

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2111H.04C
Bill No.: HCS for HB 1295
Subject: Department of Natural Resources; Water Resources and Water Districts
Type: Original
Date: March 17, 2025

Bill Summary: This proposal creates provisions relating to water exportation outside the state.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
General Revenue*	(\$696,974)	(\$208,614)	(\$212,155)
Total Estimated Net Effect on General Revenue	(\$696,974)	(\$208,614)	(\$212,155)

*Oversight notes the costs include development costs for a tracking system and 2 FTE for the Department of Natural Resources for water exportation permits.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
General Revenue	2 FTE	2 FTE	2 FTE
Total Estimated Net Effect on FTE	2 FTE	2 FTE	2 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 2026	FY 2027	FY 2028
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Section 640.406 – Water Preservation

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

Sections 640.406.3 to 640.406.13, 640.406.15 - This legislation proposes to create a permitting program under the authority of the Soil and Water District commission. To estimate the fiscal impact of the proposal the department has assumed that 10 new permits would be issued each year through the process outlined in the proposal.

The permitting technical work in preparation of a recommendation from the department to the commission would be conducted by the Water Resources Center (WRC) in the Missouri Geological Survey (MGS). This allows the department to have existing WRC managers supervise these permitting, technical, and data management activities.

The WRC program would require 1.0 FTE to conduct the permitting technical work, which includes conducting analysis of current and future uses to be impacted, drafting conditions and provisions where necessary to prohibit impact to current and future uses as applicable, drafting the recommended decision, and drafting the statement of basis for the decision. Additional duties would also include technical work associated with any major water user export permit reevaluation request filed with the department.

Further, to implement the legislation by informing permitting decisions, reporting quarterly to the commission, tracking water reporting of annual withdrawal from exempt water exporters, and evaluate the state's water resources beneficial uses; a database/permit submission/major water user re-evaluation request tracking system will need to be built and maintained by the state. This would include initial development costs of around \$500,000 and an MGS-WRC data manager/technical expert at 1.0 FTE to track and manage data related to all facets of water use in MO and to evaluate necessary export permit decisions because of a drought emergency. This data management work would consolidate and display existing water data usage information from other sources such as major water users and public drinking water as well as create new data categories for other beneficial uses.

This will facilitate better understanding and analysis of the data to be used during the initial permitting and 3-year renewal process as well as quarterly reports to the commission. The processing of the permitting decision administratively includes public notice of draft permits, entering data, processing letters, and facilitating approvals of department management.

Notification of reporting requirements to exempt exporters and permitting notifications to the county commission are additional administrative duties to be conducted. The additional

administrative work required by this proposed legislation would include commission admin support, meeting scheduling, travel logistics, expense processing for commissioners, and other administrative duties which will be absorb in the Soil and Water Conservation Program's current administrative support for the commission with assistance from the WRC administrative support. DNR is anticipating 2 additional meetings will be needed to accommodate the reviews of the permits to adhere to the timeline specified. These expenses are estimated at \$3,000.

DNR notes the following:

1. The public cost estimates are in current year dollars.

2. Projection Assumptions:

- To estimate the fiscal impact of the proposal the department has assumed that 10 new permits would be issued each year through the process outlined in the proposal.
- FY 26 reflected as earliest potential effective date of rule
- Amount realistically reflects planned expenditures (ie, entry-level salary range):
- \$57,768 annually reflects salary for Environmental Program Analyst role.
- Salary adjusted to reflect 10 months (*10/12) in accordance with an effective date of August 28.
- When calculating salaries, an inflationary factor of 1.0% is applied to the 2nd and 3rd fiscal years.

3. Rulemaking has the potential to result in additional economic impacts that are unknown at this time.

4. Anticipated duties of the Environmental Program Analyst include: developing and reviewing administrative rules; improving permit processing efficiency, timely issuance of permits, and maintaining the accuracy and quality of permit related data in state and federal systems used to track permitting actions, generate reports, and monitor state and federal performance metrics and goals; coordinate and participate in public meetings, including present information to and gather feedback from stakeholders, permittees, and the general public on matters relating to water exportation permits and applicable state regulations; coordinate with internal units, sections, programs, and regional offices of the Department as well as external private, state, and federal agencies

Oversight does not have any information to the contrary. Therefore, Oversight will reflect the estimated impact by DNR in the fiscal note.

In response to the previous version, officials from the **Office of Attorney General (AGO)** assumed any potential litigation costs arising from this proposal can be absorbed with existing resources. However, the AGO may seek additional appropriations if the proposal results in a significant increase in litigation or investigation.

Oversight does not have any information to the contrary. Therefore, Oversight assumes the AGO will be able to perform any additional duties required by this proposal with current staff and resources and will reflect no fiscal impact to the AGO for fiscal note purposes.

Officials from the **Office of the Governor**, the **Missouri Department of Agriculture**, the **Missouri House of Representatives**, and the **Missouri Senate** 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.

In response to the previous version, officials from the **Missouri Department of Conservation** assumed the proposal will have no fiscal impact on their organization.

Officials from the **South River Drainage District**, the **Osceola Water/Wastewater**, the **Wayne County Public Water Supply District #2**, and the **Metropolitan St. Louis Sewer District** 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.

Officials from the **City of Kansas City** assume the legislation has no fiscal impact as long as the city is not required to build any infrastructure to export water. The city recommends that any infrastructure costs to export water should be the responsibility of the permit holder. The city also has an emergency inter-connect agreement with BPU in Kansas where the city can supply them with water, and vice versa, in times of extreme shortage. The city is still concerned that the bill would require BPU, or any Kansas entity that may wish to export water from the city in emergency cases, to have to apply for a permit.

In response to the previous version, officials from the **Morgan County Public Water Supply District #2**, and the **City of O'Fallon** both assume 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 agencies.

In response similar legislation, SB 29 (2025), officials from the **St. Charles County Public Water Supply District #2** assumed the proposal will have no fiscal impact on their organization.

Oversight only reflects the responses received from state agencies and political subdivisions; however, other water supply districts and local political subdivisions were requested to respond to this proposed legislation but did not. A listing of political subdivisions included in the Missouri Legislative Information System (MOLIS) database is available upon request.

<u>FISCAL IMPACT – State Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
GENERAL REVENUE FUND			
<u>Costs – DNR §640.406 – p. 3-4</u>			
Personnel Service	(\$96,280)	(\$117,847)	(\$120,204)
Fringe Benefits	(\$64,909)	(\$78,817)	(\$79,762)
Expense & Equipment	(\$35,785)	(\$11,950)	(\$12,189)
<u>Total Costs - DNR</u>	<u>(\$196,974)</u>	<u>(\$208,614)</u>	<u>(\$212,155)</u>
FTE Change	2 FTE	2 FTE	2 FTE
<u>Cost – DNR/ITSD – initial development costs §640.406 – p. 3</u>	<u>(\$500,000)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>(\$696,974)</u>	<u>(\$208,614)</u>	<u>(\$212,155)</u>
Estimated Net FTE Change on the General Revenue Fund	2 FTE	2 FTE	2 FTE

<u>FISCAL IMPACT – Local Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
	<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 bill prohibits any person from exporting water resources outside the State unless the person holds a water exportation permit issued by the Department of Natural Resources, subject to certain specified exemptions.

The Director of the Department must review each water exportation permit application and all supporting documents to ensure the required conditions have been met prior to accepting a water exportation application for public comment and review by the Missouri Water Resources Commission. In the event of a conflict between water uses outside the State and the needs of the State, the Director and the Commission must prioritize the needs of the State.

Within 180 days after receipt of a complete application, the Director must determine whether the applicant complied with the requirements for a permit. After making such a determination, the Director must hold a 30-day public comment period regarding the determination. Within 60 days after the comment period, the Director must recommend approval or denial of the permit and submit the recommendation and public comments to the Commission. The Commission must make the final decision as to the approval or denial of the permit, as specified in the bill.

To renew a water exportation permit, an applicant must file a renewal application with the Department, as required in the bill. The process for reviewing the renewal application is described in the act. In the absence of an appeal, the decision of the Commission must be final.

A water export permit shall be in effect for three years from the date of issuance. The permit holder will annually report the water use volumes and withdrawal rates to the Department. The water exportation permit application must include all water exportation requested by the applicant. An applicant can include multiple water withdrawals for export from various locations within one water exportation permit application.

A major water user can request the Department to reevaluate any existing water exportation permit using the criteria specified in the bill. The Department must create a mechanism for a major water user to submit a request for reevaluation of the permit.

A person is not precluded from bringing any claim to defend the person's water rights. A permit will not serve as a defense to any claim brought against a water permit holder for the infringement of water rights.

If the Attorney General receives a complaint for violations of the provisions of the bill, or at the request of the Department, the Attorney General can bring a civil action. Suit can be brought in any county where the defendant's principal place of business is located or where the withdrawal of water occurred.

Whenever a state of emergency is declared by the Governor in any part of the State based on drought conditions, the Department must re-evaluate any existing water exportation permit.

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 Natural Resources
Missouri Department of Agriculture
Missouri Department of Conservation
Office of the Governor
Missouri House of Representatives
Missouri Senate

L.R. No. 2111H.04C
Bill No. HCS for HB 1295
Page 8 of 8
March 17, 2025

Attorney General's Office
City of Kansas City
City of O'Fallon
Metropolitan St. Louis Sewer District
Osceola Water/Wastewater
South River Drainage District
St. Charles County Public Water Supply District #2
Wayne County Public Water Supply District #2
Morgan County Public Water Supply District #2



Julie Morff
Director
March 17, 2025



Jessica Harris
Assistant Director
March 17, 2025