

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

LR No.: 1848-02
Bill No.: SCS for SB 462
Subject: Sewer and Water Corporations
Type: Original
Date: March 21, 2005

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
General Revenue	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on General Revenue Fund	(Unknown)	(Unknown)	(Unknown)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
State School Moneys	\$0	\$0	\$0
State Public School	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on <u>Other</u> State Funds	(Unknown)	(Unknown)	(Unknown)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Local Government	Unknown	Unknown	Unknown

FISCAL ANALYSIS

ASSUMPTION

Officials of the **Department of Economic Development - Public Service Commission** assume no fiscal impact to the Commission.

Officials of the **Department of Economic Development - Office of Public Counsel** assume this proposal could have some fiscal impact on the office, however, officials assume any impact could be absorbed with existing resources.

Officials of the **Department of Elementary and Secondary Education** stated that “moneys deposited into the State Public School Fund (0817) as a result of section 386.600 RSMo totaled \$272,867 in FY 04. Interest earned on the balance of funds in the State Public School Fund is transferred to the State School Moneys Fund (0616) and is subsequently distributed to local school districts. This proposal will direct specified penalties away from the State Public School Fund upon the order of the court that imposed the penalties. DESE cannot predict the actions of the courts, nor can it determine the level of impact this proposal could have upon receipts to the fund; however, the impact could be significant. Any funds directed away from the State School Moneys Fund would have to be made up from General Revenue.

ASSUMPTION (continued)

Officials of the **Department of Natural Resources** assumes no fiscal impact.

Officials of the **Office of State Courts Administrator** assumes no impact on the Courts.

Officials of the **City of Springfield**, and the **Little Blue Valley Sewer District** assume no fiscal impact.

Officials of the **Callaway County Water District #1** assumes no fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
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GENERAL REVENUE FUND

Cost - Reimbursement to State School Moneys Fund - Lost interest income *	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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STATE SCHOOL MONEYS FUND

Transfer in from General Revenue For reimbursement of lost interest revenue from State Public School Fund	Unknown	Unknown	Unknown
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Loss - Interest monies from State Public School Fund *	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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Estimated Net Effect to State School Moneys Fund	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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STATE PUBLIC SCHOOL FUND

Loss of Revenue From court ordered diversion of penalties and interest pursuant to section 386.600.	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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* **Loss of interest to the State School Moneys Fund are expected to be less than \$100,000 annually.**

FISCAL IMPACT - Local Government

FY 2006
(10 Mo.)

FY 2007

FY 2008

**SEWER OR WATER
CORPORATIONS**

Income to Certain Sewer or Water
Corporations
From court ordered diversion of penalties
(Section 386.600)

Unknown

Unknown

Unknown

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This act pertains to sewer and water corporations. The act allows the Public Service Commission to order a capable public utility to acquire a smaller water or sewer corporation in the event that such water or sewer corporation violates standards that affect the safety of the service provided, or if they have failed to comply with commission orders related to the safety of the service provided. It is a process that is allowed under current law, but changes in this act make this process a more expedient one for the commission to adopt.

The commission shall, before they make a decision to allow such a acquisition, discuss other options with the water or sewer corporation in question and allow the corporation thirty days to investigate these alternatives. Those alternatives are laid out in the act.

When there is an eminent threat to life or property, the commission may appoint an interim receiver before a hearing on the acquisition takes place. Any price agreed upon in the event that an acquisition is necessary, must first be reviewed by the commission to ensure a reasonable figure.

Any capable public utility that is ordered to acquire a water or sewer corporation shall, within thirty days of the commission's order, submit a detailed plan for bringing the water or sewer corporation into compliance with applicable regulations. The Department of Natural Resources will have the opportunity to comment on the plan before any final decision is made.

Language has been added to ensure that any capable public utility acquiring a water or sewer corporation under order by the commission, not be subject to any enforcement action by state or local agencies that had notice of the plan, and if the basis for these actions is related to violations perpetrated by the water or sewer corporation. Exceptions to this waiver are laid out in the act.

DESCRIPTION (continued)

Upon acquiring a corporation, the commission shall allow a rate surcharge to be applied to the rates in order to recover one hundred percent of the revenues necessary to provide a net after-tax return on the rate making rate base value of the water or sewer corporations facilities and those for improvements made to corporation upon acquisition.

Proceedings established in the act can be initiated by a complaint filed by the commission, office of public counsel, local government leaders within the community inadequately served by the water or sewer corporation, or at least twenty-five consumers within that same community. The burden of proof lays with the complainant, and "in the public interest" shall be the standard by which any decision is made.

Notice requirements are laid out in the act - proximate utility companies providing the same type of service as the water or sewer corporation, the corporation's customers, are among the list.

The commission shall initiate a rulemaking to promulgate rules to carry out the provisions of this act.

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

SOURCES OF INFORMATION

Department of Economic Development

Public Service Commission

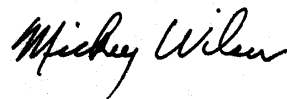
Office of Public Counsel

Department of Natural Resources

City of Springfield

Little Blue Valley Sewer District

Callaway County Water District # 1



Mickey Wilson, CPA

Director

March 21, 2005