

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

LR No.: 1848-04  
Bill No.: HCS for SS for SCS for SB 462  
Subject: Sewer and Water Corporations  
Type: Original  
Date: April 25, 2005

**FISCAL SUMMARY**

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

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

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

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>
<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 LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>
<b>Local Government</b>	<b>Unknown</b>	<b>Unknown</b>	<b>Unknown</b>

**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.

FISCAL IMPACT - State Government                      FY 2006                      FY 2007                      FY 2008

**GENERAL REVENUE FUND**

**Cost** - Reimbursement to State School  
 Moneys Fund - Lost interest income \*                      (Unknown)                      (Unknown)                      (Unknown)

**STATE SCHOOL MONEYS FUND**

**Transfer** in from General Revenue  
 For reimbursement of lost interest  
 revenue from State Public School Fund                      Unknown                      Unknown                      Unknown

**Loss** - Interest monies from State Public  
 School Fund \*                      (Unknown)                      (Unknown)                      (Unknown)

**Estimated Net Effect to State School  
 Moneys Fund**                      \$0                      \$0                      \$0

**STATE PUBLIC SCHOOL FUND**

**Loss of Revenue**  
 From court ordered diversion of penalties  
 and interest pursuant to  
 (section 393.145.9).                      (Unknown)                      (Unknown)                      (Unknown)

**\* Oversight assumes loss of interest to the State School Moneys Fund would be less than \$100,000 annually.**

FISCAL IMPACT - Local Government

FY 2006

FY 2007

FY 2008

**SEWER OR WATER  
CORPORATIONS**

**Income** to Certain Sewer or Water  
Corporations

From court ordered diversion of penalties  
(Section 393.145.9)

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 authorize the acquiring capable public utility to utilize the Commission's small company rate case procedure for establishing the rates to be applicable to the system being acquired. The rates may be designed to recover one hundred percent of the revenues necessary to provide a net after tax return on the ratemaking rate base value of the water or sewer corporation's facilities acquired by the capable public utility, and the ratemaking rate base value of any improvements made to the facilities by the capable public utility subsequent to the acquisition, at a rate of return equivalent to one hundred basis points above the rate of return authorized at the public utilities' last general rate proceeding.

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.

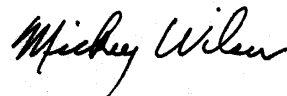
Notice requirements are laid out in the act - proximate utility companies providing the same type of service as the water or sewer corporation, the corporation's customers, are among the list.

Section A of this proposal has an emergency clause.

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  
Department of Elementary and Secondary Education



Mickey Wilson, CPA  
Director  
April 25, 2005