

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3399H.02C
 Bill No.: HCS for HB 1746
 Subject: Utilities; Energy; Taxation and Revenue - General; Taxation and Revenue - Sales and Use; Public Service Commission; Department of Revenue
 Type: Original
 Date: February 13, 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	Less than (\$3,963,225) to (\$21,639,471)	Less than (\$5,284,300) to (\$28,801,206)	Less than (\$5,284,300) to (\$28,808,642)
Total Estimated Net Effect on General Revenue	Less than (\$3,963,225) to (\$21,639,471)	Less than (\$5,284,300) to (\$28,801,206)	Less than (\$5,284,300) to (\$28,808,642)

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)
Total Estimated Net Effect on <u>Other</u> 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 <u>All</u> 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

Sections 137.010, 137.080, and 137.115 – Solar Property Assessment

Officials from the **Office of Administration - Budget and Planning (B&P)** note Section 137.010 define solar energy equipment at commercial solar energy systems, placed into production before August 9, 2022, as tangible personal property. B&P notes that this proposal does not address whether solar energy equipment at commercial systems placed into production after August 9, 2022 or any other type of solar equipment (such as residential) would also be tangible personal property.

Section 137.080 would create a new subclass of tangible personal property for solar energy equipment at commercial solar energy systems, placed into production before August 9, 2022. Again, B&P notes that all other solar energy equipment would not be included in this new subclass.

Section 137.115 would set the assessment percentage for the newly created subclass at 5% of market value. B&P notes that all other solar energy equipment would not be assessed at this lower rate.

This proposal would change how commercial 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 commercial solar energy property. Therefore, this proposal may have an unknown impact to TSR and the Blind Pension Trust Fund.

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 **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 by making them tangible personal property assessed at a rate of 5%. The amount would be less than assessing the property under current statute.

Oversight notes this proposal would change the assessment method for equipment 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.

Oversight notes to reach a revenue impact of \$250,000 in the Blind Pension Fund would require a change in assessed value of approximately \$830,000,000. This would be approximately a 3.0% change in the assessed value of all commercial property. Therefore, Oversight assumes it is possible this proposal could impact the Blind Pension by an amount that could exceed \$250,000.

Section 137.122 – Pipeline Property Assessment

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 **State Tax Commission** note 137.122.7 language 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.

In response to the previous version, officials from the **Cape Girardeau County Assessor** assumed 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 or 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 proposal applies the depreciation schedules which apply to depreciable personal property to certain real property. 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 proposal 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.

Section 144.058 – Electricity Production Equipment Sales Tax Exemption

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.

Lower Estimated Impact

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 Tables¹. 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
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.

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

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

State Funds	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)
Local Funds				
Local Sales				
Tax	(\$8,349,194)	(\$44,847,269)	(\$11,132,258)	(\$59,796,358)

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 to 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.

Oversight notes the effective sales tax rate for local political subdivision is estimated at 4.3% based on the [Taxable Sales for the Entire State](#) for FY 2022 (\$97,642,125,269) and the [Sales Tax Distribution](#) to local political subdivisions for FY 2022 (\$4,226,659,429). Using a sales tax rate of 4.3% and the taxable sales provided by DOR and B&P, Oversight estimates a loss of revenue for local political subdivisions as noted below:

Fund	FY 2025 (9 Months)		FY 2026+	
	Low	High	Low	High
Locals	(\$2,890,689)	(\$30,513,173)	(\$7,574,163)	(\$40,684,231)

For the purpose of this fiscal note, **Oversight** will show a loss in revenue based on the weighted sales tax rate provided by B&P. If the weighted local sales tax rate provided by B&P is inaccurate, this would change the impact presented in this fiscal note.

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 and 393.1506 – Large Public Water Utilities, Water And Sewer Infrastructure Rate Adjustment

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.

Officials from 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.

Based on the potential new surcharge, **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 393.1030 - 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 393.1645 - Gas Customer Discounts

Officials from the **Office of Administration - Missouri Facilities Management Design & Construction (FMDC)** assume 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. FMDC estimates \$0 to positive unknown impact.

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 **City of Kansas City** assume the proposed legislation has a negative fiscal impact of an indeterminate amount.

Officials from the **Callaway County SB 40 Board** assume the proposed legislation has a fiscal impact of an indeterminate amount.

Officials from the **Department of Economic Development** and the **Department of Natural Resources**, 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 **South River Drainage District - 7D Levee**, **Wayne County Pwsd #2**, and the **Mid-Continent Public Library** each assume the proposal will have no fiscal impact on their respective organizations.

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.

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.

<u>FISCAL IMPACT – State Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
GENERAL REVENUE FUND			
<u>Revenue Reduction</u> - §144.058 - Sales/Use Tax exemption for production of electricity - p. (7)	(\$3,963,225) to \$21,288,260)	(\$5,284,300 to \$28,384,347)	(\$5,284,300 to \$28,384,347)
<u>Savings</u> - §393.1645 - Office of Administration - Potential impact on electric utility costs - p. (12)	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
<u>Cost</u> – OPC §393.320.5 - p. (12)	\$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)
<u>Total Cost</u> – 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	Less than (\$3,963,225) to (\$21,639,471)	Less than (\$5,284,300) to (\$28,801,206)	Less than (\$5,284,300) to (\$28,808,642)
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

<u>FISCAL IMPACT – State Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
PUBLIC SERVICE COMMISSION FUND (0607)			
<u>Cost – PSC §393.320.5 - p. (11-12)</u>	\$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)
<u>Total Cost – PSC</u>	<u>(\$490,309)</u>	<u>(\$571,506)</u>	<u>(\$581,435)</u>
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 <u>\$490,309</u>)	\$0 or (Up to <u>\$571,506</u>)	\$0 or (Up to <u>\$581,435</u>)
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
BLIND PENSION FUND			
<u>Revenue Loss - §137.010, 137.080, & 137.115 - Solar Property Assessment - pp. (3-4)</u>	\$0	(Unknown)	(Unknown)
<u>Revenue Loss - §137.122 - loss of tax revenue from real property now assessed as personal property and subject to a depreciation schedule - p. (4)</u>	\$0	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON THE BLIND PENSION FUND	<u>\$0</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

<u>FISCAL IMPACT – State Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
SCHOOL DISTRICT TRUST FUND (0688)			
<u>Revenue Reduction - §144.058 - Sales/Use Tax exemption for production of electricity - pp. (5-10)</u>	(\$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)			
<u>Revenue Reduction - §144.058 - Sales/Use Tax exemption for production of electricity - pp. (5-10)</u>	(\$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)
PARKS AND SOILS STATE SALES TAX FUNDS (0613 & 0614)			
<u>Revenue Reduction - §144.058 - Sales/Use Tax exemption for production of electricity - pp. (5-10)</u>	(\$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)

<u>FISCAL IMPACT – Local Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
LOCAL POLITICAL SUBDIVISIONS			
<u>Revenue Loss</u> - §137.010, 137.080, & 137.115 - Solar Property Assessment - p. (3)	\$0	(Unknown)	(Unknown)
<u>Revenue Reduction</u> - §137.122 - loss of tax revenue from real property now assessed as personal property and subject to a depreciation schedule - p. (4)	\$0	(Unknown)	(Unknown)
<u>Revenue Reduction</u> - §144.058 - Sales/Use Tax exemption for production of electricity - pp. (5-10)	(\$8,349,194 to \$44,847,269)	(\$11,132,258 to \$59,796,358)	(\$11,132,258 to \$59,796,358)
<u>Cost</u> - §204.300, §204.610 - Potential additional compensation paid - p. (10)	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
<u>Cost</u> - §393.1506 - Potential increase in electric utility costs - p. (12)	\$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. Some small businesses could have a change in utility costs as a result of this proposal.

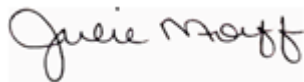
FISCAL DESCRIPTION

This bill modifies the laws relating to utilities.

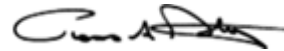
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration - Budget and Planning
Department of Revenue
State Tax Commission
Office of Administration
Department of Commerce and Insurance
Department of Natural Resources
Department of Economic Development
Joint Committee on Administrative Rules
City of Kansas City
South River Drainage District - 7D Levee
Wayne County Pwsd #2
Callaway County SB 40 Board
Mid-Continent Public Library



Julie Morff
Director
February 13, 2024



Ross Strobe
Assistant Director
February 13, 2024