

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4505H.04C
 Bill No.: HCS for SB 953
 Subject: Department of Natural Resources; Water Resources and Water Districts
 Type: Original
 Date: April 28, 2026

Bill Summary: This proposal modifies standards for the Clean Water Commission, creates new provisions for water regulation and provides for expenditure of moneys in certain funds by the Department of Natural Resources.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND

FUND AFFECTED	FY 2027	FY 2028	FY 2029
General Revenue	\$0	More or Less than (\$4,224,349)	More or Less than (\$4,224,349)
Total Estimated Net Effect on General Revenue	\$0	More or Less than (\$4,224,349)	More or Less than (\$4,224,349)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Air Pollution Fee Fund Subaccount (1594)	\$0	More or Less than \$3,148,149	More or Less than \$3,148,149
Missouri Air Emission Reduction Fund (1267)	\$0	\$0 or More or Less than \$1,076,200	\$0 or More or Less than \$1,076,200
Natural Resources Protection -Water Pollution Permit Fee Subaccount Fund (1568)	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
Total Estimated Net Effect on <u>Other</u> State Funds	\$0 or Unknown	More or Less than \$4,224,349	More or Less than \$4,224,349

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
Total Estimated Net Effect on FTE	0	0	0

- 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

§§640.220 & 643.350 – Department of Natural Resources Funds

Officials from the **Department of Natural Resources (DNR)** state that the bill text at 640.220.2. adds new language that would prevent unexpended funds from the Natural Resources Protection Fund to be reverted to the general revenue fund of the state beginning July 1, 2027. Currently, any unexpended funds in the subaccounts of the Natural Resources Protection Fund are reverted to general revenue by the amount that exceed the preceding biennium's collections. This provision for reverting unexpended funds from the Natural Resources Protection Fund into the general revenue fund has not been triggered in the last ten (10) years for any of the air pollution control program subaccounts. However, it is unknown what impact the bill language may have in future years. In the event the bill language would prevent funds in the air program subaccounts of the Natural Resources Protection Fund from reverting to the general revenue fund in the future, it would not impact total state revenue, but it would result in a decrease in general revenue and an increase in funding for the air program subaccounts of the Natural Resources Protection Fund. Therefore, the fiscal impact to the department as a result of this provision in the bill is \$0 to unknown.

The bill text at 640.220.3 adds new language that would redirect five percent of the sales and use tax derived from the electric power sector (NAICS code 221122) from the state's general revenue fund to the air pollution permit fees subaccount of the natural resources protection fund. During the five-year period from FY21 – FY25, the average annual value equal to five percent of these sales and use taxes is \$3,148,149. While this language would not affect total state revenue, it is expected that each year starting in FY 2028, Department Funding for the Air Pollution Control Program, specifically the air pollution permit fees subaccount, would increase by this amount, and the state's general revenue fund would decrease by this amount because of the bill. This amount will vary each year and may increase over time depending on the actual sales and use tax collected from the electric power sector (NAICS code 221122).

The bill text at 643.350.4. removes existing statutory language. The removal of the language would prevent fees collected for the Missouri Air Emission Reduction Fund for the department's Gateway Vehicle Inspection Program (GVIP) from being redirected to the general revenue fund of the state beginning July 1, 2027. Currently, all fees collected through this program between January 1st thru June 30th may be redirected to the general revenue fund if in the immediately preceding fiscal year, the state's net general revenue did not increase by two percent or more. Due to the condition in the current statute for redirecting funds from GVIP fees to general revenue (i.e. general revenue does not increase by two percent or more from the previous year), the GVIP fees are not redirected to general revenue every year. Since 2010, this condition has been met several times, where GVIP funds from January through June were redirected to general revenue. In two of the more recent years in which this happened (2020 and 2021), the average funding amount redirected from GVIP fees to general revenue was \$1,076,200 per year. It is

unknown in which future years that general revenue will not increase by two percent or more and thus trigger the authority for the state treasurer to redirect GVIP fees to general revenue from January through June based on the current statutory text, but with this bill language, the funds would not be redirected to general revenue in any year starting July 1, 2027, even if this condition is met. Therefore, the Department is estimating a range in fiscal impact from \$0 - \$1,076,200 each year starting in fiscal year 2028 due to this provision in the bill. The fiscal impact range does not impact total state revenue, but any positive amount would increase Department revenue and decrease general revenue by the amount that is not redirected.

Fiscal Impact Summary:

640.220.2

FY 27: No impact

FY 28 and beyond: \$0 to unknown increase to Air Pollution Permit Fee Fund Subaccount (Fund 1594) and corresponding decrease of \$0 to unknown to General Revenue.

640.220.3

FY 27: No impact

FY 28 and beyond: The annual impact is estimated at approximately \$3,148,149 decrease in General Revenue and a corresponding increase of approximately \$3,148,149 to the Air Pollution Permit Fee Fund Subaccount (Fund 1594). Amount is based on a 5-year average of the annual sales and use taxes collected from the power sector.

643.350.4

FY 27 No impact

FY 28 and beyond: \$0 - \$1,076,200 increase each year starting in fiscal year 2027 to the Missouri Air Emission Reduction Fund (Fund 1267) with a corresponding decrease of \$0 - \$1,076,200 to General Revenue

Total

FY 27: No impact

FY 28 and beyond: \$3,148,149 - \$4,224,349 increase for Department with corresponding decrease of \$3,148,149 - \$4,224,349 for General Revenue.

Oversight does not have information to the contrary and therefore, Oversight will reflect the estimates as provided by DNR as more or less than in the fiscal note.

Oversight notes there was a balance of \$32,364,098 in the Natural Resources Protection Fund (1568) as of March 31, 2026.

Oversight notes there was a balance of \$2,241,207 in the Air Pollution Permit Fee Fund Subaccount (1594) as of March 31, 2026.

Oversight notes that there was a balance of \$1,910,872 in the Missouri Air Emission Reduction Subaccount (1267) as of March 31, 2026.

Officials from the **Department of Revenue (DOR)** state that currently the Department of Natural Resources (DNR) receives funding that is placed in subaccounts. These subaccounts are set up to periodically revert any remaining revenue to general revenue. Section 640.220.2 of this proposal would be starting July 1, 2027, allow the subaccounts to keep their revenue and not be subject to the sweep of funds. DOR defers to the DNR for the impact on the subaccounts.

Section 640.220.3 starting July 1, 2027, and each year thereafter would require that the Commissioner of the Office of Administration determine the amount of general revenue received from the state sales and use tax for electric power distribution from companies registered under the NAIC code 221122. Five percent of this funding is to be transferred to the air pollution permit fee subaccount annually.

The NAIC code 221122 are the companies that engage in either (1) operating electric power distribution systems or (2) operate as electric power brokers or agents that arrange the sale of electricity. DOR notes that as of August 28, 2024, electricity distribution is exempt from sales and use tax. However, this bill requires that companies registered with the NAIC code 221122 have their tax subject to this proposal.

Given that electricity distribution became exempt from sales tax in August 2024, DOR does not have enough information to determine how much of the funds listed under NAIC code are for electric distribution and how much is from other things these companies do. The NAIC code 221122 may have sales tax from other NAIC codes listed in it, as companies only use one code to register with DOR for sales tax. DOR cannot predict how many companies previously registered under NAIC code 221122 would change their registered NAIC code to account for other work they do. Nor can DOR account for the number of locations that the companies own that exclusively do electric power generation and can be removed from their locations list for sales tax reporting. Therefore, DOR is unable to predict how much may actually be transferred per this proposal.

DOR records show that several companies are registered using the NAIC code of 221122. In FY 2024 they submitted taxable sales equal to \$1,972,576,941. The department assumes some of this funding may be available to transfer. The general revenue portion of the state sales tax 3%. That would result in state sales tax for general revenue of \$59,177,308. This proposal would allow up to 5% of that amount to be transferred to these subaccounts. This proposal could result in up to \$2,958,865 being transferred.

DOR assumes this proposal would require DOR to still deposit the sales tax money the department receives into general revenue per current procedures and then the Commissioner of Administration would move it. Therefore, this will not fiscally impact DOR.

The DOR further states that §654.350 modifies the distribution of an emission inspection fee. DOR is not impacted by this provision.

Officials from the **Office of Administration - Budget and Planning (B&P)** state the following:
Section 640.220 – Power Distribution Sales Tax Transfer

Beginning FY28, this section would require OA to determine how much GR sales tax was collected in the prior calendar year from NAICS code 221122 (electric power distribution). The Treasurer shall then transfer 5% of the amount collected to the Air Pollution Permit Fees fund. Monies in the fund will no longer revert to GR at the end of the biennium and monies shall only be used to operate the air pollution control program.

B&P notes that in FY25, taxable sales attributable to NAICS 221122 were \$2,210,219,165. This indicates that about \$66,306,575 ($\$2,210,219,165 \times 3\%$) in GR sales tax was collected. Therefore, B&P estimates that approximately \$3,315,329 ($\$66,306,575 \times 5\%$) could be transferred from GR to the Air Pollution Permit Fee fund annually, starting with FY28.

Section 643.350.4 - Inspection fee — contractor to remit portion, deposit in Missouri air emission reduction fund, use of, balance not to lapse — moneys may be deposited into general revenue fund, when — supplementation of funds.

DNR reported that six redirections of funds have occurred between FY 2010 and FY 2024, averaging \$1,012,490. An FY 2025 redirection should have been \$1,041,734 but did not happen and will be transferred to GR in FY 27. Another redirection is expected for FY 2026 of approximately \$1.05M. DNR reported that the Missouri Air Emission Reduction Fund (1267) will become insolvent with the latest two redirections at this level.

§644.021 - The Clean Water Commission of the State of Missouri

Officials from the **Department of Natural Resource (DNR)** states that the proposed deletion from §644.021 only removes a redundancy; and the proposed addition simply requires the Clean Water Commission to establish procedures for conflicts of interest, which wouldn't have a fiscal impact.

In response to similar legislation, HB 1885 (2026), officials from the **Office of the Governor** assumed that the proposal would have no fiscal impact on their organization.

Oversight notes that the above-mentioned agencies have stated the proposal would not have a direct fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note.

§§644.051 & 644.059 – Clean Water Permitting

Officials from the **Department of Natural Resources (DNR)** assume the proposal will have no fiscal impact on their organization.

Oversight notes that the above-mentioned agency has stated that the proposal would not have a direct fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note.

§§644.057 and 644.083 - Modifying and Creating New Provisions Relating to Water Regulation.

Officials from the **Office of Administration - Budget and Planning (B&P)** state that §644.057 removes language prohibiting the Clean Water Commission from adopting a fee greater than \$5,000. This may increase TSR to the extent that the fee is increased.

In response to similar legislation, SB 1397 (2026), officials from the **Department of Natural Resources (DNR)** assume the proposal will have no fiscal impact on their respective organization.

Oversight assumes proposal repeals a provision stating that the Clean Water Commission shall not adopt or recommend a clean water fee exceeding \$5,000. Therefore, Oversight will show a \$0 (no increase in the fee schedule) or an Unknown positive fiscal impact to the Natural Resources Protection -Water Pollution Permit Fee Subaccount (1568) that could exceed the \$250,000 threshold.

Oversight notes that the Natural Resources Protection -Water Pollution Permit Fee subaccount (1568) has a balance of \$32,364,098 as of March 31, 2026.

Responses regarding the proposed legislation as a whole

Officials from the **Missouri Department of Agriculture, Office of Administration, Office of the State Treasurer, Metropolitan St. Louis Sewer District - 7B Sewer, Wayne County PWS#2, and South River Drainage District - 7D Levee** 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 local entities 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.

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>Revenue Loss – (\$640.220.2)</u> Unexpended balance within the Natural Resources Protection Fund subaccounts no longer reverting to General Revenue. p.3-4	\$0	\$0 to (Unknown)	\$0 to (Unknown)
<u>Transfer Out – (\$640.220.3)</u> Redirect of 5% of the sales and use tax derived from the electric power sector to the Air Pollution Permit Fee Subaccount p.3-4	\$0	More or Less than (\$3,148,149)	More or Less than (\$3,148,149)
<u>Revenue Loss - (\$640.350.4)</u> GVIP funds no longer being reverted to General Revenue. p.3-4	\$0	\$0 or More Less than (\$1,076,200)	\$0 or More Less than (\$1,076,200)
ESTIMATED NET EFFECT ON THE GENERAL REVENUE	<u>\$0</u>	More or Less than <u>(\$4,224,349)</u>	More or Less than <u>(\$4,224,349)</u>

<u>FISCAL IMPACT – State Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
AIR POLLUTION PERMIT FEE FUND SUBACCOUNT (1594)			
<u>Revenue Gain</u> – (§640.220.2) Unexpended balance within the Natural Resources Protection Fund subaccounts no longer reverting to General Revenue. p.3-4	\$0	\$0 to Unknown	\$0 to Unknown
<u>Transfer In</u> – GR (§640.220.3) Redirect of 5% of the sales and use tax derived from the electric power sector p.3-4	\$0	More or Less than \$3,148,149	More or Less than \$3,148,149
ESTIMATED NET EFFECT ON THE AIR POLLUTION PERMIT FEE FUND SUBACCOUNT (1594)	<u>\$0</u>	More or Less than <u>\$3,148,149</u>	More or Less than <u>\$3,148,149</u>
MISSOURI AIR EMISSION REDUCTION FUND (1267)			
<u>Revenue Gain</u> – DNR (§640.350.4) GVIP funds no longer being reverted to General Revenue p.3-4	\$0	\$0 or More or Less than \$1,076,200	\$0 or More or Less than \$1,076,200
ESTIMATED NET EFFECT ON THE MISSOURI AIR EMISSION REDUCTION FUND (1267)	<u>\$0</u>	\$0 or More or Less than <u>\$1,076,200</u>	\$0 or More or Less than <u>\$1,076,200</u>
NATURAL RESOURCES PROTECTION -WATER POLLUTION PERMIT FEE SUBACCOUNT FUND (1568)			
<u>Revenue Gain</u> – (§644.057) Increase in clean water fee. p.5	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
ESTIMATED NET EFFECT ON THE NATURAL RESOURCES PROTECTION -WATER	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>

<u>FISCAL IMPACT – State Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
POLLUTION PERMIT FEE SUBACCOUNT FUND			

<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

EXPENDITURES BY THE DEPARTMENT OF NATURAL RESOURCES (Sections 640.220 and 643.350) The bill requires that, before June 30, 2027, any unexpended balance in the subaccounts of the Natural Resources Protection Fund exceeding the preceding biennium's collections revert to the General Revenue Fund at the end of each biennium. Beginning July 1, 2027, any unexpended balance in the subaccounts of the natural resources protection fund that exceeds the preceding biennium's collections will not revert to the General Revenue Fund. Beginning July 1, 2027, and annually on July 1st of each year thereafter, the Commissioner of Administration must use taxable sales reports to estimate the amount of state general revenue sales and use tax derived from electric power distribution in the previous calendar year and report the amount to the State Treasurer. The Treasurer must transfer certain amounts from the general revenue sales, as specified in the bill. The bill repeals provisions relating to the transfer of funds from the Missouri Air Emission Reduction Fund.

CLEAN WATER COMMISSION (Section 644.021) Currently, the Clean Water Commission must have one member who is knowledgeable about the needs of publicly owned water treatment works. This bill allows more than one member with this knowledge to be appointed to the Commission and requires the Commission to establish rules of procedure that specify when members must exempt themselves due to a potential conflict of interest. The bill also repeals the requirement that no member can receive, or have received for the past two years, a significant portion of his or her income from certain permit holders or permit applicants.

CLEAN WATER PERMITTING (Sections 644.051 and 644.059) The bill specifies that agricultural nonpoint sources are exempt from clean water permitting requirements.

CLEAN WATER FEES (Section 644.057) The bill repeals a provision prohibiting the Clean Water Commission from adopting or recommending a clean water fee exceeding \$5,000.

WATER STORAGE IN CERTAIN RESERVOIRS (Section 644.083) The bill specifies that a person who has contracted for the right to store water in a reservoir owned by the U.S. Army Corps of Engineers has the exclusive right to any return flows generated to that reservoir by the person, subject to certain regulatory requirements. The term "return flow" means water that is discharged directly or indirectly to a reservoir from a water reclamation facility. 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
Department of Revenue
Missouri Department of Agriculture
Office of Administration
 Budget and Planning
Office of the Governor
Office of the State Treasurer
Metropolitan St. Louis Sewer District - 7B Sewer
Wayne County PWSD #2
South River Drainage District - 7D Levee



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