

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2983H.01I
Bill No.: HB 1461
Subject: Department of Natural Resources; Corporations; Property, Real and Personal
Type: Original
Date: March 20, 2025

Bill Summary: This proposal creates a revolving loan program to assist Homeowners' Associations with erosion control.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
General Revenue*	Could Exceed (\$303,863)	Could Exceed (\$322,459)	Could Exceed (\$327,961)
Total Estimated Net Effect on General Revenue	Could Exceed (\$303,863)	Could Exceed (\$322,459)	Could Exceed (\$327,961)

* Oversight notes the Department of Natural Resources requires 3 FTE to administer the new program. The new Soil Erosion Control Fund is subject to appropriation.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Soil Erosion Control Fund*	Unknown	Unknown	Unknown
Total Estimated Net Effect on <u>Other</u> State Funds	Unknown	Unknown	Unknown

***Oversight** notes the Department of Natural Resources is authorized to collect interest on loans, not to exceed three and a half percent (3.5%). Any earned interest on the fund would be an unknown positive impact total state revenues.

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	3 FTE	3 FTE	3 FTE
Total Estimated Net Effect on FTE	3 FTE	3 FTE	3 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 640.900 – Soil Erosion Control Fund

Officials from **Department of Natural Resources (DNR)** state the legislation is creating a new revolving loan fund to assist homeowner's associations with Erosion Control. This will be a new program that will need to be created and managed.

There will be costs involved in the team member time of setting up and implementing a new program and all processes and documents necessary to run the funding program. It's estimated 3 FTE will be needed to administer the new funding program.

One (1) Associate Engineer at \$67,656

One (1) Environmental Program Analyst at \$57,768

One (1) Accountant at \$57,768

The legislation also creates a new revolving loan fund with an interest rate and as loan and interest costs are repaid, revenues will be increased.

The program does not currently have the existing budget authority to absorb the cost and number of the additional FTE, nor the existing budget/appropriation authority for the proposed revolving loan fund.

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

Officials from the **Office of Administration - Budget and Planning** state that Section 640.900 creates the Soil Erosion Control Fund which would consist of any funds appropriated from the general assembly, any gifts, grants, or requests from federal or private sources, and loan repayments from eligible homeowners' associations. After an initial cash infusion into the fund from an appropriation by the general assembly or from gifts, grants, or bequests, the fund would be used as a revolving loan program to support erosion reduction projects in neighborhoods and communities that would qualify. The Department of Natural Resources is authorized to collect interest on grants loans, not to exceed three and a half percent (3.5%). Any funds from federal or private sources and any earned interest on the fund would positively impact total state revenues.

Officials from the **Office of Attorney General (AGO)** assume 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 **Department of Commerce and Insurance**, the **Missouri Department of Agriculture**, the **Missouri Department of Conservation**, the **Office of the State Treasurer**, and the **Office of Administration** 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**, the **Metropolitan St. Louis Sewer District - 7B Sewer**, the **South River Drainage District - 7D Levee**, the **St. Charles County PWS #2 - 7A Water**, and the **Wayne County PWS #2** 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.

Oversight only reflects the responses received from state agencies and political subdivisions; however, other local agencies 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.

Rule Promulgation

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.

<u>FISCAL IMPACT – State Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
GENERAL REVENUE FUND			
<u>Cost – DNR - §640.900</u>			
Personal Service	(\$152,660)	(\$186,856)	(\$190,593)
Fringe Benefits	(\$100,666)	(\$122,268)	(\$123,766)
Equipment and Expense	(\$50,537)	(\$13,335)	(\$13,602)
Total Cost – OPC	(\$303,863)	(\$322,459)	(\$327,961)
FTE Change – OPC	3 FTE	3 FTE	3 FTE
<u>Transfer Out – Appropriation to the Soil Erosion Control Fund</u>	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	Could Exceed <u>(\$303,863)</u>	Could Exceed <u>(\$322,459)</u>	Could Exceed <u>(\$327,961)</u>
Estimated Net FTE Change to the General Revenue Fund	3 FTE	3 FTE	3 FTE
SOIL EROSION CONTROL FUND			
<u>Transfer In – From General Revenue §640.900.5</u>	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
<u>Revenue Gain – From gifts, grants, & bequests from federal or private source §640.900.1</u>	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
<u>Revenue Gain – repayment of loan moneys from eligible homeowners' associations §640.900.1</u>	Unknown	Unknown	Unknown
<u>Revenue Gain – Interest paid on loans granted to qualified homeowners' associations (not to exceed 3.50%) §640.900.5(1)</u>	Unknown	Unknown	Unknown

<u>FISCAL IMPACT – State Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
<u>Cost – Distribution of loans to qualified homeowners' associations for erosion protection of natural waterways §640.900.2</u>	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>
ESTIMATED NET EFFECT TO THE SOIL EROSION CONTROL FUND	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>

<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 creates the "Soil Erosion Control Fund", which is to be used to better equip neighborhoods and communities to reduce sedimentation and erosion of creeks, streams, and waterways and to protect ecological integrity and environmental services provided by natural drainage channels that run in close proximity to residential areas. The bill specifies the types of projects that are eligible for the program.

To be eligible for a loan under this section, a homeowners' association must be incorporated as a nonprofit organization under Missouri law. The Department of Natural Resources must promulgate rules and regulations to govern the distribution of moneys from the fund. The distribution must also meet the following conditions:

- (1) The interest amount on loans may not exceed 3.5%;
- (2) The loan amount may not exceed 80% of the total cost of a project in a single fiscal year; and
- (3) A homeowners' association must pass an assessment to the homeowners before qualifying for a loan as specified in the bill.

The Department must establish an application form for homeowners' associations to apply for loans that must, at a minimum, require homeowners' associations to certify their compliance with the requirements specified in the bill and provide any other information the Department deems necessary for its decision to award funds.

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 Commerce and Insurance
Office of Administration - Budget and Planning
Department of Natural Resources
Missouri Department of Agriculture
Missouri Department of Conservation
Office of Administration
Office of the Secretary of State
Joint Committee on Administrative Rules
Office of the State Treasurer
City of Kansas City
Metropolitan St. Louis Sewer District - 7B Sewer
South River Drainage District - 7D Levee
St. Charles County PWSD #2 - 7A Water
Wayne County PWSD #2



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March 20, 2025



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