

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0552-01
Bill No.: SB 66
Subject: Cities, Towns and Villages; Department of Natural Resources; Political Subdivisions; Utilities; Water Resources and Water Districts
Type: Original
Date: January 29, 2019

Bill Summary: This proposal establishes provisions relating to water safety and security.

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | |
|--|--|--|--|
| FUND AFFECTED | FY 2020 | FY 2021 | FY 2022 |
| General Revenue | (\$1,891,454 - \$2,391,454) | (\$1,811,283 - \$2,061,283) | (\$1,821,454 - \$2,071,454) |
| Total Estimated Net Effect on General Revenue | (\$1,891,454 - \$2,391,454) | (\$1,811,283 - \$2,061,283) | (\$1,821,454 - \$2,071,454) |

| ESTIMATED NET EFFECT ON OTHER STATE FUNDS | | | |
|---|------------|------------|------------|
| FUND AFFECTED | FY 2020 | FY 2021 | FY 2022 |
| | | | |
| | | | |
| Total Estimated Net Effect on <u>Other</u> State Funds | \$0 | \$0 | \$0 |

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 9 pages.

| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | |
|---|----------------|----------------|----------------|
| FUND AFFECTED | FY 2020 | FY 2021 | FY 2022 |
| | | | |
| | | | |
| Total Estimated Net Effect on <u>All</u> Federal Funds | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE) | | | |
|---|----------------|----------------|----------------|
| FUND AFFECTED | FY 2020 | FY 2021 | FY 2022 |
| General Revenue | 11 FTE | 11 FTE | 11 FTE |
| | | | |
| Total Estimated Net Effect on FTE | 11 FTE | 11 FTE | 11 FTE |

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

| ESTIMATED NET EFFECT ON LOCAL FUNDS | | | |
|--|------------------------------|------------------------------|------------------------------|
| FUND AFFECTED | FY 2020 | FY 2021 | FY 2022 |
| Local Government | (Substantial Unknown) | (Substantial Unknown) | (Substantial Unknown) |

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Natural Resources (DNR)** assume the following regarding this proposal:

Division of Environmental Quality

Section 640.141

States, "each public water system" which means approximately 2,700 public water systems in the State would be required to submit plans and reports to the Department. The Department does not track which public water systems are not connected to the internet; therefore, does not have the ability to report this information.

Section 640.141.3(1) and (2)

The requirement to replace water lines will result in an increase of review of construction authorizations submitted. This is estimated to result in the need for two (2) Environmental Engineer II positions. Extra engineering duties will also require one (1) Senior Office Support Assistant staff position.

Section 640.141.3(2)

In addition, the bill will require the tracking of notices of violation (NOVs) for purposes of requiring mitigation plans and staff will be needed to review, track, and monitor these plans. The bill will require one (1) additional Environmental Specialist III.

Section 640.142.1

The bill also includes the review, tracking, and monitoring of an annual certification report. This will require one (1) additional Environmental Specialist III.

It is anticipated that each of the Department's Regional Offices (5) will need an additional Environmental Engineer III to review the additional records and plans required by this bill when conducting sanitary surveys.

OA-ITSD services will be required for a first year implementation cost of \$39,000 for development of an enforcement tracking system. The numbers below indicate approximate annual maintenance costs. These figures are based on verbal information received from the current contract holder.

ASSUMPTION (continued)

| Initial Fee | SaaS FY 1 | SaaS FY 2 | SaaS FY 3 | SaaS FY 4 | SaaS FY 5 |
|--------------------|------------------|------------------|------------------|------------------|------------------|
| \$39,000 | \$29,000 | \$29,725 | \$30,468 | \$31,230 | \$32,011 |

FTE Needs:

| Quantity | Position Title | Annual Salary* | Total |
|-----------------|---------------------------------|-----------------------|--------------------|
| 7 | Environmental Engineer III | \$65,148 | \$456,036 |
| 2 | Environmental Specialist III | \$51,108 | \$102,216 |
| 1 | Senior Office Support Assistant | \$29,388 | \$29,388 |
| | | | \$587,640** |

*Using midpoint annual salary from OA Uniform Classification and Pay System Basic Compensation Plan

**Associated indirect costs are not included.

The Division of Environmental Quality will not be able to absorb the costs related to this proposed legislation. Based on current projections, the department estimates the Safe Drinking Water fee fund will encounter fund solvency issues within the next 2-3 fiscal years. The fund will not be able to sustain current levels of effort plus the provisions of this proposed legislation.

Division of State Parks

Section 640.141 will require an unspecified amount to be expended to upgrade and maintain water production and storage facilities. Using a 25 year upgrade schedule, the Department would anticipate upgrading two systems per year at an estimated \$750,000 to \$1,000,000 per year.

The proposal will also require Division of State Parks to develop one (1) FTE, Design Engineer III at current annual salary rate of \$64,662 (equivalent position salary currently within the division), Fringes of \$28,195, \$7,630 of one-time expenses for computer equipment and office furniture, \$10,000 of continuing expenses for travel and supplies to manage the Asset Management Plans (AMPs) and contract an engineering firm to initially develop 49 AMPs, one

ASSUMPTION (continued)

for each system, for a total approximate cost of \$250,000 - \$500,000. The engineering firm would be required to conduct, under the proposal, an evaluation of each park's water system, develop a comprehensive plan for repair and replacement of the components, and develop a digitized map using GIS to locate water lines, valves, hydrants, etc.

The Division of State Parks does not have the existing budget authority to absorb the costs for the proposed legislation.

Oversight was unable to verify DNR's assumptions; however, Oversight assumes DNR will incur costs related to this proposal and will reflect those costs on the fiscal note.

Officials from the **Department of Corrections, Department of Economic Development - Office of Public Counsel, Department of Economic Development - Public Service Commission** and **Department of Economic Development - Division of Energy** each assume the proposal will have no fiscal impact on their respective organizations.

Oversight has no information to the contrary. Therefore, Oversight will reflect a zero fiscal impact for these agencies.

Officials from the **City of Kansas City** assume this proposal will have a negative fiscal impact on the City of Kansas City. The negative fiscal impact to Kansas City in complying with the mandates of the proposed legislation would be approximately \$53 million per fiscal year, due primarily to the size of the system and number of facilities involved. Kansas City currently does some of the things the proposed legislation would require, but is able to prioritize its initiatives to meet the needs of its customers and system requirements, while maintaining compliance with regulatory requirements and manage its budgetary limitations. The proposed legislation would remove Kansas City's discretion in achieving this balance and force it to pay the costs associated with the legislation, without receiving additional funding and without regard to Kansas City's current priorities. Kansas City would likely have to pull funding from current and planned projects and/or significantly increase the rates it charges its customers to comply with the proposed legislation.

Officials from the **City of St. Louis** note the city provides water to its residents; however, they were unable to provide the fiscal impact of this proposal due to time constraints.

Oversight notes that the City of Kansas City and the City of St. Louis provide water service to their residents. Oversight was unable to verify the City of Kansas City's assumptions; however, Oversight assumes the city will incur costs related to this proposal.

ASSUMPTION (continued)

Oversight will reflect a substantial “Unknown” cost to local political subdivisions that will be required to update their systems to comply with the requirements of this proposal.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other water districts were requested to respond to this proposed legislation but did not. For a general listing of political subdivisions included in our database, please refer to www.legislativeoversight.mo.gov.

| <u>FISCAL IMPACT - State Government</u> | FY 2020 (10 Mo.) | FY 2021 | FY 2022 |
|---|---|---|---|
| GENERAL REVENUE FUND | | | |
| <u>Cost - DNR</u> | | | |
| Personal Services | (\$543,585) | (\$658,825) | (\$665,413) |
| Fringe Benefits | (\$281,240) | (\$339,476) | (\$341,483) |
| Expense and Equipment | (\$27,629) | (\$33,982) | (\$34,833) |
| IT Costs - System Implementation and Maintenance | (\$39,000) | (\$29,000) | (\$29,725) |
| Engineering Services | (\$250,000 - \$500,000) | \$0 | \$0 |
| Upgrades to Parks Systems | (\$750,000 - <u>\$1,000,000</u>) | (\$750,000 - <u>\$1,000,000</u>) | (\$750,000 - <u>\$1,000,000</u>) |
| <u>Total Costs - DNR</u> | (\$1,891,454 - <u>\$2,391,454</u>) | (\$1,811,283 - <u>\$2,061,283</u>) | (\$1,821,454 - <u>\$2,071,454</u>) |
| FTE Change - DNR | 11 FTE | 11 FTE | 11 FTE |
| ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND | (\$1,891,454 - <u>\$2,391,454</u>) | (\$1,811,283 - <u>\$2,061,283</u>) | (\$1,821,454 - <u>\$2,071,454</u>) |
| Estimated Net FTE change for the General Revenue Fund | 11 FTE | 11 FTE | 11 FTE |

| <u>FISCAL IMPACT - Local Government</u> | FY 2020 (10 Mo.) | FY 2021 | FY 2022 |
|---|---|---|---|
| LOCAL CITY-OWNED UTILITIES/WATER DISTRICTS | | | |
| <u>Cost</u> - Update water systems | (Substantial <u>Unknown</u>) | (Substantial <u>Unknown</u>) | (Substantial <u>Unknown</u>) |
| ESTIMATED NET EFFECT ON LOCAL CITY-OWNED UTILITIES/WATER DISTRICTS | (Substantial <u>Unknown</u>) | (Substantial <u>Unknown</u>) | (Substantial <u>Unknown</u>) |

FISCAL IMPACT - Small Business

There may be a direct fiscal impact to those public water systems that meet the definition of a small business as a result of this proposal. This may include not only those systems that will be regulated, but also any small business that may have to adjust water rates to allow the water system to comply with this bill.

FISCAL DESCRIPTION

This act establishes the Missouri Water Safety and Security Act. Within one year of the act's effective date every public water system in the state shall create an asset management plan with components as set forth in the act. The act requires all public water systems, except those systems without internet-connected control systems, to create a plan that establishes policies and procedures for cyber security risk management, prevention, and mitigation.

If a public water system receives three notices of violation for any reason, or two notices relating to exceeding maximum contaminant levels within a 12-month period, the public water system shall submit a mitigation plan to the Department of Natural Resources within 60 days of the latest violation.

The act further requires all public water systems to create valve inspection and hydrant inspection programs. The programs shall contain requirements as set forth in the act. Public water systems are required to submit an annual report to the Department certifying compliance with certain regulations as set forth in the act.

Finally, no provisions of the act shall be construed to establish a private civil cause of action against an individual in violation of any of the provisions of the act.

FISCAL DESCRIPTION (continued)

This legislation is not federally mandated.

The Department of Natural Resources notes this proposal will require capital improvements in an unspecified amount to be expended to upgrade and maintain water production and storage facilities. Using a 25 year upgrade schedule, the Department would anticipate upgrading two systems per year at an estimated \$750,000 to \$1,000,000 per year.

The Department of Natural Resources also notes this proposal partially duplicates existing regulations, including:

- Preparing an annual budget and five year capital improvement budget and plan;
- Maintaining an updated distribution map showing, at a minimum, the size and location of all waterlines, valves, hydrants, storage facilities, pumping facilities, treatment facilities, and water sources;
- Maintaining an operating reserve equal to or greater than 1/10th of the annual operations and maintenance budget; and
- Establishing an emergency replacement reserve equal to or greater than the replacement cost of the most expensive mechanical equipment item needed for operation.

The Department of Natural Resources also notes this proposal also partially duplicates Section 640.120.6, RSMo, which requires the Department to annually publish a census of Missouri public water systems that includes recent levels found of each contaminant for which it is required to test.

SOURCES OF INFORMATION

Department of Natural Resources
Department of Corrections
Department of Economic Development - Office of Public Counsel
Department of Economic Development - Public Service Commission
Department of Economic Development - Division of Energy
City of Kansas City
City of St. Louis



Kyle Rieman
Director
January 29, 2019

Ross Strobe
Assistant Director
January 29, 2019