

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0619-01
Bill No.: SB 126
Subject: Office of Administration; Cities, Towns and Villages; Contracts; County Government; Courts; General Assembly; Political Subdivisions; State Departments
Type: Original
Date: February 5, 2019

Bill Summary: This proposal modifies requirements for guaranteed energy cost savings contracts.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
General Revenue Fund	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown)
Total Estimated Net Effect on General Revenue	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown)

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

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 8 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
Total Estimated Net Effect on FTE	0	0	0

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	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration - Facilities Management Design and Construction (FMDC)** assume the impact of this legislation is unknown because it is uncertain if FMDC will enter into additional energy saving performance contracts in the future or what the terms of any future contracts will be. FMDC prefers to engage in energy saving projects with funds appropriated for that purpose, rather than borrowing money to fund energy saving performance contracts that must be paid back over an extended period. In addition, energy saving performance contracts do not guarantee actual cost savings to FMDC. Cost savings are typically tracked by contractually agreed-upon or stipulated measurements, not actual cost. Engaging an energy service company to perform work at State facilities adds a layer of cost and oversight, and FMDC has engineers and other professional staff who work to find and implement energy conservation measures in state facilities.

Oversight notes that FMDC has stated energy performance contracts do not guarantee actual cost savings and is unsure if FMDC will enter into additional energy saving performance contracts in the future. FMDC also stated that engaging in energy service companies adds a layer of cost and oversight for FMDC staff. Oversight does not have any information to the contrary. Therefore, Oversight will range fiscal impact of a savings of \$0 to Unknown (contracting with energy performance companies) and also a cost of \$0 to (Unknown) (cost and oversight for implementing energy conservation measures) to the General Revenue Fund.

Officials from the **Office of Administration - Budget and Planning (B&P)** assume this proposal:

- has no direct impact on B&P.
- has no direct impact on general and total state revenues.
- will not impact the calculation pursuant to Art. X, Sec. 18(e).

Officials from the **Department of Insurance, Financial Institutions and Professional Registration**, the **Department of Corrections** and the **Department of Mental Health** each defer to the Office of Administration to estimate the fiscal impact of the proposed legislation on their respective organizations.

ASSUMPTION (continued)

Officials from the **Department of Economic Development (Public Service Commission, Office of the Public Council, and the Division of Energy)**, **Attorney General's Office**, **Department of Agriculture**, **Department of Elementary and Secondary Education**, **Department of Higher Education**, **Department of Health and Senior Services**, **Department of Natural Resources**, **Department of Labor and Industrial Relations**, **Department of Revenue**, **Department of Public Safety (Office of the Director, Capitol Police, Alcohol & Tobacco Control, Fire Safety, Gaming Commission, Missouri Highway Patrol, Missouri National Guard, State Emergency Management Agency and the Veterans Commission)** **Department of Social Services**, **Office of the Governor**, **Joint Committee on Administrative Rules**, **Missouri Lottery Commission**, **Legislative Research**, **Missouri Consolidated Health Care Plan**, **Missouri Department of Conservation**, **Missouri Ethics Commission**, **Missouri House of Representatives**, **Department of Transportation**, **Office of Prosecution Services**, **Missouri State Employee's Retirement System**, **MoDOT & Patrol Employees' Retirement System**, **Office of Administration (Administrative Hearing Commission)**, **Office of the State Courts Administrator**, **Office of the State Auditor**, **Missouri Senate**, **Office of the Secretary of State**, **Office of the State Public Defender**, **Office of the State Treasurer** and the **State Tax Commission** each assume the proposal will have no fiscal impact on their respective organizations.

Oversight notes that the above mentioned agencies have stated the proposal would not have a direct fiscal impact on their organizations. **Oversight** does not have any information to the contrary. Therefore, **Oversight** will reflect a zero impact on the fiscal note for these agencies.

Officials from the **University of Missouri**, **Missouri State University**, **University of Central Missouri**, **State Technical College of Missouri**, **Northwest Missouri State University**, **Jackson County Election Board**, **St. Louis Board of Elections**, **St. Louis County** and **Mississippi County** each assume the proposal will have no fiscal impact on their respective organizations.

Oversight notes that the above mentioned entities have stated the proposal would not have a direct fiscal impact on their organizations. **Oversight** does not have any information to the contrary. Therefore, **Oversight** will reflect a zero impact on the fiscal note. For these agencies

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other colleges and universities, cities and counties 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
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GENERAL REVENUE FUND

<u>Savings</u> - FMDC Energy Savings Performance Contracts	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
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<u>Cost</u> - FMDC Cost and Oversight to FMDC Staff to implement energy conservation measures	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
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ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	<u>Unknown to (Unknown)</u>	<u>Unknown to (Unknown)</u>	<u>Unknown to (Unknown)</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

This act modifies provisions relating to guaranteed energy cost savings contracts. Under current law, a governmental unit is required to award a contract to a qualified provider if, among other things, it finds that the amount it would spend on the energy cost savings measures recommended in the proposal would not exceed the amount of energy or operational savings, or both, within a 15 year period from the date installation is complete, if the recommendations in the proposal are followed. This act extends the time frame to a 25 year period.

The act further modifies the definition of "energy cost savings measure" to include a training program or facility improvement, modernization, system replacement, or building replacement, including any of the following:

- Roofing, exterior building, envelope, and piping;
- Domestic water, sewer, and domestic hot water system improvements;

FISCAL DESCRIPTION (continued)

- Indoor swimming pool improvements;
- Renewable energy systems; and
- Any security or safety improvement that provide long term operating cost reduction and improve the safety of the building occupants.

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

Attorney General's Office
Department of Agriculture
Department of Economic Development
 Public Service Commission
 Office of the Public Council
 Division of Energy
Department of Elementary and Secondary Education
Department of Higher Education
Department of Health and Senior Services
Department of Insurance, Financial Institutions and Professional Registration
Department of Mental Health
Department of Natural Resources
Department of Corrections
Department of Labor and Industrial Relations
Department of Revenue
Department of Public Safety
 Office of the Director
 Division of Alcohol and Tobacco Control
 Capitol Police
 Fire Safety
 Missouri Gaming Commission
 Missouri Highway Patrol
 Missouri National Guard
 State Emergency Management Agency
 Veterans Commission

SOURCES OF INFORMATION (continued)

Department of Social Services
Office of the Governor
Joint Committee on Administrative Rules
Joint Committee on Public Retirement
Missouri Lottery Commission
Legislative Research
Missouri Consolidated Health Care Plan
Missouri Department of Conservation
Missouri Ethics Commission
Missouri House of Representatives
Department of Transportation
Office of Prosecution Services
Missouri State Employee's Retirement System
MoDOT & Patrol Employees' Retirement System
Office of Administration
 Administrative Hearing Commission
 Budget and Planning
 Facilities Management Design and Construction
Office of the State Courts Administrator
Office of the State Auditor
Missouri Senate
Office of the Secretary of State
Office of the State Public Defender
Office of the State Treasurer
State Tax Commission
University of Missouri
Missouri State University
University of Central Missouri
State Technical College of Missouri
Northwest Missouri State University

SOURCES OF INFORMATION (continued)

Jackson County Election Board
St. Louis Board of Elections
St. Louis County
Mississippi County

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