

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 7108H.011  
 Bill No.: HB 3362  
 Subject: Utilities; Science and Technology; Water Resources and Water Districts; Energy  
 Type: Original  
 Date: March 30, 2026

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Bill Summary: This proposal creates new provisions for industrial utility users.

**FISCAL SUMMARY**

**ESTIMATED NET EFFECT ON GENERAL REVENUE FUND**

FUND AFFECTED	FY 2027	FY 2028	FY 2029
General Revenue*	Could Exceed (\$1,207,292)	Could exceed (\$1,416,045)	Could exceed (\$1,444,365)
<b>Total Estimated Net Effect on General Revenue</b>	<b>Could Exceed (\$1,207,292)</b>	<b>Could exceed (\$1,416,045)</b>	<b>Could exceed (\$1,444,365)</b>

\*Oversight notes the estimated impact to DNR from 4 FTE, one-time unknown cost for ITSD development, and ongoing hydrologic monitoring network costs.

**ESTIMATED NET EFFECT ON OTHER STATE FUNDS**

FUND AFFECTED	FY 2027	FY 2028	FY 2029
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: () indicate costs or losses.

**ESTIMATED NET EFFECT ON FEDERAL FUNDS**

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

**ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)**

FUND AFFECTED	FY 2027	FY 2028	FY 2029
General Revenue (DNR)	4 FTE	4 FTE	4 FTE
<b>Total Estimated Net Effect on FTE</b>	<b>4 FTE</b>	<b>4 FTE</b>	<b>4 FTE</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 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
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Attorney General's Office** did not respond to **Oversight's** request for fiscal impact for this proposal.

### §§91.015, 91.016, 247.222, 393.403, 393.1780, 394.080, and 640.640 - Use of Resources by Industrial Users

Officials from the **Department of Natural Resources (DNR)** state that this legislation proposes to create a major industrial water user permitting program under the authority of the Missouri Department of Natural Resources and the fiscal impact to the Missouri Geological Survey (MGS) is anticipated to be the result of Section 640.640.1 through 640.640.11.

To estimate the fiscal impact of the proposal the department has assumed that 20 new permits would be issued each year through the process outlined in the proposal. This estimate was developed based on available major water user data, recent inquiries on entities who may fall within these criteria, and non-public, high-yield wells information. These estimates assume approximately 200 total applicants and assume that not all applications would be received in the same year.

Known types of major industrial water users who would likely meet these thresholds for reporting would include power generators, beverage manufacturing companies, chemical manufacturing companies, and data centers. Please note this list of types of entities is not exhaustive.

The permitting technical work involved in the preparation of a decision is assumed to be completed by Water Resources Center (WRC) staff in the Missouri Geological Survey (MGS).

This allows the department to have existing WRC managers supervise these permitting, technical, and data management activities.

This scope of work is similar in nature to the Water Preservation Act permitting program, and MGS will align these similar tasks within the organizational structure to capitalize on similar program needs and resources, as applicable.

The WRC would require 1.0 FTE (Environmental Analyst) to conduct the permitting technical work, which includes conducting an analysis of current and future uses to be impacted, drafting conditions and provisions where necessary to prevent 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 industrial water user permit reevaluation request filed with the department.

Further, to implement the legislation by informing permitting decisions, tracking water reporting of annual withdrawal by major industrial water users, and evaluate beneficial uses of the state's water resources, 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 \$0 to unknown potentially significant for ITSD (one time) and an MGS-WRC data manager/technical expert at 1.0 FTE (Environmental Analyst) to track and manage data related to all facets of water use in Missouri and to evaluate necessary major industrial water user permit decisions during 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 consumptive and non-consumptive uses. This will facilitate better understanding and analysis of the data to be used during the initial permitting and subsequent renewal processes. The processing of the permitting decision administratively includes public notice of draft permits, entering data, processing letters, and facilitating approvals by department management. The notification to county commissions is an additional administrative duty.

Given that the proposed legislation relating to major industrial water users requires re-evaluation of major industrial water user permits when a state of emergency is declared for drought conditions, it is imperative that Missouri's monitoring networks provide sufficient objective data to inform these emergency declarations. \$1,000,000 (ongoing) and 2.0 FTE (Environmental Analysts) are proposed annually to provide for expansion and continued maintenance of these hydrologic networks. These estimates are based on WRC experience in installing and maintaining these networks.

The state has established a framework for hydrologic data, but as we have observed during the recent, multi-year drought and flooding events, data gaps exist in many (if not all) of the hydrological datasets. Missouri has significantly fewer soil moisture monitoring locations than many of our neighboring states. The data gaps in Missouri's network have likely led to instances where the objective data is not available to allow for informed decision-making at the local level in various areas of the state, resulting in underestimated drought designations. Ongoing funding is required to provide for expansion and continued maintenance of the Missouri soil moisture network (or networks): the Missouri stream gage network, which is supplementary to and more cost-effective than the USGS stream gage network; and the groundwater level observation well network, including pump tests. These data will be critical for understanding groundwater and surface water conditions during drought as well as under normal conditions and to monitor the water supply and potential quantitative impacts to a water supply from a major industrial water user. The FTE would provide for two team members to continue to maintain and expand our existing networks, in accordance with the buildout plans developed utilizing American Rescue Plan Act funding. The funding would provide for the purchase of supplies to maintain and expand the hydrologic monitoring systems, as well as for contracting with third parties such as drillers for pump testing, well drilling, etc.

Regarding Section 640.640.3(2) or "The volume and withdrawal rates requested by the applicant shall not exceed eighty percent of the capacity of the water resource"

MGS scope of work required to evaluate the provision that the volume and withdrawal rates requested by the applicant shall not exceed eighty percent of the capacity of the water resource requires an additional level of effort beyond the estimated 4 FTE, \$0 to Unknown potentially significant one-time database development cost, and \$1,000,000 ongoing monitoring network expansion, maintenance, and pump testing costs.

Surface water “water resource,” such as a lake, would require a relatively current bathymetric survey and yield analysis to calculate estimated system capacity. Additionally, stream gages may be required to estimate inflows and net drawdown in real time.

A river “water resource” would require a stream gage or stream gages upstream and downstream the point of intake to estimate effects on river flows in real time.

An aquifer “water resource” would, at minimum, require pump testing to estimate aquifer capacity. The driller’s logs for the well(s) would also be required to understand aquifer characteristics. If geologic information is not available within the area of interest, then additional drilling may be required. Additionally, equipment such as a submersible pressure transducer, data logger, and transmitter may be required to estimate real time aquifer response.

These requirements could be costly in certain scenarios, and the plain language of the statute is recommended to state whether these determinations of “the volume and withdrawal rates requested by the applicant shall not exceed eighty percent of the capacity of the water resource” is to be established by the applicant or by the Department.

If the Department is responsible for making this determination, estimates of costs to do so would vary widely based on the circumstances of the water source and the number of applicants per year, and the annual cost required is unknown at this time.

The Department anticipates a fiscal impact to implement the proposed legislation as follows:

- 4 FTE at the Environmental Analyst level
- \$0 to unknown, potentially significant ITSD development cost (one time)
- \$1,000,000 hydrologic monitoring network costs (stream gage, soil moisture, and groundwater level observation well networks including pump testing necessary to characterize hydrologic conditions) for expansion and maintenance (ongoing)
- Unknown costs related to estimating “system” capacity

**Oversight** does not have information to the contrary and therefore, Oversight will reflect the estimates as provided by the Department of Natural Resources.

Officials from the **Department of Commerce and Insurance, Office of the State Courts Administrator, Metropolitan St. Louis Sewer District - 7B Sewer, South River Drainage District - 7D Levee, and Wayne County PWSD #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 utilities, electric companies and co-ops were requested to respond to this proposed legislation but did not. Upon the receipt of 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.

<u>FISCAL IMPACT – State Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
<b>GENERAL REVENUE</b>			
Cost - DNR (§640.640) - One-time ITSD development p.5	(Unknown)	\$0	\$0
Cost - DNR (§640.640) - Hydrologic monitoring network costs p.5	Could exceed (\$833,333)	Could exceed (\$1,020,000)	Could exceed (\$1,040,400)
Cost – DNR (§640.640) p.5			
Personnel Service	(\$192,560)	(\$235,693)	(\$240,407)
Fringe Benefits	(\$115,960)	(\$141,935)	(\$144,773)
Expense & Equipment	(\$65,439)	(\$18,417)	(\$18,785)
<b>Total Cost – DNR</b>	<b>(\$373,959)</b>	<b>(\$396,045)</b>	<b>(\$403,965)</b>
FTE Change - DNR	4 FTE	4 FTE	4 FTE
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b>Could Exceed (\$1,207,292)</b>	<b>Could exceed (\$1,416,045)</b>	<b>Could exceed (\$1,444,365)</b>
Estimated Net FTE Change to General Revenue	4 FTE	4 FTE	4 FTE

<u>FISCAL IMPACT – Local Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
	\$0	\$0	\$0

FISCAL IMPACT – Small Business

No direct fiscal impact on small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This bill requires municipally owned electric utilities and electric cooperatives to develop a service tariff schedule applicable to customers projected to have an annual peak demand of 50 megawatts or more that ensures customers' rates reasonably reflect the representative share of the costs incurred to serve the customers and prevent other customer classes' rates from reflecting unjust or unreasonable costs arising from service to such customers.

Municipally owned water utilities, public water supply districts, and water corporations must develop a service tariff schedule applicable to customers projected to exceed 2,000,000 gallons per day or 80% of the available capacity for that system per day that ensures customers' rates reasonably reflect the representative share of the costs incurred to serve the customers and prevent other customer classes' rates from reflecting unjust or unreasonable costs arising from service to such customers. A water corporation must submit contracts for service to customers projected to exceed 2,000,000 gallons per day or 80% of the available capacity for that system per day for approval by the Public Service Commission.

All electric providers must establish a load-shedding plan with large-load customers, as defined in the bill, for the protection or restoration of system operations that prioritize continuation of service for critical facilities and residential services.

The bill also specifies that it is unlawful for any person to withdraw and use more than 2 million gallons of water per day on average in a single month unless the person holds a major industrial water user permit issued by the Department of Natural Resources, is a public water system, or the water is used for agricultural purposes.

The Director of the Department must review each major industrial water user permit application to ensure certain conditions specified in the bill have been met prior to approving a major industrial water user permit application. When a person applies for a permit or permit renewal, the Department must send a written notice to the county commission of the county where the water resource is located within 30 business days after receiving the permit application. Within 120 days after the receipt of a complete application, the Director must determine whether the applicant complied with the application requirements and hold a 30-day public comment period regarding the director's determination. Within 60 days after the comment period, the Director must approve or deny the permit. To renew a valid permit, an applicant must file a renewal application with the Department no later than 271 days before the expiration of the existing permit.

The Director may impose additional conditions to address any substantial or material change or may deny a renewal application as necessary to comply with the permit requirements based on any such substantial or material changes. If the Director is in the process of reviewing the renewal application before the final decision is made and the existing applicant's permit expires, the applicant is able to operate under the terms of the expired permit until a final decision is made by the Director.

In the absence of an appeal, the decision of the Director shall be final.

A permit is effective for five years from the date of issuance. The permit holder must annually report certain information to the Department that will be made available on the Department's website.

Any other major water user may request the Department to reevaluate any existing major industrial water user permit through a mechanism created by the department. The Department must notify the major water user with the Director's findings within 120 days of the request for reevaluation.

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 must bring an injunctive action or other appropriate action. A suit can be brought in Cole County or any county where the defendant's principal place of business is located or where the withdrawal of water occurred. Any member of the commission deemed to have violated the provisions of the bill must forfeit his or her office upon such findings of a violation.

Whenever a state of emergency is declared by the Governor in any part of the State based on drought conditions, the Department must reevaluate any existing 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 Commerce and Insurance  
Department of Natural Resources  
Office of the State Courts Administrator  
Metropolitan St. Louis Sewer District - 7B Sewer  
South River Drainage District - 7D Levee  
Wayne County PWSD #2



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March 30, 2026



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