

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1161H.05C
 Bill No.: HCS for SB 275
 Subject: Utilities; Energy; Taxation and Revenue - General; Taxation and Revenue - Sales and Use; Public Service Commission; Department of Revenue
 Type: Original
 Date: May 2, 2023

Bill Summary: This proposal modifies provisions relating to utilities.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
General Revenue	(\$5,540,593 to \$29,678,193)	(\$6,648,711 to \$35,613,831)	(\$6,648,711 to \$35,613,831)
Total Estimated Net Effect on General Revenue	(\$5,540,593 to \$29,678,193)	(\$6,648,711 to \$35,613,831)	(\$6,648,711 to \$35,613,831)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Blind Pension Fund	\$0	(Unknown)	(Unknown)
School District Trust Fund (0688)	(\$1,846,864 to \$9,892,731)	(\$2,216,237 to \$11,871,277)	(\$2,216,237 to \$11,871,277)
Conservation Commission Fund (0609)	(\$230,858 to \$1,236,592)	(\$277,030 to \$1,483,910)	(\$277,030 to \$1,483,910)
Parks and Soils State Sales Tax Funds (0613 & 0614)	(\$184,687 to \$989,273)	(\$221,624 to \$1,187,128)	(\$221,624 to \$1,187,128)
Public Service Commission Fund (0607)	\$0 or (Up to \$453,970)	\$0 or (Up to \$532,485)	\$0 or (Up to \$541,576)
Total Estimated Net Effect on <u>Other</u> State Funds	(\$2,262,409 to \$12,572,566)	(\$2,714,891 to \$15,074,800)	(\$2,714,891 to \$15,083,891)

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Public Service Commission Fund (0607)	0 or Up to 5 FTE	0 or Up to 5 FTE	0 or Up to 5 FTE
Total Estimated Net Effect on FTE	0 or Up to 5 FTE	0 or Up to 5 FTE	0 or Up to 5 FTE

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

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Local Government	Could exceed (\$7,516,737 to \$40,263,415)	Could exceed (\$9,020,084 to \$48,316,098)	Could exceed (\$9,020,084 to \$48,316,098)

FISCAL ANALYSIS

ASSUMPTION

Section 67.288 Vehicle Charging Stations

In response to a similar proposal from this year (SB 233), officials from the **Office of Administration - Budget and Planning (B&P)** deferred to the local governments for the fiscal impact. The legislation has no impact on TSR or the 18e calculation. The 2023 version of this legislation still requires political subdivisions to pay the costs of installation and maintenance of electric vehicle charging stations at nonautomotive fueling station businesses and sets a five charging station limit on the number that a business can be required to install.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for B&P.

Oversight assumes this proposal would have no local fiscal impact without action taken by the governing body of the local political subdivision to adopt an ordinance, resolution, regulation, code or policy to enact this proposal. Until that action is taken by the local political subdivision, Oversight will assume a \$0 direct fiscal impact to local political subdivisions.

Section 67.2677 Video Services

In response to a similar proposal from last year (SB 1232), officials from the **City of Springfield** anticipated a possible negative fiscal impact of an indeterminate amount from this bill if a court case in pending litigation involving another city determines that streaming services are obligated to pay video service licensing fees, since this bill would revise the definition of "video service" to exclude businesses offering streaming content.

Oversight assumes this proposal may create a fiscal impact to local political subdivisions that collect the franchise entity fee in Section 67.2689, as that fee utilizes the "video service" definition, which is being amended by this bill. Oversight will reflect a \$0 to potential unknown revenue and potential unknown loss to local political subdivisions.

Section 137.077 Assessment of Solar Energy Property

Officials from the **Office of Administration - Budget and Planning (B&P)** note this proposal would change how solar energy property is assessed and taxed. This proposal could impact the Blind Pension Trust Fund if this proposal results in a change in the property tax liability on solar energy property. Therefore, this proposal may have an unknown impact to TSR and the Blind Pension Trust Fund.

Officials from the **State Tax Commission (STC)** assume the proposed SB has an unknown fiscal impact. Since the Missouri State Supreme Court ruling removing the property tax exemption for solar systems not for resale, solar systems will be assessed under current statute. This bill would grandfather in current solar systems with an assessment that is de minimis and a capped tax liability of \$500 per megawatt for the land and equipment. The amount would be less than assessing the property under current statute.

In response to a similar proposal from this year (SB 607), officials from the **Metropolitan St. Louis Sewer District** assume the proposed legislation will impact MSD to the extent it changes the tax revenue they are able to collect.

In response to a similar proposal from this year (SB 607), officials from the **Lexington Water/Wastewater** and the **Morgan County PWS** each assume this proposal would have a negative fiscal impact on their respective districts of an indeterminate amount.

In response to a similar proposal from this year (SB 607), officials from the **City of Kansas City** assume this legislation could have a negative fiscal impact on Kansas City in an indeterminate amount.

Oversight notes some taxing entities have tax rate ceilings that are at their statutory or voter approved maximum or are at a fixed rate. For these taxing entities, any decrease in the assessed values would not be offset by a higher tax rate (relative to current law), rather it would result in an actual loss of revenue.

Based on information provided by the Office of the State Auditor, **Oversight** notes, in 2020, there were over 2,500 tax entities with 4,000 different tax rates. Of those entities, 2,980 tax rate ceilings were below the entities' statutory or voter approved maximum tax rate and 1,098 tax rate ceilings were at the entities' statutory or voter approved maximum rate. (These numbers do not include entities, which use a multi-rate method and calculate a separate tax rate for each subclass of property.)

Oversight notes this proposal would change the assessment method for all real and tangible personal property associated with a project that uses solar energy directly to generate electricity. Oversight assumes this provision could reduce the assessed value of solar energy properties relative to current law. Oversight doesn't have enough information to estimate a fiscal impact to the Blind Pension Fund or to local political subdivisions from these changes. Therefore, Oversight will show an unknown loss in property tax revenue beginning in FY 2025.

Section 137.122 Classification of Property

Officials from the **Office of Administration - Budget and Planning (B&P)** note Section 137.122 would apply the depreciation schedule for tangible personal property to all stationary property, regardless of when placed into service, used for the transportation or storage of liquid and gaseous products (except petroleum products, propane, or LP gas equipment). B&P notes

that such property would remain classified as "real property" and thus the assessment percentage applied will not change. This change will begin for tax year 2024; therefore any potential impact to revenues would not occur until December 2024 (FY25).

If this provision impacts the assessed value of stationary property used for the transportation or storage of liquid and gaseous products (except petroleum products, propane, or LP gas equipment), then this proposal may impact the Blind Pension Trust Fund as well as local property tax funds. Therefore, B&P estimates that this proposal may impact TSR and the Blind Pension Trust Fund, beginning in FY25.

Officials from the **State Tax Commission** state 137.122.7 language retains stationary property used for transportation or storage of liquid and gaseous products, including petroleum products, natural gas, water and sewage as real property but applies the depreciation schedule from 137.122. This will have a minimal fiscal impact on counties, cities, school districts who rely on property taxes as revenue. The act requires information relating to original cost for the purposes of assessing the lines be provided to the assessor. This will not have a fiscal impact on the State Tax commission.

In response to a similar proposal from this year (SB 533), officials from the **City of Kansas City** and the **City of Springfield** each assume this proposal would have a negative fiscal impact on their respective cities of an indeterminate amount.

In response to a similar proposal from this year (SB 533), officials from the **Boone County Assessor's Office** state Boone County taxpayers would have to bear the burden of \$2.2 million in tax revenue annually as a result of this proposal. That \$2.2 million revenue shift would result in a tax reduction for two of the largest utility companies in Boone County and the State of Missouri. This bill would give huge tax breaks for these companies, while at the same time they are constantly before the Public Service Commission asking for rate increases. Once granted, these rate increases put an additional burden of taxpayers of Boone County and the State of Missouri.

In response to a similar proposal from this year (SB 533), officials from the **Cape Girardeau County Assessor's Office** state in Cape Girardeau County alone, the loss of tax revenue from this bill is estimated to be in excess of \$1,000,000 per year. The total fiscal impact to the State of Missouri's local taxing subdistricts could be hundreds of millions of dollars.

In response to a similar proposal from this year (SB 533), officials from the **Lincoln County Assessor's Office** assume this proposal would result in a major tax revenue loss from classification change from real to personal property - taxing entities may have to raise tax rates to offset assessed value loss due to the class change.

In response to a similar proposal from this year (SB 533), officials from the **Metropolitan St. Louis Sewer District (MSD)** note the proposed legislation will impact MSD to the extent it changes the tax revenue they are able to collect.

In response to a similar proposal from this year (SB 533), officials from the **Lexington Water/Wastewater District, Morgan County Pwsd #2, and Wayne County Pwsd #2** each indicated the proposal would have a fiscal impact on their respective districts but did not provide any additional information.

Oversight assumes this proposal reclassifies certain property from real property to tangible personal property that is now subject to a depreciation schedule. Oversight assumes this proposal could lower assessed values and subsequently, tax revenues.

However, **Oversight** notes local property tax revenues are 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. However, some taxing entities have tax rate ceilings that are at their statutory or voter approved maximum. For these taxing entities, any decrease in the assessed values would not be offset by a higher tax rate (relative to current law) rather it would result in a loss of revenue.

Oversight assumes this proposal could result in lower assessed values and subsequent tax revenues; therefore, Oversight will show an unknown negative impact to the Blind Pension Fund and local political subdivisions.

Oversight assumes this proposal would be applied as of January 1, 2024, with impacted revenues occurring in FY 2025 (December 2024).

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.

Section 144.058 Utilities Sales Tax Exemption

Officials from the **Office of Administration - Budget and Planning (B&P)** note this proposal exempts from state and local sales and use tax various inputs to the utilities industry. These exemptions include the utilities, chemicals, machinery, equipment, supplies, parts and materials used by that industry.

B&P assumes that the broad terms “parts and materials” exempt most inputs to production for the utilities.

DOR reports taxable sales in 2021 from various electrical utility related industries as shown below.

Method 1 - Lower Bound Estimates

Tax Type	SIC	NAICS	Description	CY 2019	Percent
Use	491, 493	221111	HYDROELECTRIC POWER GENERATION	\$67,433,811	100%
Use	491, 493	221112	FOSSIL FUEL ELECTRIC POWER GENERATION	\$0	100%
Use	491, 493	221113	Nuclear Electric Power Generation	\$0	100%
Use	491, 493	221114	Solar Electric Power Generation	\$0	100%
Use	491, 493	221115	Wind Electric Power Generation	\$0	100%
Use	491, 493	221116	Geothermal Electric Power Generation	\$0	100%
Use	491, 493	221117	Biomass Electric Power Generation	\$0	100%
Use	491, 493	221118	Other Electric Power Generation	\$0	100%
Use	491, 493	221121	ELECTRIC BULK POWER TRANSMISSION AND CONTROL	\$18,092,714	100%
Use	491, 493	221122	ELECTRIC POWER DISTRIBUTION	\$54,022,755	100%
Use	493	221210	NATURAL GAS DISTRIBUTION	\$24,047,495	100%
Sales	364	332216	Saw Blade and Handtool Manufacturing	\$0	100%
Sales	369	333318	Other Commercial and Service Industry Machinery Manufacturing	\$0	60%
Sales	369	333992	Welding and Soldering Equipment Manufacturing	\$37,408	60%
Sales	364	335110	Electric Lamp Bulb and Part Manufacturing	\$0	100%
Sales	364	335121	Residential Electric Lighting Fixture Manufacturing	\$1,125,045	100%
Sales	364	335122	Commercial, Industrial, and Institutional Electric Lighting Fixture Manufacturing	\$0	100%
Sales	364, 369	335129	Other Lighting Equipment Manufacturing	\$0	60%
Sales	361	335311	Power, Distribution, and Specialty Transformer Manufacturing	\$12,884,552	100%

Sales	362	335312	Motor and Generator Manufacturing	\$2,362,762	100%
Sales	361	335313	Switchgear and Switchboard Apparatus Manufacturing	\$0	100%
Sales	362	335314	RELAY AND INDUSTRIAL CONTROL MANUFACTURING	\$123,528	100%
Sales	364	335931	Current-Carrying Wiring Device Manufacturing	\$1,999,974	100%
Sales	364	335932	Noncurrent-Carrying Wiring Device Manufacturing	\$0	100%
Sales	362	335991	Carbon and Graphite Product Manufacturing	\$0	100%
Sales	362, 369	335999	All Other Miscellaneous Electrical Equipment and Component Manufacturing	\$39,493,650	100%
Total Exempt Sales				\$221,623,693	

Based on this information, B&P estimates that this proposal could reduce TSR by \$9,363,602 (\$221,623,693 x 4.225%) and GR by \$6,648,711 (\$221,623,693 x 3.0%) annually. B&P notes, however, that this method of estimation likely does not capture all the taxable sales that would become exempt under this proposal, and that this impact reflects the bottom of the range for the decrease in revenue.

In order to determine an upper-bound estimate for the reduction to state revenues, B&P utilized the US BEA Input-Output Use Tables¹. According to the Input-Output Use Tables, inputs from commodities that might qualify under these exemptions are roughly 25.0% of the total output of the “utilities” industry. In addition, DOR reports that taxable sales of electric related utilities in 2021 were about \$4,745,325,173. This suggests that this proposal might exempt \$1,187,127,714 in taxable sales from taxation.

Method 2 - Upper Bound Estimate

SIC	NAICS	Description	CY 2019
491, 493	221111	HYDROELECTRIC POWER GENERATION	\$1,906,978,672
491, 493	221112	FOSSIL FUEL ELECTRIC POWER GENERATION	\$44,542,910
491, 493	221113	Nuclear Electric Power Generation	\$0
491, 493	221114	Solar Electric Power Generation	\$0

¹ http://www.bea.gov/industry/io_annual.htm

491, 493	221115	Wind Electric Power Generation	\$0
491, 493	221116	Geothermal Electric Power Generation	\$0
491, 493	221117	Biomass Electric Power Generation	\$0
491, 493	221118	Other Electric Power Generation	\$0
491, 493	221121	ELECTRIC BULK POWER TRANSMISSION AND CONTROL	\$29,154,298
491, 493	221122	ELECTRIC POWER DISTRIBUTION	\$2,296,158,628
492, 493	221210	NATURAL GAS DISTRIBUTION	\$468,490,665
492	486210	PIPELINE TRANSPORTATION OF NATURAL GAS	\$0
Total Sales			\$4,745,325,173
BEA Input / Output Adjustment			25.0%
Total Exempt Sales			\$1,187,127,714

B&P estimates that this could reduce TSR by \$50,156,146 ($\$1,187,127,714 \times 4.225\%$) and GR by \$35,613,831 ($\$1,187,127,714 \times 3.0\%$) annually. B&P notes, however, that this method may overestimate the true reduction to state revenues by including items that would not become tax exempt under this proposal.

Therefore, using both the taxable sales reports provided by DOR and the US BEA Input-Output Use Tables, B&P estimates that this proposal could reduce TSR by \$9,363,602 to \$50,156,146 annually and GR by \$6,648,711 to \$35,613,831 once fully implemented in FY25. This proposal may also reduce local sales tax collections by \$9,020,084 to \$48,316,098 annually.

Table 3: Estimated Impact by Fund

Fund	FY 2024		FY 2025+	
	Low	High	Low	High
GR	(\$5,540,593)	(\$29,678,193)	(\$6,648,711)	(\$35,613,831)
Education	(\$1,846,864)	(\$9,892,731)	(\$2,216,237)	(\$11,871,277)
Conservation	(\$230,858)	(\$1,236,592)	(\$277,030)	(\$1,483,910)
DNR	(\$184,687)	(\$989,273)	(\$221,624)	(\$1,187,128)
TSR Impact	(\$7,803,002)	(\$41,796,789)	(\$9,363,602)	(\$50,156,146)
Local Loss	(\$7,516,737)	(\$40,263,415)	(\$9,020,084)	(\$48,316,098)

Officials from the **Department of Revenue (DOR)** note this proposal creates an exemption for electrical energy and gas, water, coal, and energy sources, chemicals, machinery, equipment, parts and materials used and consumed in the generation, transmission, distribution, sale, or furnishing of electricity for light, heat, or power to customers. It is assumed that “parts and materials” would exempt most of the inputs to production of the utilities. This legislation also exempts the local sales tax.

The Current Sales and Use tax rate is 4.225%
 General Revenue is 3%
 School District Trust Fund is 1%
 Conservation Commission Fund is .125%
 Parks, Soil & Water Funds .1%

The Department uses a local weighted average to calculate the local sales tax of 4.07%.

Using information from the DOR’s taxable sales and use tax database the following amount of sales and use tax was collected in CY 2021 (the most recent complete year of data).

Method 1 - Lower Bound Estimates

Tax Type	SIC	NAICS	Description	CY 2021	Percent
Use	491, 493	221111	HYDROELECTRIC POWER GENERATION	\$67,433,811	100%
Use	491, 493	221112	FOSSIL FUEL ELECTRIC POWER GENERATION	\$0	100%
Use	491, 493	221113	Nuclear Electric Power Generation	\$0	100%
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Use	491, 493	221116	Geothermal Electric Power Generation	\$0	100%
Use	491, 493	221117	Biomass Electric Power Generation	\$0	100%
Use	491, 493	221118	Other Electric Power Generation	\$0	100%
Use	491, 493	221121	ELECTRIC BULK POWER TRANSMISSION AND CONTROL	\$18,092,714	100%
Use	491, 493	221122	ELECTRIC POWER DISTRIBUTION	\$54,022,755	100%
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Sales	364	332216	Saw Blade and Handtool Manufacturing	\$0	100%
Sales	369	333318	Other Commercial and Service Industry Machinery Manufacturing	\$0	60%
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Sales	364	335110	Electric Lamp Bulb and Part Manufacturing	\$0	100%
Sales	364	335121	Residential Electric Lighting Fixture Manufacturing	\$1,125,045	100%
Sales	364	335122	Commercial, Industrial, and Institutional Electric Lighting Fixture Manufacturing	\$0	100%
Sales	364, 369	335129	Other Lighting Equipment Manufacturing	\$0	60%
Sales	361	335311	Power, Distribution, and Specialty Transformer Manufacturing	\$12,884,552	100%
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Sales	361	335313	Switchgear and Switchboard Apparatus Manufacturing	\$0	100%
Sales	362	335314	RELAY AND INDUSTRIAL CONTROL MANUFACTURING	\$123,528	100%
Sales	364	335931	Current-Carrying Wiring Device Manufacturing	\$1,999,974	100%
Sales	364	335932	Noncurrent-Carrying Wiring Device Manufacturing	\$0	100%
Sales	362	335991	Carbon and Graphite Product Manufacturing	\$0	100%
Sales	362, 369	335999	All Other Miscellaneous Electrical Equipment and Component Manufacturing	\$39,493,650	100%
Total Exempt Sales				\$221,623,693	

This would result in a loss to total state revenue of \$9,363,602. The Department notes that this method of estimation may not capture all the taxable sales that could become exempt under this proposal. DOR notes this may be the lower range of projected loss.

In order to calculate an upper range, the Department utilized the US BEA Input-Output Use Tables. According to the Input-Output Use Tables, inputs from commodities that might qualify under these exemptions are roughly 25.0% of the total output of the “utilities” industry. The

Department's report indicate that taxable sales of electric related utilities in 2021 were about \$4,745,325,173. This suggests that this proposal might exempt \$1,187,127,714 in taxable sales from taxation.

Method 2 - Upper Bound Estimate

SIC	NAICS	Description	CY 2019
491, 493	221111	HYDROELECTRIC POWER GENERATION	\$1,906,978,672
491, 493	221112	FOSSIL FUEL ELECTRIC POWER GENERATION	\$44,542,910
491, 493	221113	Nuclear Electric Power Generation	\$0
491, 493	221114	Solar Electric Power Generation	\$0
491, 493	221115	Wind Electric Power Generation	\$0
491, 493	221116	Geothermal Electric Power Generation	\$0
491, 493	221117	Biomass Electric Power Generation	\$0
491, 493	221118	Other Electric Power Generation	\$0
491, 493	221121	ELECTRIC BULK POWER TRANSMISSION AND CONTROL	\$29,154,298
491, 493	221122	ELECTRIC POWER DISTRIBUTION	\$2,296,158,628
492, 493	221210	NATURAL GAS DISTRIBUTION	\$468,490,665
492	486210	PIPELINE TRANSPORTATION OF NATURAL GAS	\$0
Total Sales			\$4,745,325,173
BEA Input / Output Adjustment			25.0%
Total Exempt Sales			\$1,187,127,714

Using this method it could reduce total state revenue by \$50,156,146 (\$1,187,127,714 x 4.225%). The Department notes this method could be overestimating the impact. Therefore, DOR will show the impact as a range between the estimates.

Fund	FY 2024		FY 2025+	
	Low	High	Low	High
GR	(\$5,540,593)	(\$29,678,193)	(\$6,648,711)	(\$35,613,831)
Education	(\$1,846,864)	(\$9,892,731)	(\$2,216,237)	(\$11,871,277)
Conservation	(\$230,858)	(\$1,236,592)	(\$277,030)	(\$1,483,910)
DNR	(\$184,687)	(\$989,273)	(\$221,624)	(\$1,187,128)
TSR Impact	(\$7,803,002)	(\$41,796,789)	(\$9,363,602)	(\$50,156,146)
Locals (4.07%)	(\$7,516,737)	(\$40,263,415)	(\$9,020,084)	(\$48,316,098)

This proposal will require updates to their tax computer system and website. These changes are estimated at \$7,193.

Oversight assumes the Department of Revenue is provided with core funding to handle a certain amount of activity each year. Oversight assumes DOR could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, DOR could request funding through the appropriation process.

In response to a similar proposal from this year (Perfect SB 275), officials from the **Department of Natural Resources** deferred to the **Department of Revenue** for the potential fiscal impact of this proposal.

Oversight notes the Park, Soil, and Water Sales Tax funds are derived from the one-tenth of one percent sales and use tax pursuant to Article IV Section 47 (a) thus DNR’s sales taxes are constitutional mandates. Oversight notes this proposed sales tax exemption would reduce the amount of amount of sales tax revenue distributed to the Park, Soil, and Water Sales Tax funds. Therefore, Oversight will reflect the B&P’s and DOR’s fiscal impact estimates for DNR’s funds.

In response to a similar proposal from this year (Perfect SB 275), officials from the **Missouri Department of Conservation (MDC)** assumed this proposal would have an unknown fiscal impact. MDC notes the Conservation Sales Tax funds are derived from one-eighth of one percent sales and use tax pursuant to Article IV Section 43 (a) of the Missouri Constitution. The Department defers to the Department of Revenue as it is responsible for tax collection and would be better able to estimate the anticipated fiscal impact that would result from this proposal.

Oversight notes this proposed sales tax exemption would reduce the amount of sales tax revenue distributed to the Conservation Sales Tax funds. Therefore, Oversight will reflect the B&P’s and DOR’s fiscal impact estimates for MDC’s funds.

In response to a similar proposal from this year (Perfected SB 275), officials from the **City of Kansas City** estimated this proposal will have a negative fiscal impact to the City of Kansas City of approximately \$12 million or more annually.

In response to a similar proposal from this year (Perfected SB 275), officials from the **City of Springfield** assumed this proposal would have a negative fiscal impact on their city of an indeterminate amount.

Oversight notes the above local political subdivisions stated this proposal would have a negative fiscal impact on their respective cities. Oversight assumes this proposed sales tax exemption would reduce the amount of sales tax revenue to local political subdivisions. Therefore, Oversight will note B&P and DOR's estimates for all local political subdivisions on the fiscal note.

Sections 204.300 & 204.610 Reorganized Common Sewer Districts

In response to similar legislation from 2022, HCS for HB 1918, officials from the **City of St. Louis** assumed the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these sections for the City of St. Louis.

Oversight assumes this proposal is permissive in nature and would have no local fiscal impact without action or decisions by the governing body of the count. Therefore, Oversight will reflect no direct fiscal impact for these sections of this proposal.

Section 393.320 Large Public Water Utilities

In response to a similar proposal from this year (SCS for SB 567), officials from the **Department of Commerce and Insurance – Public Service Commission (PSC)** assumed this version of the proposal will only allow six months for the Public Service Commission to make a decision on the application submitted by the public utility company. Currently, depending on the level of detail and the size of the acquisition, it can take nine to twelve months, or longer in some cases, to make a decision. This does not include the potential of having to go to hearing.

PSC assumed this legislation would require an additional 5 FTE to process the applications in a six month time frame.

Oversight does not have any information to the contrary. Oversight assumes the PSC could absorb some of the costs related to this proposal as this is a procedure the PSC already has in place, or there may not be many large water public utility companies that acquire smaller companies; therefore, Oversight will reflect the FTE cost as **\$0 or Up To 5 FTE** to the Public

Service Commission Fund. Also, this version of the proposal allows the PSC to request an additional 90 days (after the 6 months) for good cause.

In response to a similar proposal from this year (SCS for SB 567), officials from the **Morgan County PWS**D assumed this proposal will have a fiscal impact on their water district.

Oversight assumes this proposal modifies the definition of a “large water public utility” to include any public utility that regularly provides water service, sewer service or a combination of either to more than 8,000 customer connections and also specifies that a large water public utility may file with the PSC for a water and sewer infrastructure rate adjustment.

According to the PSC “FY 2022 Water/Sewer Companies Regulated by the Missouri Public Service Commission Report”, this legislation would currently allow 2 additional combination water and sewer companies (Confluence Rivers Utility Operating Co. and Liberty Utilities) to be defined as a “large water public utility”. Oversight assumes these newly defined companies could file for a water and sewer infrastructure rate adjustment which could increase utility cost to local political subdivisions.

Oversight will reflect a range from \$0 (no utility will increase rates) to an unknown cost to local political subdivisions for higher utility costs.

Section 393.1030 Renewable Energy Standard

In response to a similar proposal from this year (SCS for SB 374), officials from the **Department of Commerce and Insurance - Public Service Commission (PSC)** stated this proposal may require a rulemaking by the PSC in order to implement the provisions. Rulemakings generally result in an estimated cost of up to approximately \$4,700.

PSC is funded by an assessment on Commission-regulated public utilities pursuant to Section 386.370, RSMo, and not by any state general appropriations. Depending on the cumulative effect of all PSC-impacting legislation passed in the current session and the associated increased costs associated with that legislation to the PSC, the PSC may need to request an increase in their appropriation authority and/or FTE allocation as appropriate through the budget process.

Oversight assumes PSC could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, PSC could request funding through the assessment process. Therefore, Oversight will reflect a zero impact in the fiscal note On the PSC for this section of the proposal.

Responses regarding the proposed legislation as a whole

Officials from the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

Officials from the **Office of the Secretary of State (SOS)** note many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$5,000. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with its core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

The **Office of Administration - Facilities Management, Design and Construction (FMDC)** assumes that there would be a fiscal impact to the State's utility costs. However, without more information FMDC is unable to calculate the impact this would have on its utility costs; \$0 to Unknown impact

Officials from the **Department of Economic Development, the Missouri Department of Transportation, the Missouri Department of Agriculture, the Branson Police Department, and the St. Louis County Police Department** each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

<u>FISCAL IMPACT – State Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
GENERAL REVENUE FUND			
<u>Revenue Reduction - §144.058 - Sales/Use Tax exemption for production of electricity p. (9, 13)</u>	<u>(\$5,540,593 to \$29,678,193)</u>	<u>(\$6,648,711 to \$35,613,831)</u>	<u>(\$6,648,711 to \$35,613,831)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$5,540,593 to \$29,678,193)</u>	<u>(\$6,648,711 to \$35,613,831)</u>	<u>(\$6,648,711 to \$35,613,831)</u>
BLIND PENSION FUND			
<u>Revenue Loss –§137.077 - change in assessment method for real or personal property associated with a solar energy project p. (3)</u>	\$0	(Unknown)	(Unknown)

<u>Revenue Loss</u> - §137.122 -loss of tax revenue from real property now assessed as personal property and subject to a depreciation schedule p. (6)	\$0	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON THE BLIND PENSION FUND	\$0	(Unknown)	(Unknown)
SCHOOL DISTRICT TRUST FUND (0688)			
<u>Revenue Reduction</u> - §144.058 - Sales/Use Tax exemption for production of electricity p. (10,13)	(\$1,846,864 to \$9,892,731)	(\$2,216,237 to \$11,871,277)	(\$2,216,237 to \$11,871,277)
ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND	(\$1,846,864 to \$9,892,731)	(\$2,216,237 to \$11,871,277)	(\$2,216,237 to \$11,871,277)
CONSERVATION COMMISSION FUND (0609)			
<u>Revenue Reduction</u> - §144.058 - Sales/Use Tax exemption for production of electricity p. (10,13)	(\$230,858 to \$1,236,592)	(\$277,030 to \$1,483,910)	(\$277,030 to \$1,483,910)
ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND	(\$230,858 to \$1,236,592)	(\$277,030 to \$1,483,910)	(\$277,030 to \$1,483,910)
PARKS AND SOILS STATE SALES TAX FUNDS (0613 & 0614)			

<u>Revenue Reduction</u> - §144.058 - Sales/Use Tax exemption for production of electricity p. (10,13)	<u>(\$184,687 to \$989,273)</u>	<u>(\$221,624 to \$1,187,128)</u>	<u>(\$221,624 to \$1,187,128)</u>
ESTIMATED NET EFFECT ON PARKS AND SOILS STATE SALES TAX FUNDS	<u>(\$184,687 to \$989,273)</u>	<u>(\$221,624 to \$1,187,128)</u>	<u>(\$221,624 to \$1,187,128)</u>
PUBLIC SERVICE COMMISSION FUND (0607)			
<u>Cost</u> – PSC §393.3.20.5 p. (14)	\$0 or Up to....	\$0 or Up to....	\$0 or Up to....
Personal Service	(\$254,771)	(\$311,840)	(\$318,076)
Fringe Benefits	(\$160,251)	(\$194,589)	(\$196,922)
Equipment and Expense	(\$38,948)	\$20,056	(\$26,577)
<u>Total Cost</u> – PSC	<u>(\$453,970)</u>	<u>(\$532,485)</u>	<u>(\$541,576)</u>
FTE Change – PSC	0 or Up to 5 FTE	0 or Up to 5 FTE	0 or Up to 5 FTE
ESTIMATED NET EFFECT TO THE PUBLIC SERVICE COMMISSION FUND (0607)	<u>\$0 or (Up to \$453,970)</u>	<u>\$0 or (Up to \$532,485)</u>	<u>\$0 or (Up to \$541,576)</u>
Estimated Net FTE Change to the Public Service Commission Fund	0 or Up to 5 FTE	0 or Up to 5 FTE	0 or Up to 5 FTE

<u>FISCAL IMPACT</u> – Local Government	FY 2024 (10 Mo.)	FY 2025	FY 2026
LOCAL POLITICAL SUBDIVISIONS			
<u>Revenue/Loss</u> – §67.2677 - Potential Video Service Provider Fees change	\$0 or (Unknown) to Unknown	\$0 or (Unknown) to Unknown	\$0 or (Unknown) to Unknown

from definition change to “video service” p. (3)			
<u>Revenue Reduction</u> –§137.077 - change in assessment method for real or personal property associated with a solar energy project p. (3)	\$0	(Unknown)	(Unknown)
<u>Revenue Reduction</u> - §137.122 -loss of tax revenue from real property now assessed as personal property and subject to a depreciation schedule p. (6)	\$0	(Unknown)	(Unknown)
<u>Revenue Reduction</u> - §144.058 - Sales/Use Tax exemption for production of electricity p. (10,13)	(\$7,516,737 to \$40,263,415)	(\$9,020,084 to \$48,316,098)	(\$9,020,084 to \$48,316,098)
<u>Cost</u> - §393.3.20.5 - Local Governments Potential increase in electric utility costs p, (15)	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>Could exceed (\$7,516,737 to \$40,263,415)</u>	<u>Could exceed (\$9,020,084 to \$48,316,098)</u>	<u>Could exceed (\$9,020,084 to \$48,316,098)</u>

FISCAL IMPACT – Small Business

Certain utility companies could be impacted by this proposal.

FISCAL DESCRIPTION

This act modifies provisions relating to utilities.

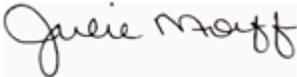
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration - Budget and Planning
 Department of Revenue

L.R. No. 1161H.05C
Bill No. HCS for SB 275
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May 2, 2023

Department of Economic Development
State Tax Commission
Department of Natural Resources
Missouri Department of Conservation
Department of Commerce and Insurance – Public Service Commission
Missouri Department of Agriculture
Office of the Secretary of State
Joint Committee on Administrative Rules
City of Springfield
City of St Louis
Metropolitan St. Louis Sewer District
Lexington Water/Wastewater
Morgan County PWS
City of Kansas City
Boone County Assessor
Cape Girardeau County Assessor
Lincoln County Assessor



Julie Morff
Director
May 2, 2023



Ross Strobe
Assistant Director
May 2, 2023