

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0705S.05P  
Bill No.: Perfected SS for SB 120  
Subject: Department of Natural Resources; State Departments  
Type: Original  
Date: April 9, 2025

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Bill Summary: This proposal modifies provisions relating to the expenditure of moneys in funds by certain state departments.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
General Revenue	\$0	(\$3,164,774 to \$4,240,974)	(\$3,164,774 to \$4,240,974)
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0</b>	<b>(\$3,164,774 to \$4,240,974)</b>	<b>(\$3,164,774 to \$4,240,974)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Air Pollution Fee Fund Subaccount (0594)	\$0	Could exceed \$3,164,774	Could exceed \$3,164,774
Missouri Air Emission Reduction Fund (0267)	\$0	\$0 to \$1,076,200	\$0 to \$1,076,200
State Road Fund (0320)	Less than (\$1,400,000,000)	Less than (\$1,400,000,000)	Less than (\$1,400,000,000)
Federal Road Fund	\$0 or Less than \$1,400,000,000	\$0 or Less than \$1,400,000,000	\$0 or Less than \$1,400,000,000
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>Less than (\$1,400,000,000)</b>	<b>Less than (\$1,395,759,026)</b>	<b>Less than (\$1,395,759,026)</b>

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
<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 2026	FY 2027	FY 2028
<b>Total Estimated Net Effect on FTE</b>	<b>0 FTE</b>	<b>0 FTE</b>	<b>0 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 2026	FY 2027	FY 2028
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## **FISCAL ANALYSIS**

### **ASSUMPTION**

#### **§260.003 – Department of Natural Resources Permitting Process**

In response to similar legislation, HB 627 (2025), officials from the **Department of Natural Resources** assumed the proposal will have no fiscal impact on their organization.

**Oversight** notes that the above-mentioned agency has 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.

Officials from the **Department of Revenue (DOR)** state that this section does not pertain to DOR and therefore will have no fiscal impact to DOR.

#### **§§640.220 & 643.350 – Department of Natural Resources Funds**

Officials from the **Department of Natural Resources (DNR)** assume 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, 2026. 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 Pollution Control 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 Pollution Control Program 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 2020 - 2024, the average annual value equal to five percent of these sales and use taxes is \$3,164,774. While this language would not affect total state revenue, it is expected that each year starting in FY 2027, department funding for the Air Pollution Control Program would increase by this amount, and the state's General Revenue Fund would decrease by this amount as a result 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 unexpended funds from the Missouri Air Emission Reduction Fund for the Gateway Vehicle Inspection Program (GVIP) to be reverted to the General Revenue Fund of the state beginning July 1, 2026. Currently, these unexpended funds are reverted to General Revenue if in the immediate previous 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 reverting funds from GVIP to General Revenue (General Revenue does not increase by two percent or more from the previous year), the GVIP funds are not reverted to General Revenue every year. Since 2010, this condition has been met six times, where GVIP funds were reverted to General Revenue, most recently in 2020 and 2021. The average funding amount reverted from GVIP to General Revenue during these two years was \$1,076,200.

It is unknown in which future years that General Revenue will not increase by two percent or more, and thus trigger the GVIP funds to be reverted to General Revenue based on the current statutory text, but with this bill language, the funds would not be reverted to General Revenue in any year starting July 1, 2026, 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 2027 as a result of 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 reverted.

Summary of Fiscal Impact:

§640.220.2 - \$0 to unknown increase to Air Pollution Permit Fee Fund Subaccount (Fund 0594) and corresponding decrease of \$0 to unknown to General Revenue.

§640.220.3 - The annual impact is estimated at approximately \$3,164,774 decrease in General Revenue and a corresponding increase of approximately \$3,164,774 to the Air Pollution Permit Fee Fund Subaccount (Fund 0594). Amount is based on a 5-year average of the annual sales and use taxes collected from the power sector.

§643.350.4 – \$0 - \$1,076,200 each year starting in fiscal year 2027 to the Missouri Air Emission Reduction Fund (Fund 0267).

**Oversight** does not have information to the contrary and therefore, Oversight will reflect the estimates as provided by DNR.

Oversight notes there was a balance of \$3,450,110 in the Air Pollution Permit Fee Fund Subaccount (0594) as of March 31, 2025.

Oversight notes there was a balance of \$1,768,254 in the Missouri Air Emission Reduction Fund (0267) as of March 31, 2025.

Officials from the **Department of Revenue (DOR)** assume currently the 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 starting, January 1, 2026, 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, 2026, 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. A portion 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 are 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 2023 they submitted taxable sales equal to \$2,141,142,420 and in FY 2024 they submitted taxable sales equal to \$1,927,699,489. This would indicate that about \$57,830,985 ( $\$1,927,699,489 \times 3\%$ ) in GR sales tax was collected. DOR estimates that approximately \$2,891,549 ( $\$57,830,985 \times 5\%$ ) could be transferred from GR to the Air Pollution Permit Fee fund annually, starting with FY 2027.

DOR assumes this proposal would require DOR to still deposit the sales tax money they receive into General Revenue per current procedures and then the Commissioner of Administration would move it. Therefore, this will not fiscally impact DOR.

In response to a previous version, officials from the **Office of Administration - Budget and Planning (B&P)** assumed the following regarding this proposal:

Section 640.220 – Power Distribution Sales Tax Transfer

Beginning FY 2027, this section would require OA to determine how much General Revenue (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 FY 2024, taxable sales attributable to NAICS 221122 were \$2,065,473,101. This would indicate that about \$61,964,193 ( $\$2,065,473,101 \times 3\%$ ) in GR sales tax was collected. Therefore, B&P estimates that approximately \$3,098,210 ( $\$61,964,193 \times 5\%$ ) could be transferred from GR to the Air Pollution Permit Fee fund annually, starting with FY 2027.

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 since FY 2010, averaging \$1,012,490. None have occurred since FY 2021; however, DNR reported that the Missouri Air Emission Reduction Fund (0267) would likely become insolvent in the fiscal year following another redirection at this level.

Officials from the **Office of the State Treasurer (STO)** assume the way the statute is currently written, all STO does is reroute the interest distribution. Interest distribution is an STO functionality per the Constitution. The updated wording would require STO to transfer money between funds that they do not administer. They do not currently process transfers for any agency or fund that is not a designated STO fund or part of the biennial transfer.

STO notes DNR or OA need to be the ones processing this transfer since it is not related to interest or the biennial transfer.

**Oversight** will not show a fiscal impact for STO.

**Senate Amendment 1**

§§226.150, 226.200, & 226.221 – State Road Fund Provisions

Officials from the **Department of Revenue (DOR)** note §§226.150, 226.200 & 226.220 - Federal Highway Funding will require costs to implement the necessary changes to DOR's distribution system of \$7,327.

DOR states §226.221 creates a new state fund (Federal Road Fund). DOR would need to update their computer program at a cost of \$7,327.

**Oversight** assumes the DOR is provided with core funding to handle a certain amount of activity each year. Oversight assumes the DOR could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, the DOR could request funding through the appropriation process. Officials from the DOR assume the proposal will have no fiscal impact on their organization.

Officials from the **Missouri Department of Transportation (MoDOT)** assume the following regarding this proposal:

Provisions in this bill create a “Federal Road Fund” to receive all moneys and credits from the U.S. Government that are designated to be spent by the State on its Highway System. This fund is to be expended upon appropriation by the General Assembly.

Federal funds for highway projects are received by MoDOT on a reimbursement basis. Per federal law (Title 23), all payments must be made in full by MoDOT before the department can seek federal reimbursement. The reimbursement typically covers 80% of the cost of the completed expenditure. Currently, money is expended from the State Road Fund (SRF) and then 80% is returned to the SRF once a federal reimbursement request is fulfilled. This ensures that the fund is balanced, and money is always available to make required payments. In FY 2024, Missouri Received **\$1.4 billion** in federal transportation funds for highways.

This bill would block reimbursement from returning to the SRF, instead being diverted into the Federal Road Fund, only to be expended upon General Assembly appropriation. This would have a significant negative impact on MoDOT’s ability to operate and deliver the Statewide Transportation Improvement Program (STIP).

Projects programed in the STIP could be delayed or must be abandoned under this funding process. Subjecting these funds to the appropriations process adds uncertainty and would hinder MoDOT’s ability to estimate future revenue and plan for construction in future years. Additionally, many expenditures for projects in the STIP span multiple fiscal years. Annual appropriations would cloud the availability of future funding of these projects. This also adds a new layer of risk that would have downstream effects on the price contractors would be willing to agree to in order to work on the highway system. Timing is another critical element to ensure the SRF remains solvent. Relying on appropriations could jeopardize the ability for timely payments to be made to contractors and potentially MoDOT payroll.

These provisions would also affect the federal funding received by Local Public Agencies (LPA’s) for their work on roads. Federal funding and grants designated to cities and counties passes through MoDOT. This provision would require federal monies designated for LPAs to be diverted into the new Federal Road Fund. This could cause delays and require additional appropriations for these LPAs to use this money.

It is likely that this proposal will negatively affect MoDOT’s ability to bond. The money that is currently set to be deposited into the State Road Fund is already associated with existing bonds

and their agreements. Diverting federal funds from the State Road Fund would effectively nullify the revenue pledges made by the MHTC in its ongoing bonding programs. This could then negatively impact MHTC's credit and bond ratings. This would lead to higher rates on future bonding attempts, yielding less proceeds that can be used on road and bridge construction projects.

In response to similar legislation, SB 586 (2025), officials from the **Office of Administration - Budget and Planning (B&P)** assumed this legislation will create a new fund inside of the State Treasury, described as the "Federal Road Fund." There is no impact to total state revenues or 18/e as all deposits into this fund will consist of existing revenues being redirected to this new fund.

In response to similar legislation, SB 586 (2025), officials from the **Office of the State Treasurer** assumed 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.

## **Senate Amendment 2**

### **§68.080 – Waterways and Ports Trust Fund**

Officials from the **Department of Revenue (DOR)** state this section does not pertain to DOR and therefore, this will have no fiscal impact to DOR.

Officials from the **Missouri Department of Transportation, Missouri House of Representatives** and the **Missouri Senate** each assume this 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 similar legislation, SB 586 (2025), officials from **Office of Administration - Budget and Planning** assumed the proposal will have no fiscal impact on their respective 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.

Oversight notes Section 68.080 was added by SB 138 in 2023. Oversight notes there was a balance of \$7,563,166 in the Waterways and Ports Trust Fund (0237) as of March 31, 2025.



<u>FISCAL IMPACT – State Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
<b>GENERAL REVENUE FUND</b>			
<u>Loss</u> – unexpended balance in the subaccounts of the Natural Resources Protection Fund that exceeds the preceding biennium’s collection no longer reverting to General Revenue (§640.220.2)	\$0	\$0 to (Unknown)	\$0 to (Unknown)
<u>Loss</u> – redirect of 5% of the sales and use tax derived from the electric power sector (§640.220.3)	\$0	(\$3,164,774)	(\$3,164,774)
<u>Loss</u> - GVIP funds no longer being reverted to General Revenue (§640.350.4)	\$0	\$0 to (\$1,076,200)	\$0 to (\$1,076,200)
<b>ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND</b>	<b><u>\$0</u></b>	<b>(\$3,164,774 to \$4,240,974)</b>	<b>(\$3,164,774 to \$4,240,974)</b>
<b>AIR POLLUTION PERMIT FEE FUND SUBACCOUNT (0594)</b>			
<u>Revenue</u> – DNR - unexpended balance in the subaccounts of the Natural Resources Protection Fund that exceeds to preceding biennium’s collection no longer reverting to General Revenue	\$0	\$0 to Unknown	\$0 to Unknown
<u>Revenue</u> – DNR - redirect of 5% of the sales and use tax derived from the electric power sector (§640.220.3)	\$0	\$3,164,774	\$3,164,774
<b>ESTIMATED NET EFFECT ON THE AIR POLLUTION PERMIT FEE FUND SUBACCOUNT (0594)</b>	<b><u>\$0</u></b>	<b>Could exceed \$3,164,774</b>	<b>Could exceed \$3,164,774</b>

<u>FISCAL IMPACT – State Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
<b>MISSOURI AIR EMISSION REDUCTION FUND (0267)</b>			
<u>Revenue</u> – DNR – GVIP funds no longer being reverted to General Revenue (\$640.350.4)	\$0	\$0 to \$1,076,200	\$0 to \$1,076,200
<b>ESTIMATED NET EFFECT ON THE MISSOURI AIR EMISSION REDUCTION FUND (0267)</b>	<b>\$0</b>	<b>\$0 to \$1,076,200</b>	<b>\$0 to \$1,076,200</b>
<b>STATE ROAD FUND (0320)</b>			
<u>Savings</u> – projects no longer funded by the State Road Fund	Unknown	Unknown	Unknown
<u>Loss</u> – MoDOT – federal funding being diverted to the new Federal Road Fund (\$226.221)	(\$1,400,000,000)	(\$1,400,000,000)	(\$1,400,000,000)
<b>ESTIMATED NET EFFECT ON THE STATE ROAD FUND (0320)</b>	<b>Less than (\$1,400,000,000)</b>	<b>Less than (\$1,400,000,000)</b>	<b>Less than (\$1,400,000,000)</b>
<b>FEDERAL ROAD FUND</b>			
<u>Revenue</u> – federal funding being diverted from the State Road Fund (\$226.221)	\$1,400,000,000	\$1,400,000,000	\$1,400,000,000
<u>Cost</u> – road and bridge projects appropriated by the General Assembly	\$0 or Up to (\$1,400,000,000)	\$0 or Up to (\$1,400,000,000)	\$0 or Up to (\$1,400,000,000)
<b>ESTIMATED NET EFFECT ON THE FEDERAL ROAD FUND</b>	<b>\$0 or Less than \$1,400,000,000</b>	<b>\$0 or Less than \$1,400,000,000</b>	<b>\$0 or Less than \$1,400,000,000</b>

<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

Small businesses applying for a permit with the Department of Natural Resources could be impacted as a result of this proposal

FISCAL DESCRIPTION

The act modifies provisions relating to the expenditure of moneys in funds by certain state departments.

EXPENDITURE OF MONEYS IN THE WATERWAYS AND PORTS TRUST FUND (Section 68.080)

This act requires that a Missouri port authority have requested funds for statutorily permitted port purposes before funds may be withdrawn from the Waterways and Ports Trust Fund.

The act also specifies that port projects located on land owned by the City of St. Louis and managed by a Missouri port authority, or within an adjacent waterway, may be eligible for an appropriation from the fund, provided the other conditions of the fund are met.

TRANSPORTATION FUNDING (Sections 226.150, 226.200, 226.220, 226.221)

This act provides that federal funds designated for highway purposes shall be deposited in the "Federal Road Fund", created in the act, rather than the State Road Fund.

The act also modifies several transportation funds to provide that revenues intended for highway purposes of the state and not allocated to the State Road Fund under the Missouri Constitution shall be allocated to the Federal Road Fund.

EXPENDITURE OF MONEYS IN CERTAIN FUNDS BY THE DEPARTMENT OF NATURAL RESOURCES (Sections 640.220 and 643.350)

Under the act, before June 30, 2026, any unexpended balance in the subaccounts of the Natural Resources Protection Fund exceeding the preceding biennium's collections shall revert to the general revenue fund at the end of each biennium.

Beginning July 1, 2026, any unexpended balance in the subaccounts of the Fund that exceeds the preceding biennium's collections shall not revert to the general revenue fund.

Beginning July 1, 2026, and annually on July 1st of each following year, the Commissioner of Administration shall use taxable sales reports to estimate the amount of state general revenue sales and use tax derived from electric power distribution in the immediately preceding calendar year and shall report such amount to the state treasurer. The state treasurer shall transfer certain amounts from the general revenue sales as described in the act.

The act repeals certain provisions relating to the transfer of funds from the Missouri Air Emission Reduction Fund.

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  
Office of Administration - Budget and Planning  
Missouri Department of Transportation  
Office of the State Treasurer  
Office of Administration  
Department of Revenue  
Missouri House of Representatives  
Missouri Senate



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