COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3399H.01I
Bill No.: HB 1746
Subject: Utilities; Energy; Taxation and Revenue - General; Taxation and Revenue - Sales and Use; Public Service Commission; Department of Revenue
Type: Original
Date: January 30, 2024

Bill Summary: This proposal modifies provisions relating to utilities.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
General Revenue	Could exceed ($4,314,436 $21,639,471)	Could exceed ($5,701,159 to $28,701,206)	Could exceed ($5,708,595 to $28,708,642)
Total Estimated Net Effect on General Revenue	**Could exceed ($4,314,436 $21,639,471)**	**Could exceed ($5,701,159 to $28,701,206)**	**Could exceed ($5,708,595 to $28,708,642)**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Blind Pension Fund (0621)	$0	(Unknown)	(Unknown)
Public Service Commission Fund (0607)	$0 or (Up to $490,309)	$0 or (Up to $571,506)	$0 or (Up to $581,435)
School District Trust Fund (0688)	($1,321,075 to $7,096,087)	($1,761,433 to $9,461,449)	($1,761,433 to $9,461,449)
Conservation Commission Fund (0609)	($165,134 to $887,011)	($220,179 to $1,182,681)	($220,179 to $1,182,681)
Parks and Soils State Sales Tax Funds (0613 & 0614)	($132,107 to $709,609)	($176,143 to $946,145)	($176,143 to $946,145)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Total Estimated Net Effect on Other State Funds	**($1,618,316 to $9,183,016)**	**Could exceed ($2,157,755 to $12,161,781)**	**Could exceed ($2,157,755 to $12,171,710)**

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Public Service Commission Fund (0607)	0 or Up to 5 FTE	0 or Up to 5 FTE	0 or Up to 5 FTE
General Revenue Fund (Office of Public Counsel)	0 or Up to 3 FTE	0 or Up to 3 FTE	0 or Up to 3 FTE
Total Estimated Net Effect on FTE	**0 or Up to 8 FTE**	**0 or Up to 8 FTE**	**0 or Up to 8 FTE**

☒ 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 2025	FY 2026	FY 2027
Local Government	**Could exceed ($8,349,194 to $44,847,269)**	**Could exceed ($11,132,258 to $59,796,358)**	**(Could exceed $11,132,258 to $59,796,358)**

FISCAL ANALYSIS

ASSUMPTION

Section 137.077 Assessment of Solar Energy Property

Officials from the **State Tax Commission** assume the proposed HB has an unknown fiscal impact. Since the Missouri State Supreme Court ruling removing the property tax exemption for solar systems not for resale, solar systems will be assessed under current statute. This bill would grandfather in current solar systems with an assessment that is de minimis and a capped tax liability of $500 per megawatt for the land and equipment. The amount would be less than assessing the property under current statute.

Officials from the **Department of Revenue (DOR)** note property tax assessment is handled by the County Assessors and the State Tax Commission. These changes will not impact DOR.

Officials from the **Office of Administration - Budget and Planning (B&P)** note this proposal would change how solar energy property is assessed and taxed. This proposal could impact the Blind Pension Trust Fund if this proposal results in a change in the property tax liability on solar energy property. Therefore, this proposal may have an unknown impact to TSR and the Blind Pension Trust Fund.

Oversight notes property tax revenues are designed to be revenue neutral from year to year. The tax rate is adjusted relative to the assessed value to produce roughly the same revenue from the prior year with an allowance for growth.

Oversight notes some taxing entities have tax rate ceilings that are at their statutory or voter approved maximum and some are at a fixed rate. For these taxing entities, any decrease in the assessed values would not be offset by a higher tax rate (relative to current law), rather it would result in an actual loss of revenue.

Oversight notes this proposal would change the assessment method for all real and tangible personal property associated with a project that uses solar energy directly to generate electricity. Oversight assumes this provision could reduce the assessed value of solar energy properties relative to current law. Oversight doesn't have enough information to estimate a fiscal impact to the Blind Pension Fund or to local political subdivisions from these changes. Therefore, Oversight will show an unknown loss in property tax revenue beginning in FY 2026.

Officials from the **Cape Girardeau County Assessor** assume Proposed 137.077 (2) would reduce the tax liability owed on a solar energy project to not exceed $500 per megawatt. It is estimated, Cape Girardeau County could lose as much as $12,000,000 in revenue over a 30-year period or $400,000 annually, not including the commercial increment, that would otherwise have gone to the local political subdivisions. The fiscal impact to the local taxing jurisdictions within the State of Missouri could be tens of millions.

__**Section 137.122 - Pipeline Property Assessment**__

Officials from the **State Tax Commission** have reviewed the proposed HB and determined the act retains stationary property used for transportation or storage of liquid and gaseous products, including petroleum products, natural gas, water and sewage as real property but applies the depreciation schedule from 137.122. This will have a minimal fiscal impact on counties, cities, school districts who rely on property taxes as revenue. The act requires information relating to original cost for the purposes of assessing the lines be provided to the assessor. This will not have a fiscal impact on the State Tax commission.

Officials from the **Office of Administration - Budget and Planning (B&P)** note this proposal would require the use of the tangible personal property depreciation table when determining the value of real property that is stationary and used to transport liquids or gases. This proposal would not apply to property used to transport or store propane, LP gas, or petroleum. This proposal would impact all other property including those used to transport and store water, sewage, and natural gas.

B&P notes that this proposal does not change the classification of such property - therefore, this proposal will not impact the assessment percentage. However, this proposal could impact the estimated market value (to which the assessment percentage is then applied). B&P further notes that the Blind Pension Trust fund levies a statewide property tax of $0.03 per $100 value on all property located within Missouri. Therefore, B&P estimates that this proposal could impact revenues to the Blind Pension Trust Fund if this proposal changes the estimated market value of qualifying property. This proposal may also impact local property tax revenues.

Officials from the **Cape Girardeau County Assessor** assume Proposed 137.122 (7) would "apply depreciation tables used to assess tangible personal property to all stationary real property used for the transportation or storage of liquid and gaseous products. This would include water, sewage, and natural gas that is not propane of LP gas, but not including petroleum products." After an analysis of the current gas distribution accounts, it is estimated Cape Girardeau County could lose between $32,000,000 and $44,000,000 in market value, or between $10,000,000 and $14,000,000 in assessed valuation. This range is to account for those assets which would be replaced as early as 10 years or go to the 20-year life span; this number does not account for assets whose lifespan would exceed the 20-year recovery period, or the true replacement schedules in place by Gas Distribution companies which is unknown in this scenario. This translates to an estimate of taxes lost, per this legislation to be between $500,000 and $750,000 annually. The fiscal impact to the local taxing jurisdictions across the State of Missouri could be in the tens of millions, or more.

Oversight assumes this provision reclassifies certain property from real property to tangible personal property that is now subject to a depreciation schedule. Oversight assumes this proposal could lower assessed values and subsequently, tax revenues.

However, **Oversight** notes local property tax revenues are designed to be revenue neutral from year to year. The tax levy is adjusted relative to the assessed value to produce roughly the same revenue from the prior year with an allowance for growth. However, some taxing entities have tax rate ceilings that are at their statutory or voter approved maximum. For these taxing entities, any decrease in the assessed values would not be offset by a higher tax rate (relative to current law) rather it would result in a loss of revenue.

Oversight assumes this provision could result in lower assessed values and subsequent tax revenues; therefore, Oversight will show an unknown negative impact to the Blind Pension Fund and local political subdivisions.

Oversight notes property tax revenues are generally designed to be revenue neutral from year to year. The tax levy is adjusted relative to the assessed value to produce roughly the same revenue from the prior year with an allowance for growth. Therefore, Oversight assumes this proposal could impact property tax levies.

<u>Section 144.058 - Electric Sales & Use Tax Exemption</u>

Officials from the **Department of Revenue (DOR)** note this proposal creates an exemption for electrical energy and gas, water, coal, and energy sources, chemicals, machinery, equipment, parts and materials used and consumed in the generation, transmission, distribution, sale, or furnishing of electricity for light, heat, or power to customers. It assumes that "parts and materials" would exempt most of the inputs to production of the utilities. This exemption is from both the state and local sales and use taxes.

The Current Sales and Use tax rate is 4.225%
General Revenue is 3%
School District Trust Fund is 1%
Conservation Commission Fund is .125%
Parks, Soil & Water Funds .1%

For fiscal note purposes, the Department is using a weighted local tax rate of 6.32% to calculate the average local sales tax loss. In an effort to more accurately reflect the estimated local impact, B&P and DOR have moved from a population weighted average local sales tax rate to a location weighted average local sales tax rate. This change was made to reflect where sales actually occur, rather than exclusively where people live.

This proposal would become effective on August 28, 2024. It should be noted that sales tax is remitted one month behind collections and therefore, this will have an impact of 9 months in the first year (FY 2025).

Using information from the DOR's taxable sales and use tax database the following amount of sales and use tax was collected in CY 2022 (the most recent complete year of data).

Method 1 - Lower Bound Estimates

Tax Type	NAICS	Description	CY 2022	Percent
Use	221111	Hydroelectric Power Generation	$80,693,907	100%
Use	221112	Fossil Fuel Electric Power Generation	$0	100%
Use	221113	Nuclear Electric Power Generation	$0	100%
Use	221114	Solar Electric Power Generation	$0	100%
Use	221115	Wind Electric Power Generation	$0	100%
Use	221116	Geothermal Electric Power Generation	$0	100%
Use	221117	Biomass Electric Power Generation	$0	100%
Use	221118	Other Electric Power Generation	$0	100%
Use	221121	Electric Bulk Power Transmission and Control	$22,903,661	100%
Use	221122	Electric Power Distribution	$47,214,765	100%
Sales	332216	Saw Blade and Hand tool Manufacturing	$0	10%
Sales	333318	Other Commercial and Service Industry Machinery Manufacturing	$0	60%
Sales	333992	Welding and Soldering Equipment Manufacturing	$59,096	60%
Sales	335311	Power, Distribution, and Specialty Transformer Manufacturing	$16,252,299	100%
Sales	335313	Switchgear and Switchboard Apparatus Manufacturing	$0	100%
Sales	335314	Relay And Industrial Control Manufacturing	$85,592	100%
Sales	335931	Current-Carrying Wiring Device Manufacturing	$1,947,606	100%
Sales	335932	Noncurrent-Carrying Wiring Device Manufacturing	$0	100%
Sales	335991	Carbon and Graphite Product Manufacturing	$0	100%
Sales	335999	All Other Miscellaneous Electrical Equipment and Component Manufacturing	$6,986,402	15%
Total Exempt Sales			$176,143,328	

This would result in a loss to total state revenue of $7,442,056. The Department notes that this method of estimation may not capture all the taxable sales that could become exempt under this proposal. DOR notes this may be the lower range of projected loss.

In order to calculate an upper range, the Department utilized the US BEA Input-Output Use Tables. According to the Input-Output Use Tables, inputs from commodities that might qualify under these exemptions are roughly 25.0% of the total output of the "utilities" industry. The Department's report indicates that taxable sales of electric related utilities in 2022 were about

$4,423,581,612. This suggests that this proposal might exempt $946,144,910 in taxable sales from taxation.

Method 2 - Upper Bound Estimate

NAICS	Description	CY 2022
221111	Hydroelectric Power Generation	$2,166,432,647
221112	Fossil Fuel Electric Power Generation	$46,324,776
221113	Nuclear Electric Power Generation	$0
221114	Solar Electric Power Generation	$0
221115	Wind Electric Power Generation	$0
221116	Geothermal Electric Power Generation	$0
221117	Biomass Electric Power Generation	$0
221118	Other Electric Power Generation	$0
221121	Electric Bulk Power Transmission and Control	$34,077,659
221122	Electric Power Distribution	$2,176,746,529
Total Sales		$4,423,581,612
BEA Input/Output Adjustment		21.4%
Total Exempt Sales		$946,144,910

Using this method, it could reduce total state revenue by $39,974,592 ($946,144,190 x 4.225%). The Department notes this method could be overestimating the impact. Therefore, DOR will show the impact as a range between the estimates.

Table 3: State Impacts by Fund

Fund	FY 2025		FY 2026+	
	Low	High	Low	High
GR	($3,963,225)	($21,288,260)	($5,284,300)	($28,384,347)
Education	($1,321,075)	($7,096,087)	($1,761,433)	($9,461,449)
Conservation	($165,134)	($887,011)	($220,179)	($1,182,681)
DNR	($132,107)	($709,609)	($176,143)	($946,145)
TSR Impact	($5,581,541)	($29,980,967)	($7,442,055)	($39,974,622)
Locals	($8,349,194)	($44,847,269)	($11,132,258)	($59,796,358)

This proposal will require updates the department's website and computer system. These changes are estimated at $8,923.

Oversight assumes the Department of Revenue is provided with core funding to handle a certain amount of activity each year. Oversight assumes DOR could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, DOR could request funding through the appropriation process.

Officials from the **Office of Administration - Budget and Planning (B&P)** note this proposal exempts from state sales and use tax various inputs to the utilities industry beginning August 28, 2024. These exemptions include the utilities, chemicals, machinery, equipment, supplies, parts and materials used by that industry. B&P notes that this proposal would also exempt such products from local sales taxes.

B&P assumes that the broad terms "parts and materials" exempt most inputs to production for the utilities.

<u>*Lower Estimated Impact*</u>
DOR reports taxable sales in 2022 from various electrical utility related industries as shown below. Based on the taxable sales / use data below, B&P estimates that this provision could reduce taxable sales by $176,143,328 annually.

Method 1 - Lower Bound Estimates

Tax Type	NAICS	Description	CY 2022	Percent
Use	221111	Hydroelectric Power Generation	$80,693,907	100%
Use	221112	Fossil Fuel Electric Power Generation	$0	100%
Use	221113	Nuclear Electric Power Generation	$0	100%
Use	221114	Solar Electric Power Generation	$0	100%
Use	221115	Wind Electric Power Generation	$0	100%
Use	221116	Geothermal Electric Power Generation	$0	100%
Use	221117	Biomass Electric Power Generation	$0	100%
Use	221118	Other Electric Power Generation	$0	100%
Use	221121	Electric Bulk Power Transmission and Control	$22,903,661	100%
Use	221122	Electric Power Distribution	$47,214,765	100%
Sales	332216	Saw Blade and Hand Tool Manufacturing	$0	10%
Sales	333318	Other Commercial and Service Industry Machinery Manufacturing	$0	60%
Sales	333992	Welding And Soldering Equipment Manufacturing	$59,096	60%

Sales	335311	Power, Distribution, And Specialty Transformer Manufacturing	$16,252,299	100%
Sales	335313	Switchgear And Switchboard Apparatus Manufacturing	$0	100%
Sales	335314	Relay And Industrial Control Manufacturing	$85,592	100%
Sales	335931	Current-Carrying Wiring Device Manufacturing	$1,947,606	100%
Sales	335932	Noncurrent-Carrying Wiring Device Manufacturing	$0	100%
Sales	335991	Carbon And Graphite Product Manufacturing	$0	100%
Sales	335999	All Other Miscellaneous Electrical Equipment and Component Manufacturing	$6,986,402	15%
Total Exempt Sales			$176,143,328	

Based on this information, B&P estimates that this proposal could reduce TSR by $7,442,055 ($176,143,328 x 4.225%) and GR by $5,284,300 ($176,143,328 x 3.0%) annually. Using the location* weighted average local sales tax rate of 6.32% for 2023, B&P further estimates that this provision could reduce local sales tax collections by $ $11,132,258 annually.

*In an effort to more accurately reflect the estimated local impact, B&P and DOR have moved from a population weighted average local sales tax rate to a location weighted average local sales tax rate. This change was made to reflect where sales actually occur, rather than exclusively where people live.

B&P notes, however, that this method of estimation likely does not capture all the taxable sales that would become exempt under this proposal, and that this impact reflects the bottom of the range for the decrease in revenue.

Higher Estimated Impact
In order to determine an upper-bound estimate for the reduction to state revenues, B&P utilized the US BEA Input-Output Use Tables[1]. According to the Input-Output Use Tables, inputs from commodities that might qualify under these exemptions are roughly 21.4% of the total output of the "utilities" industry. In addition, DOR reports that taxable sales of electric related utilities in 2022 were about $4,423,581,612. This suggests that this proposal might exempt $946,144,910 in taxable sales from taxation.

Method 2 - Upper Bound Estimate

NAICS	Description	CY 2022
221111	Hydroelectric Power Generation	$2,166,432,647

[1] http://www.bea.gov/industry/io_annual.htm

221112	Fossil Fuel Electric Power Generation	$46,324,776
221113	Nuclear Electric Power Generation	$0
221114	Solar Electric Power Generation	$0
221115	Wind Electric Power Generation	$0
221116	Geothermal Electric Power Generation	$0
221117	Biomass Electric Power Generation	$0
221118	Other Electric Power Generation	$0
221121	Electric Bulk Power Transmission And Control	$34,077,659
221122	Electric Power Distribution	$2,176,746,529
Total Sales		$4,423,581,612
Bea Input/Output Adjustment		21.4%
Total Exempt Sales		$946,144,910

B&P estimates that this could reduce TSR by $39,974,622 ($946,144,910 x 4.225%) and GR by $28,384,347 ($946,144,910 x 3.0%) annually. Using the location* weighted average local sales tax rate of 6.32% for 2023, B&P further estimates that this provision could reduce local sales tax collections by $ $59,796,358 annually.

*In an effort to more accurately reflect the estimated local impact, B&P and DOR have moved from a population weighted average local sales tax rate to a location weighted average local sales tax rate. This change was made to reflect where sales actually occur, rather than exclusively where people live.

B&P notes, however, that this method may overestimate the true reduction to state revenues by including items that would not become tax exempt under this proposal.

Summary
Therefore, using both the taxable sales reports provided by DOR and the US BEA Input-Output Use Tables, B&P estimates that this proposal could reduce TSR by $7,442,055 to $39,974,622 annually and GR by $5,284,300 to $28,384,347 once fully implemented in FY26. This proposal could also reduce local sales tax collections by $11,132,258 to $59,796,358 annually.

Table 3: Estimated Impacts by Fund				
	FY 2025		FY 2026+	
State Funds	Low	High	Low	High
GR	($3,963,225)	($21,288,260)	($5,284,300)	($28,384,347)
Education	($1,321,075)	($7,096,087)	($1,761,433)	($9,461,449)

Conservation	($165,134)	($887,011)	($220,179)	($1,182,681)
DNR	($132,107)	($709,609)	($176,143)	($946,145)
TSR Impact	($5,581,541)	($29,980,967)	($7,442,055)	($39,974,622)
Local Funds				
Local Sales Tax	($8,349,194)	($44,847,269)	($11,132,258)	($59,796,358)

Sections 204.300 & 204.610 - Board Of Trustees Compensation

Oversight will show a range of $0 (no additional compensation paid) to an unknown negative amount to local political subdivision for additional compensation paid to members as defined in these provisions.

Section 393.320 – Large Public Water Utilities

Officials from the **Department of Commerce and Insurance – Public Service Commission (PSC)** note this will only allow six months for the Public Service Commission to make a decision on the application submitted by the public utility company. Currently, depending on the level of detail and the size of the acquisition, it can take nine to twelve months, or longer in some cases, to make a decision. This does not include the potential of having to go to hearing.

The Public Service Commission assumes this legislation will require an additional 5 FTE to process the applications in a six-month time frame.

The **Office of Public Counsel (OPC)** anticipates it would need an increase in resources to respond to these changes in utility regulation. The changes proposed to 393.320.5(2) and the addition of a new 393.320.5(3), that would limit the PSC’s ability to process an acquisition case to six months, with the potential for one additional 30-day extension, creates and expedited review and hearing schedule. This abbreviated timeframe would put a strain on the OPC’s resources and threaten the OPC’s ability to represent the public. In addition, the change to 393.1506 would make Confluence Rivers eligible for a new surcharge and would cause additional single-issue rate cases. These additional and frequent cases, where large sums are included in rates, require substantial time to review. Accordingly, the proposed changes to 393.320 and 393.1506 will result in a reduction in public representation absent an increase in OPC resources of three additional FTE (one FTE Engineer (at $90,000 annually) one FTE Regulatory Utility Auditor (at $65,000 annually) and one FTE Senior Counsel (at $85,000 annually).

Oversight does not have any information to the contrary. Oversight assumes the PSC could absorb some of the costs related to this proposal as this is procedure the PSC already has in place, or there may not be many large water public utility companies that acquire smaller companies; therefore, Oversight will reflect the FTE cost as $0 or Up To 5 FTE to the Public

Service Commission Fund for the PSC and as $0 or Up To 3 FTE to the General Revenue Fund for the OPC.

Oversight assumes this proposal modifies the definition of a “large water public utility” to include any public utility that regularly provides water service, sewer service or a combination of either to more than 8,000 customer connections and also specifies that a large water public utility may file with the PSC for a water and sewer infrastructure rate adjustment.

According to the PSC “FY 2023 PSC Annual Report”, this legislation would allow one current additional combination water and sewer company (Confluence Rivers Utility Operating Co.) to be defined as a “large water public utility”. Oversight assumes this newly defined company could file for a water and sewer infrastructure rate adjustment which could increase utility cost to local political subdivisions in which this company serves.

Oversight will reflect a range from $0 (no utility will increase rates) to an unknown cost to local political subdivisions for potential higher utility costs.

Section 393.1030 - Renewable Energy Standard

Oversight assumes PSC could absorb the costs related to this provision. If multiple bills pass which require additional staffing and duties at substantial costs, PSC could request funding through the assessment process. Therefore, Oversight will reflect a zero impact in the fiscal note On the PSC for this section of the proposal.

Section 393.1506 - Water And Sewer Infrastructure Rate Adjustment

Oversight will reflect a range from $0 (no utility will increase rates) to an unknown cost to local political subdivisions for higher utility costs.

Section 393.1700 – PSC Rule Making Authority

Oversight assumes the PSC could absorb the costs related to this provision. Therefore, Oversight will reflect a zero impact in the fiscal note.

Responses regarding the proposed legislation as a whole

Officials from the **Office of Administration - Facilities Management, Design & Construction (FMDC)** note FMDC assumes there would be a fiscal impact to the State's utility costs. However, without more information FMDC is unable to calculate the impact this would have on statewide utility costs for consolidated facilities managed by FMDC; $0 to unknown impact.

Officials from the **County Employees’ Retirement Fund (CERF)** reviewed HB 1746 (3399H.01I). Their review of sections 137.077 and 137.122 would indicate that it may result in reductions in contribution revenue to CERF of an unknown amount annually. A certain portion of the moneys that are used to fund the County Employees' Retirement Fund are tied to the collection of property taxes. Data is not available to quantify how changes to property assessments and depreciation schedules under these sections of HB 1746 would impact contribution revenue, but CERF assumes there may be a negative impact.

The following sections have no fiscal impact to CERF: 144.058, 204.300, 204.610, 393.320, 393.1030, 393.1506, 393.1645, 393.1700, 640.144.

Officials from the **Department of Natural Resources** defer to the **Department of Revenue** for the potential fiscal impact of this proposal.

Oversight notes the Park, Soil, and Water Sales Tax funds are derived from the one-tenth of one percent sales and use tax pursuant to Article IV Section 47 (a) thus DNR's sales taxes are constitutional mandates. Oversight notes this proposed sales tax exemption would reduce the amount of amount of sales tax revenue distributed to the Park, Soil, and Water Sales Tax funds. Therefore, Oversight will reflect the B&P's and DOR's fiscal impact estimates for DNR's funds.

Officials from the **Morgan County Pwsd #2** assume this proposal will have a fiscal impact but did not provide any additional information.

Officials from the **City of Kansas City** assume there is a negative fiscal impact of an indeterminate amount.

Officials from the **Boone County Assessor** assume an impact of an indeterminate amount.

Officials from the **Department of Economic Development**, **Missouri Department of Agriculture**, **Missouri Department of Transportation**, **Office of the State Auditor**, and the **Missouri Department of Agriculture** each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

Officials from the **St. Louis County Police Dept**, **St. Charles County Pwsd #2 - 7A Water**, **Wayne County Pwsd #2, Kansas City Police Dept.**, **Eureka Fire Protection District (EURE) - St. Louis**, **Metropolitan St. Louis Sewer District - 7B Sewer**, **South River Drainage District - 7D Levee**, **Hancock Street Light District**, each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

Officials from the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

Officials from the **Joint Committee on Public Employee Retirement (JCPER)** has reviewed the bill. The bill has no direct fiscal impact to the Joint Committee on Public Employee Retirement.

The JCPER's review of this legislation indicates it will not affect retirement plan benefits as defined in Section 105.660(9).

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

Rule Promulgation

Officials from the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

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

FISCAL IMPACT – State Government	FY 2025 (10 Mo.)	FY 2026	FY 2027
GENERAL REVENUE FUND			
Revenue Reduction - §144.058 - Sales/Use Tax exemption for production of electricity - p. (7, 10-11)	($3,963,225 to $21,288,260)	($5,284,300 to $28,284,347)	($5,284,300 to $28,284,347)

FISCAL IMPACT – State Government	FY 2025 (10 Mo.)	FY 2026	FY 2027
Cost - Office of Administration - Potential increase in electric utility costs - p. (12)	$0 to (Unknown)	$0 to (Unknown)	$0 to (Unknown)
Cost - §393.320.5 - p. (11)	$0 or Up to….	$0 or Up to….	$0 or Up to….
Personal Service	($200,000)	($244,800)	($249,696)
Fringe Benefits	($115,068)	($139,941)	($141,839)
Equipment and Expense	($36,143)	($32,118)	($32,760)
Total Cost – OPC	($351,211)	($416,859)	($424,295)
FTE Change – OPC	0 or Up to 3 FTE	0 or Up to 3 FTE	0 or Up to 3 FTE
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	**Could exceed ($4,314,436 $21,639,471)**	**Could exceed ($5,701,159 to $28,701,206)**	**Could exceed ($5,708,595 to $28,708,642)**
Estimated Net FTE Change to the General Revenue Fund	0 or Up to 3 FTE	0 or Up to 3 FTE	0 or Up to 3 FTE
PUBLIC SERVICE COMMISSION FUND (0607)			
Cost – PSC §393.320.5- p. (11)	$0 or Up to….	$0 or Up to….	$0 or Up to….
Personal Service	($276,936)	($338,970)	($345,750)
Fringe Benefits	($169,920)	($206,480)	($209,108)
Equipment and Expense	($43,453)	($26,056)	($26,577)
Total Cost – PSC	($490,309)	($571,506)	($581,435)
FTE Change – PSC	0 or Up to 5 FTE	0 or Up to 5 FTE	0 or Up to 5 FTE
ESTIMATED NET EFFECT TO THE PUBLIC SERVICE COMMISSION FUND (0607)	**$0 or (Up to $490,309)**	**$0 or (Up to $571,506)**	**$0 or (Up to $581,435)**
Estimated Net FTE Change to the Public Service Commission Fund	0 or Up to 5 FTE	0 or Up to 5 FTE	0 or Up to 5 FTE

FISCAL IMPACT – State Government	FY 2025 (10 Mo.)	FY 2026	FY 2027
BLIND PENSION FUND			
Revenue Loss –§137.077 - change in assessment method for real or personal property associated with a solar energy project - p. (3)	$0	(Unknown)	(Unknown)
Revenue Loss - §137.122 -loss of tax revenue from real property now assessed as personal property and subject to a depreciation schedule - pp. (4-5)	$0	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON THE BLIND PENSION FUND	**$0**	**(Unknown)**	**(Unknown)**
SCHOOL DISTRICT TRUST FUND (0688)			
Revenue Reduction - §144.058 - Sales/Use Tax exemption for production of electricity - p. (7, 10-11)	($1,321,075 to $7,096,087)	($1,761,433 to $9,461,449)	($1,761,433 to $9,461,449)
ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND	**($1,321,075 to $7,096,087)**	**($1,761,433 to $9,461,449)**	**($1,761,433 to $9,461,449)**
CONSERVATION COMMISSION FUND (0609)			
Revenue Reduction - §144.058 - Sales/Use Tax exemption for production of electricity - p. (7, 10-11)	($165,134 to $887,011)	($220,179 to $1,182,681)	($220,179 to $1,182,681)
ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND	**($165,134 to $887,011)**	**($220,179 to $1,182,681)**	**($220,179 to $1,182,681)**

FISCAL IMPACT – State Government	FY 2025 (10 Mo.)	FY 2026	FY 2027
PARKS AND SOILS STATE SALES TAX FUNDS (0613 & 0614)			
Revenue Reduction - §144.058 - Sales/Use Tax exemption for production of electricity - p. (10)	($132,107 to $709,609)	($176,143 to $946,145)	($176,143 to $946,145)
ESTIMATED NET EFFECT ON PARKS AND SOILS STATE SALES TAX FUNDS	**($132,107 to $709,609)**	**($176,143 to $946,145)**	**($176,143 to $946,145)**

FISCAL IMPACT – Local Government	FY 2025 (10 Mo.)	FY 2026	FY 2027
LOCAL POLITICAL SUBDIVISIONS			
Revenue Reduction –§137.077 - change in assessment method for real or personal property associated with a solar energy project - p. (3)	$0	(Unknown)	(Unknown)
Revenue Reduction - §137.122 -loss of tax revenue from real property now assessed as personal property and subject to a depreciation schedule - pp. (4-5)	$0	(Unknown)	(Unknown)
Revenue Reduction - §144.058 - Sales/Use Tax exemption for production of electricity - p. (7,10-11)	($8,349,194 to $44,847,269)	($11,132,258 to $59,796,358)	($11,132,258 to $59,796,358)
Costs - §204.300, §204.610 - Potential additional compensation paid - p. (11)	$0 to (Unknown)	$0 to (Unknown)	$0 to (Unknown)

FISCAL IMPACT – Local Government	FY 2025 (10 Mo.)	FY 2026	FY 2027
Cost - §393.1506 Potential increase in electric utility costs	$0 to (Unknown)	$0 to (Unknown)	$0 to (Unknown)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	**Could exceed ($8,349,194 to $44,847,269)**	**Could exceed ($11,132,258 to $59,796,358)**	**(Could exceed $11,132,258 to $59,796,358)**

FISCAL IMPACT – Small Business

Certain utility companies could be impacted by this proposal.

FISCAL DESCRIPTION

This bill modifies the laws relating to 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

Office of Administration -
Budget and Planning
Facilities Management, Design & Construction
Department of Commerce and Insurance
Department of Economic Development Department of Natural Resources
Department of Revenue
Missouri Department of Agriculture
Missouri Department of Transportation
Office of the State Auditor
Joint Committee on Administrative Rules
Joint Committee on Public Employee Retirement
State Tax Commission
City of Kansas City
Cape Girardeau County Assessor
Boone County Assessor
Kansas City Police Dept.
St. Louis County Police Dept
Hancock Street Light District
Eureka Fire Protection District (EURE) - St. Louis
County Employees Retirement Fund (CERF)

Metropolitan St. Louis Sewer District - 7B Sewer
Morgan County Pwsd #2
South River Drainage District - 7D Levee
St. Charles County Pwsd #2 - 7A Water
Wayne County Pwsd #2

Julie Morff
Director
January 30, 2024

Ross Strope
Assistant Director
January 30, 2024