

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4625H.011
 Bill No.: HB 1734
 Subject: Department of Natural Resources; Corporations; Property, Real and Personal
 Type: Original
 Date: February 20, 2026

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 2027 | FY 2028 | FY 2029 |
|--|-------------------------------------|-------------------------------------|-------------------------------------|
| General Revenue* | Could Exceed (\$337,989) | Could Exceed (\$396,242) | Could Exceed (\$404,167) |
| Total Estimated Net Effect on General Revenue | Could Exceed (\$337,989) | Could Exceed (\$396,242) | Could Exceed (\$404,167) |

*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 2027 | FY 2028 | FY 2029 |
|---|----------------|----------------|----------------|
| 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 the federal funds rate or two percent (2.0%), whichever is greater. Any interest earned on the fund would have an unknown positive impact on total state revenues.

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS

| FUND AFFECTED | FY 2027 | FY 2028 | FY 2029 |
|---|------------|------------|------------|
| | | | |
| | | | |
| Total Estimated Net Effect on <u>All</u> Federal Funds | \$0 | \$0 | \$0 |

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)

| FUND AFFECTED | FY 2027 | FY 2028 | FY 2029 |
|--|--------------|--------------|--------------|
| 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 2027 | FY 2028 | FY 2029 |
|-------------------------|------------|------------|------------|
| | | | |
| Local Government | \$0 | \$0 | \$0 |

FISCAL ANALYSIS

ASSUMPTION

§640.900 – Soil Erosion Control Fund

Officials from the **Department of Natural Resources (DNR)** stated that the proposed legislation is creating a new revolving loan fund to assist homeowner's associations with Erosion Control. There will be costs involved in the staff 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) Assistant Engineer at \$86,4346
One (1) Environmental Program Analyst at \$73,788
One (1) Accountant at \$73,788

Revenue into the newly created Homeowner's Association Erosion Control Revolving Loan Fund is unknown. The fund is anticipated to grow interest which will increase the monies in the fund. While the fund may carry a balance, the fund is set-up to be revolving so any revenues received will eventually be used for new loans.

The program does not currently have the existing budget authority to absorb the cost 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.

In response to similar legislation, HCS for HB 1461 (2025), officials from the **Office of Administration - Budget and Planning (B&P)** stated 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 bequests 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 the federal funds rate or two percent (2%), whichever is greater. Any funds from federal or private sources and any earned interest on the fund would positively impact total state revenues.

Oversight notes the proposal states "the interest amount on loans granted under this section shall not exceed the federal funds rate or two percent, whichever is greater;"

Officials from the **Office of Attorney General (AGO)** assume any potential litigation costs arising from this proposal can be absorbed with existing resources. The AGO may seek additional appropriations if the proposal results in a significant increase in litigation or investigation costs.

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 **Missouri Department of Agriculture, Missouri Department of Conservation, Office of Administration, Office of the State Treasurer** 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, City of O'Fallon, Little Blue River Sewer District – 7B Sewer, Metropolitan St. Louis Sewer District - 7B Sewer, South River Drainage District - 7D Levee, St. Charles County PWS #2 - 7A Water, and 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 that we have received from state agencies and political subdivisions; however, other cities and utilities were requested to respond to this proposed legislation but did not. Upon the receiving additional responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval to publish a new fiscal note. A general listing of political subdivisions included in our 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 2027 (10 Mo.) | FY 2028 | FY 2029 |
|---|--|--|--|
| GENERAL REVENUE | | | |
| <u>Cost – DNR (\$640.900) p.3</u> | | | |
| Personal Service | (\$195,008) | (\$238,690) | (\$243,464) |
| Fringe Benefits | (\$117,434) | (\$143,739) | (\$146,614) |
| Equipment and Expense | (\$25,547) | (\$13,813) | (\$14,089) |
| <u>Total Cost – DNR</u> | <u>(\$337,989)</u> | <u>(\$396,242)</u> | <u>(\$404,167)</u> |
| FTE Change – DNR | 3 FTE | 3 FTE | 3 FTE |
| <u>Transfer Out – Appropriation to the Soil Erosion Control Fund</u> | \$0 or (Unknown) | \$0 or (Unknown) | \$0 or (Unknown) |
| ESTIMATED NET EFFECT TO GENERAL REVENUE | Could Exceed (<u>\$337,989</u>) | Could Exceed (<u>\$396,242</u>) | Could Exceed (<u>\$404,167</u>) |
| Estimated Net FTE Change to General Revenue | 3 FTE | 3 FTE | 3 FTE |
| SOIL EROSION CONTROL FUND | | | |
| <u>Transfer In – (\$640.900.5) From General Revenue p.3</u> | \$0 or Unknown | \$0 or Unknown | \$0 or Unknown |
| <u>Revenue Gain – (\$640.900.1) From gifts, grants, & bequests from federal or private source p.3</u> | \$0 or Unknown | \$0 or Unknown | \$0 or Unknown |
| Revenue Gain – (\$640.900.1) Repayment of loan moneys from eligible homeowners' associations p.3 | Unknown | Unknown | Unknown |
| Revenue Gain – (\$640.900.5(1)) Interest paid on loans granted to qualified homeowners' associations (not to exceed Fed Funds Rate or 2.0%, whichever is greater) p.3 | Unknown | Unknown | Unknown |

| <u>FISCAL IMPACT – State Government</u> | FY 2027 (10 Mo.) | FY 2028 | FY 2029 |
|---|----------------------------|----------------------------|----------------------------|
| <u>Cost</u> – (\$640.900.2) Distribution of loans to qualified homeowners’ associations for erosion protection of natural waterways p.3 | \$0 or <u>(Unknown)</u> | \$0 or <u>(Unknown)</u> | \$0 or <u>(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 2027 (10 Mo.) | FY 2028 | FY 2029 |
|---|---------------------|-------------------|-------------------|
| | | | |
| | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| | | | |

FISCAL IMPACT – Small Business

No direct fiscal impact on 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 the Federal funds rate, or 2%, whichever is greater;
- (2) The loan amount may not exceed 80% of the total cost of a project in a single fiscal year;
- (3) The repayment schedule may not exceed 10 years; and

(4) 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 Natural Resources
Joint Committee on Administrative Rules
Missouri Department of Agriculture
Missouri Department of Conservation
Office of Administration
Office of the State Treasurer
Office of Administration
- Budget and Planning
Office of the Secretary of State
City of Kansas City
City of O'Fallon
Little Blue River Sewer District – 7B Sewer
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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