses its SCADA system which is a private licensed radio network and may not be subject to the proposed legislation depending upon a reading of the proposed §640.142.2 (not internet connected). The signals, however, could be compromised in the instance of a cyber-attack or could be determined to be internet connected, depending on how that term is defined. Moreover, the City is currently considering upgrading the SCADA system to be connective to make it more useful in the delivery of service to customers. This additional cost would have to be taken into account before the project could move forward.
- Valve inspection program would cost \$1,300,000 based on current cost
- Fire hydrant inspection program totals were not included in this estimate, but would be an additional cost
- Reporting requirements are estimated to range from \$150,000-\$1,000,000 per year, depending upon what is required by regulators

The City believes there would likely be other costs associated with this legislation that cannot be estimated at this time.

In response to a similar proposal from 2019 (SB 66), officials from the **City of St. Louis** noted the city provides water to its residents; however, they were unable to provide the fiscal impact of this proposal.

**ASSUMPTION** (continued)

**Oversight** notes that the City of Kansas City and the City of St. Louis provide water service to their residents. Oversight was unable to verify the City of Kansas City's assumptions; however, Oversight assumes the city 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.

**Oversight** only reflects the responses that we have received from state agencies and political subdivisions; however, other water districts 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](http://www.legislativeoversight.mo.gov).

<b><u>FISCAL IMPACT - State Government</u></b>	<b>FY 2020 (10 Mo.)</b>	<b>FY 2021</b>	<b>FY 2022</b>
<b>GENERAL REVENUE FUND</b>			
<b><u>Cost - DNR</u></b>			
Personal Services	(\$505,931)	(\$613,188)	(\$619,320)
Fringe Benefits	(\$269,767)	(\$325,570)	(\$327,439)
Expense and Equipment	(\$107,782)	(\$29,337)	(\$30,072)
IT Costs - System Implementation and Maintenance	(\$39,000)	(\$29,000)	(\$29,725)
Engineering Services	(\$250,000 - \$500,000)	\$0	\$0
Upgrades to Parks Systems	(\$750,000 - \$1,000,000)	(\$750,000 - \$1,000,000)	(\$750,000 - \$1,000,000)
<b><u>Total Costs - DNR</u></b>	<b>(\$1,922,480 - \$2,422,480)</b>	<b>(\$1,747,095 - \$1,997,095)</b>	<b>(\$1,756,556 - \$2,006,556)</b>
FTE Change - DNR	11 FTE	11 FTE	11 FTE
<b>ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND</b>	<b>(\$1,922,480 - \$2,422,480)</b>	<b>(\$1,747,095 - \$1,997,095)</b>	<b>(\$1,756,556 - \$2,006,556)</b>
Estimated Net FTE change for the General Revenue Fund	11 FTE	11 FTE	11 FTE

<u>FISCAL IMPACT - Local Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
<b>LOCAL CITY-OWNED UTILITIES/WATER DISTRICTS</b>			
<u>Cost</u> - Update water systems	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<b>ESTIMATED NET EFFECT ON LOCAL CITY-OWNED UTILITIES/WATER DISTRICTS</b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>
<b>SCHOOLS</b>			
<u>Revenue</u> - from administrative penalties assessed for violations of the Safe Drinking Water regulations	Less than <u>\$100,000</u>	Less than <u>\$100,000</u>	Less than <u>\$100,000</u>
<b>ESTIMATED NET EFFECT ON SCHOOLS</b>	<b><u>Less than \$100,000</u></b>	<b><u>Less than \$100,000</u></b>	<b><u>Less than \$100,000</u></b>

FISCAL IMPACT - Small Business

There may be a direct fiscal impact to those public water systems that meet the definition of a small business as a result of this proposal. This may include not only those systems that will be regulated, but also any small business that may have to adjust water rates to allow the water system to comply with this bill.

FISCAL DESCRIPTION

This bill creates the Missouri Water Safety and Security Act. Within one year, every public water system in the state must create an asset management plan that contains certain information as specified in the bill. All asset management plans must be certified by the licensed operator or professional engineer of the water system and the responsible corporate officer, executive director, or mayor and must be made available for inspection upon request of the Department of Natural Resources. All public water systems using Internet-connected controls must also create a plan that establishes policies and procedures for cyber security risk management, prevention, and mitigation within 12 months.



FISCAL DESCRIPTION (continued)

If a public water system receives three notices of violation for any reason, or two notices or violation relating to exceeding maximum contaminant levels within a 12-month period, the public water system shall submit a mitigation plan to the Department of Natural Resources within 60 days of the latest violation. All public water systems must create valve inspection and hydrant inspection programs. The programs must contain requirements as specified in the bill. Public water systems are required to submit an annual report to the department certifying compliance with certain regulations.

Nothing in the bill should be construed to establish a private civil cause of action against an individual in violation of any of the provisions.

This legislation is not federally mandated.

The Department of Natural Resources notes this proposal will require capital improvements in an unspecified amount to be expended to upgrade and maintain water production and storage facilities. Using a 25 year upgrade schedule, the Department would anticipate upgrading two systems per year at an estimated \$750,000 to \$1,000,000 per year.

The Department of Natural Resources also notes this proposal partially duplicates existing regulations, including:

- Preparing an annual budget and five year capital improvement budget and plan;
- Maintaining an updated distribution map showing, at a minimum, the size and location of all waterlines, valves, hydrants, storage facilities, pumping facilities, treatment facilities, and water sources;
- Maintaining an operating reserve equal to or greater than 1/10th of the annual operations and maintenance budget; and
- Establishing an emergency replacement reserve equal to or greater than the replacement cost of the most expensive mechanical equipment item needed for operation.

The Department of Natural Resources also notes this proposal also partially duplicates Section 640.120.6, RSMo, which requires the Department to annually publish a census of Missouri public water systems that includes recent levels found of each contaminant for which it is required to test.

SOURCES OF INFORMATION

Department of Natural Resources  
Department of Corrections  
Department of Economic Development - Office of Public Counsel  
Department of Economic Development - Public Service Commission  
City of Kansas City  
City of St. Louis



Kyle Rieman  
Director  
April 8, 2019

Ross Strobe  
Assistant Director  
April 8, 2019