

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0901S.02I  
Bill No.: SB 92  
Subject: Taxation and Revenue - Property; Counties; Energy  
Type: Original  
Date: February 5, 2021

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Bill Summary: This proposal modifies provisions relating to the assessment of certain public utility property.

**FISCAL SUMMARY**

| <b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>  |            |            |            |
|--|------------|------------|------------|
| FUND AFFECTED  | FY 2022    | FY 2023    | FY 2024    |
| <b>Total Estimated Net Effect on General Revenue</b> | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> |

| <b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>       |            |            |                             |
|--|------------|------------|-----------------------------|
| FUND AFFECTED  | FY 2022    | FY 2023    | FY 2024                     |
| Blind Pension Fund (0621)                              | \$0        | \$0        | (Unknown) to Unknown        |
| <b>Total Estimated Net Effect on Other State Funds</b> | <b>\$0</b> | <b>\$0</b> | <b>(Unknown) to Unknown</b> |

Numbers within parentheses: () indicate costs or losses.

| <b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>                  |                |                |                |
|---|----------------|----------------|----------------|
| <b>FUND AFFECTED</b>  | <b>FY 2022</b> | <b>FY 2023</b> | <b>FY 2024</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 FULL TIME EQUIVALENT (FTE)</b> |                |                |                |
|---|----------------|----------------|----------------|
| <b>FUND AFFECTED</b>                                      | <b>FY 2022</b> | <b>FY 2023</b> | <b>FY 2024</b> |
|   |                |                |                |
|   |                |                |                |
| <b>Total Estimated Net Effect on FTE</b>                  | <b>0</b>       | <b>0</b>       | <b>0</b>       |

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act.

| <b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b> |                |                |                             |
|--|----------------|----------------|-----------------------------|
| <b>FUND AFFECTED</b>                       | <b>FY 2022</b> | <b>FY 2023</b> | <b>FY 2024</b>              |
| <b>Local Government</b>                    | <b>\$0</b>     | <b>\$0</b>     | <b>(Unknown) to Unknown</b> |

## **FISCAL ANALYSIS**

### **ASSUMPTION**

Officials from the **State Tax Commission (STC)** have reviewed this proposal and determined school districts and other local taxing jurisdictions (fire, cities, counties) in which the real and personal property of any public utility that utilizes Chapter 100 has tax situs (is located) would realize an unknown positive fiscal impact with the inclusion of the entire value of the Chapter 100 real and personal property held by a utility as part of their (local) tax base. School districts and other local taxing jurisdictions that may have miles of line within their district, but not the Chapter 100 assessment assets, would lose that valuation in their tax base. The fiscal impact would be unknown in both circumstances as it would be dependent on the number, size and scope of said Chapter 100 property.

The STC notes, in current law, property of electric companies (centrally assessed) are categorized as “local property” and “distributable property” for ad valorem purposes. The value of all distributable is apportioned to the local taxing districts according to the number of miles of line in the counties and districts. All taxing districts with miles of line in a county that a centrally assessed company serves, shares the ad valorem valuation of all distributable property. In contrast, the value of local property stays with the local taxing districts in which the property is located. Distributable property currently includes property used in the generation and distribution of electric power.

Officials from the **Office of Administration - Budget and Planning (B&P)** assume this provision may impact TSR. This provision may impact the calculation under Article X, Section 18(e).

This proposal would change how real and personal property of a public utility is taxed. Currently, public utilities are assessed by the State Tax Commission as distributable property. This provision would require that the public utility instead be assessed by a county assessor if the public utility uses public financing under Chapter 100.

Therefore, B&P estimates that this proposal may have an impact on the Blind Pension Trust Fund and local jurisdictions if the change from state assessment to local assessment changes the assessed value of a public utility and the distribution of property taxes owed.

Officials from the **Department of Commerce and Insurance, Office of the State Auditor** and the **Department of Revenue** each assume the proposal will have no fiscal impact on their respective organizations.

Upon further inquiry, the **Department of Commerce and Insurance** stated their response was related to the operations of the Public Service Commission only. It does not contemplate any impact to public utilities.

Officials from the **Boone County Assessor's Office** state Boone County has not used Chapter 100 financing for any projects of this nature. Counties who have financed projects of this nature would benefit financially.

Officials from the **City of Hale** and the **Metropolitan St. Louis Sewer District** each assume the proposal will have a fiscal impact on their respective organization.

Officials from the **City of Ballwin**, **City of Hughesville**, **City of O'Fallon**, **St. Louis Budget Division**, **Cass County PWSD #2**, **Hughesville Water & Wastewater**, **Lexington Water & Wasterwater**, **Little Blue Valley Sewer District**, **Macon County PWSD #1**, **Platte County PWSD #6**, **South River Drainage District**, **City of Springfield Utilities**, **St. Charles County PWSD #2**, **Stone County PWSD #1** and the **Wayne County PWSD #2** each assume the proposal will have no fiscal impact on their respective organizations.

**Oversight** assumes this proposal would change the way public utilities utilizing Chapter 100 financing are assessed. Currently, they are centrally assessed and distributable. This proposal would require these public utilities to be assessed at the local level and would no longer be distributable.

**Oversight** notes the Blind Pension Fund (0621) is calculated as an annual tax of three cents on each one hundred dollars valuation of taxable property  $((\text{Total Assessed Value}/100)^* .03)$ . **Oversight** assumes this proposal could have an unknown impact (positive or negative) on tax revenues to the Blind Pension Fund if the locally assessed values differ from the centrally assessed values.

**Oversight** assumes to reach a revenue impact of \$250,000 in the Blind Pension Fund would require a change in assessed value of approximately \$830 million. **Oversight** assumes it is unlikely the difference between the centrally assessed valuation and locally assessed valuation would differ to that degree. Therefore, **Oversight** assumes the impact on the Blind Pension Fund would be less than \$250,000.

**Oversight** assumes local taxing entities with tax situs would experience an unknown positive impact while local taxing entities with property that is no longer centrally assessed and distributable would experience an unknown negative impact.

Additionally, **Oversight** notes property tax revenues are generally designed to be revenue neutral from year to year. The tax levy is adjusted relative to the assessed value to produce roughly the same revenue from the prior year with an allowance for growth. Therefore, **Oversight** assumes this proposal could impact property tax levies.

**Oversight** assumes public utilities could experience an impact if the centrally assessed valuation and locally assessed valuation differ causing a change in the amount of property taxes owed. Oversight will show an unknown impact (positive or negative) for public utilities using Chapter 100 financing.

Although the effective date of this proposal, if passed, would be FY 2022 (August 2021), the next re-assessment cycle would not occur until calendar year 2023 with impacted revenues occurring in FY 2024 (December 2023).

| <u>FISCAL IMPACT – State Government</u>  | FY 2022<br>(10 Mo.) | FY 2023           | FY 2024                     |
|--|---------------------|-------------------|-----------------------------|
| <b>BLIND PENSION FUND (0621)</b>   |                     |                   |                             |
| <u>Revenue (Gain or Loss) - property owned by public utilities utilizing Chapter 100 financing is locally assessed</u> | <u>\$0</u>          | <u>\$0</u>        | (Unknown) to <u>Unknown</u> |
| <b>ESTIMATED NET EFFECT ON THE BLIND PENSION FUND</b>  | <u><b>\$0</b></u>   | <u><b>\$0</b></u> | (Unknown) to <u>Unknown</u> |

| <u>FISCAL IMPACT – Local Government</u>   | FY 2022<br>(10 Mo.) | FY 2023           | FY 2024                     |
|---|---------------------|-------------------|-----------------------------|
| <b>LOCAL POLITICAL SUBDIVISIONS</b>   |                     |                   |                             |
| <u>Cost or Savings - Public Utilities - from a change in the assessed valuation of property and subsequent property taxes due</u>               | <u>\$0</u>          | <u>\$0</u>        | (Unknown) to <u>Unknown</u> |
| <u>Revenue Gain - for taxing entities with tax situs for public utilities using Chapter 100 financing</u>                                       | <u>\$0</u>          | <u>\$0</u>        | Unknown                     |
| <u>Revenue (Loss) - for taxing entities with property owned by public utilities using Chapter 100 financing that is no longer distributable</u> | <u>\$0</u>          | <u>\$0</u>        | (Unknown)                   |
| <b>ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS</b>   | <u><b>\$0</b></u>   | <u><b>\$0</b></u> | (Unknown) to <u>Unknown</u> |

**FISCAL IMPACT – Small Business**

Oversight assumes there could be a fiscal impact to small businesses if tax rates are adjusted relative to changes in assessed value.

**FISCAL DESCRIPTION**

Beginning August 28, 2021, this act provides that any real and personal property of a public utility company that utilizes Chapter 100 financing for construction shall be assessed upon the local tax rolls.

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**

State Tax Commission

Office of Administration - Budget and Planning

Department of Commerce and Insurance

Department of Revenue

Office of the State Auditor

Boone County Assessor's Office

City of Ballwin

City of Hale

City of Hughesville

City of O'Fallon

City of St. Louis

Cass County PWSD #2

Hughesville Water & Wastewater

Lexington Water & Wasterwater

Little Blue Valley Sewer District

Macon County PWSD #1

Platte County PWSD #6

South River Drainage District

City of Springfield Utilities

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St. Charles County PWSD #2

Stone County PWSD #1

Wayne County PWSD #2



Julie Morff

Director

February 5, 2021



Ross Strope

Assistant Director

February 5, 2021