

# HOUSE BILL NO. 3320

## 103RD GENERAL ASSEMBLY

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INTRODUCED BY REPRESENTATIVE CASTEEL.

7229H.011

JOSEPH ENGLER, Chief Clerk

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### AN ACT

To amend chapter 640, RSMo, by adding thereto one new section relating to the regulation of community water systems.

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*Be it enacted by the General Assembly of the state of Missouri, as follows:*

Section A. Chapter 640, RSMo, is amended by adding thereto one new section, to be known as section 640.138, to read as follows:

**640.138. 1. This section shall be known and may be cited as "The Drinking Water Transparency and Accountability Act" which shall provide:**

**(1) For the development and implementation of a community water system accountability process which requires and supports drinking water infrastructure sustainability for the citizens of Missouri;**

**(2) Assurance to the citizens that the quality of drinking water is monitored and maintained at levels essential for health, safety, welfare, and long-term sustainability;**

**(3) Clear standards and expectations for community water systems so that assessment of their quality, performance, and sustainability will be understood;**

**(4) Information that will assist community water systems and citizens in understanding expectations, outcomes, and consequences for failing community water systems; and**

**(5) Consequences and penalties for community water systems that do not achieve minimum standards.**

**2. For purposes of this section, the following terms mean:**

**(1) "Community water system", a public water system that serves at least fifteen service connections and regularly serves at least twenty-five residents per year to**

EXPLANATION — Matter enclosed in bold-faced brackets ~~thus~~ in the above bill is not enacted and is intended to be omitted from the law. Matter in **bold-face** type in the above bill is proposed language.

18 include, but not be limited to, water corporations, as defined in section 386.020, public  
19 water districts under chapter 247, municipal water companies under chapter 91,  
20 nonprofit water companies as described in section 393.900, and joint municipal water  
21 commissions created in sections 393.700 to 393.770;

22 (2) "Customer", the same as defined in section 640.102;

23 (3) "Department", the Missouri department of natural resources.

24 3. The department shall provide for a statewide system of accountability for  
25 community water systems and establish a letter grade schedule to include community  
26 water system quality, performance, and sustainability based on, at a minimum, the  
27 following standards:

28 (1) Violation of any federal drinking water laws;

29 (2) Violation of any state drinking water laws;

30 (3) Water system financial sustainability;

31 (4) Operation and maintenance performance history;

32 (5) Infrastructure violations including, but not limited to, failure, damage, or  
33 unauthorized tampering with any property owned or operated by a community water  
34 system.

35 4. (1) The department shall promulgate rules necessary to implement provisions  
36 of this section. The rules shall provide clear and appropriate explanation for each  
37 standard set forth in subsection 3 of this section. The rules shall create a tiered  
38 structure of point deductions that utilizes violation metrics, excluding maximum  
39 contaminant levels under section 640.120, for community water systems between zero to  
40 fifty thousand customers, where one violation equates to one point deduction. For the  
41 community water systems with over fifty thousand customers, five violations shall  
42 equate to one point deduction. Point values shall be based on objective criteria so that  
43 each community water system is assessed equally and fairly. Community water systems  
44 shall be assigned a letter grade of "A", "B", "C", "D", or "F". The rules shall include a  
45 provision prohibiting disclosures by the department pursuant to the provisions of  
46 section 610.032 of water system information if it is defined as a "trade secret" as defined  
47 in section 417.453. The rules shall require that the system's consumer confidence report  
48 list the system's grade along with the explanation that the grade is based on the results  
49 under this section and not the federal Consumer Confidence Report.

50 (2) The rules shall not deduct points for water outages or boil advisories. The  
51 rules shall provide that for water corporations, the department shall only utilize data  
52 provided by the water corporation in its most recent general rate case, if it has occurred  
53 within the past three years. Otherwise, the water corporation shall be required to  
54 submit a rate study and audit.

55           **(3) The department shall publish scores and letter grades under this section**  
56 **earned by each community water system on its website on an annual frequency**  
57 **established by rule. The department shall promulgate rules that provide a process by**  
58 **which the community water systems can review and appeal the department's scores and**  
59 **grades prior to website publication. The department shall promulgate rules that permit**  
60 **community water systems to request that the department suspend publication of scores**  
61 **and letter grades for no more than twelve months if the community water system has**  
62 **changed ownership. For thirty-six months following an ownership change, the system**  
63 **may include the following language on its consumer confidence report: "The system has**  
64 **changed ownership and is in the compliance enhancement process". Any rule or**  
65 **portion of a rule, as that term is defined in section 536.010, that is created under the**  
66 **authority delegated in this section shall become effective only if it complies with and is**  
67 **subject to all of the provisions of chapter 536 and, if applicable, section 536.028. This**  
68 **section and chapter 536 are nonseverable and if any of the powers vested with the**  
69 **general assembly pursuant to chapter 536 to review, to delay the effective date, or to**  
70 **disapprove and annul a rule are subsequently held unconstitutional, then the grant of**  
71 **rulemaking authority and any rule proposed or adopted after August 28, 2026, shall be**  
72 **invalid and void.**

73           **5. (1) Any community water system that receives a letter grade of "D" or "F"**  
74 **shall be considered operationally unacceptable and may be subject to the following:**

75           **(a) Administrative penalties pursuant to the provisions of section 640.131;**

76           **(b) Oversight of all federal or state funding by an auditor approved by the**  
77 **department who has experience with fiscal management of local government. Such**  
78 **oversight shall include the authority to make decisions regarding the expenditure of**  
79 **funding;**

80           **(c) Submit a notice to the safe drinking water commission, the public service**  
81 **commission, and the attorney general to prohibit the community water system or the**  
82 **local governing authority operating the community water system from incurring any**  
83 **additional debt for anything not directly related to the improvement and sustainability**  
84 **of the community drinking water system pursuant to a plan approved by the**  
85 **department.**

86           **(2) A community water system that receives a letter grade of "D" or "F" shall**  
87 **not be precluded from obtaining funding for the improvement and sustainability of the**  
88 **community drinking water system based solely on the letter grade.**

89           **6. Notwithstanding any provision of law to the contrary, no local governing**  
90 **authority that operates a community water system that receives a grade of "D" or "F"**  
91 **shall expend any moneys raised through payments made by customers for access to**

92 water or from any other water system revenue for any item, debt payment, or public  
93 purpose other than the improvement and sustainability of the community water system  
94 specifically related to the point deductions or letter grade standards under this section.  
95 A violation of this subsection shall be grounds, upon a petition from the department, for  
96 a court to appoint a receiver or fiscal administrator or to order the mandatory safe  
97 water purchase from another system as determined by the department. The provisions  
98 of this subsection shall not be construed to prohibit the payment of bonded indebtedness  
99 secured by the water system's revenue prior to August 28, 2026.

100 7. No later than ninety days after appointment, the receiver shall develop and  
101 submit an improvement plan to the department for approval. The improvement plan  
102 shall include the ability to increase rates paid by users of the community water system  
103 based on a fair assessment of the community water system compared to other  
104 comparable water systems, the consolidation of the community water system with a  
105 neighboring system or systems, or other measure which may be proposed by the  
106 receiver or the department to ensure the sustainability of the system for the benefit of  
107 the customers who rely on the community water system for their drinking water. The  
108 receiver shall include in the improvement plan any additional measures proposed by the  
109 department necessary to bring the community water system into technical and  
110 operational compliance and financial sustainability under this section. The appointing  
111 court shall grant authority to the receiver necessary to implement the improvement plan  
112 as approved by the department.

113 8. The department shall publish the first letter grades issued pursuant to this  
114 section no later than January 1, 2028.

115 9. A community water system receiving federal funds, including stimulus or  
116 relief payments or grants, for the upgrade, repair, or otherwise replacement of the water  
117 system infrastructure shall submit to the department a detailed plan describing how the  
118 federal funds will be used.

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