

Fiscal Estimate - 2023 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 23-4912/1	Introduction Number AB-0828
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Description
 creating a Mississippi River erosion control revolving loan program, extending the time limit for emergency rule procedures, providing an exemption from emergency rule procedures, granting rule-making authority, and making an appropriation

Fiscal Effect

State:

<input type="checkbox"/> No State Fiscal Effect	<input type="checkbox"/> Increase Existing Revenues	<input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Decrease Costs
<input checked="" type="checkbox"/> Indeterminate	<input type="checkbox"/> Decrease Existing Revenues	
<input type="checkbox"/> Increase Existing Appropriations		
<input type="checkbox"/> Decrease Existing Appropriations		
<input type="checkbox"/> Create New Appropriations		

Local:

<input type="checkbox"/> No Local Government Costs		
<input type="checkbox"/> Indeterminate	5. Types of Local Government Units Affected	
1. <input type="checkbox"/> Increase Costs	3. <input type="checkbox"/> Increase Revenue	<input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Counties <input type="checkbox"/> Others 0
2. <input type="checkbox"/> Decrease Costs	4. <input type="checkbox"/> Decrease Revenue	<input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	

Fund Sources Affected	Affected Ch. 20 Appropriations
<input type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input checked="" type="checkbox"/> SEG <input type="checkbox"/> SEGS	20.370 (9)(pq)

Agency/Prepared By DNR/ Paul Neumann (608) 266-0818	Authorized Signature Paul Neumann (608) 266-0818	Date 12/26/2023
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Fiscal Estimate Narratives

DNR 12/26/2023

LRB Number	23-4912/1	Introduction Number	AB-0828	Estimate Type	Original
Description creating a Mississippi River erosion control revolving loan program, extending the time limit for emergency rule procedures, providing an exemption from emergency rule procedures, granting rule-making authority, and making an appropriation					

Assumptions Used in Arriving at Fiscal Estimate

The bill establishes a revolving loan program to assist municipalities and homeowners where the structural integrity of municipal buildings or homes are threatened by shoreline erosion on the Mississippi River. The bill also provides 0.5 FTE to administer and promulgate rules for the program.

The bill funds the loans and loan administration through a new, continuing appropriation with one-time spending authority of \$2 million. It also authorizes DNR to promulgate emergency rules for the period before permanent rules take effect.

I. Background Information & Assumptions

A. DNR does not currently provide financial assistance for the purpose of managing shoreline erosion to protect municipal buildings or privately-owned homes. The DNR does have existing revolving loan programs for municipal wastewater and drinking water infrastructure improvements, but differences between the Mississippi River Erosion Control Revolving Loan Program (MRECRLP) and the existing loan programs would necessitate the development of a new, stand-alone loan program.

C. The reoccurring workload increase is dependent on a number of factors, most notably the volume of loans awarded on an annual basis, which is difficult to estimate. The cost to install protective shoreline structures can range from \$1,000 to \$5,333 per foot of shoreline. Based on those estimates, and assuming 75 feet of shoreline per project, the per project cost could range from \$75,000 to \$399,975 or more.

D. It will be necessary to limit the amount of loans awarded by the program to ensure that principal and interest repayments are sufficient to sustain a revolving loan program on an ongoing basis. Assuming a one-time capitalization of \$2.0 million, the amount of loans to award in the first several years of the program would range from \$100,000-\$200,000/yr., depending on the terms of the loans. As such, the proposed funding through this bill would be enough to initially fund no more than three projects per year (as the fund revolves over time, the overall capacity of the MRECRLP will gradually increase). Note that this estimate does not account for annual administrative costs that are funded through the same appropriation as the loan payments. When factoring that in, the overall capacity and revolving nature of the program will be decreased.

E. Although the annual volume of loans awarded is estimated to be rather low, many of the tasks described above are unique to this program and are not currently performed elsewhere in the department.

II. Fiscal Effect

A. One-Time Costs

DNR will incur one-time costs to promulgate emergency rules, permanent rules, and to develop a new program. Program implementation tasks would include:

1. Develop loan application form and processes; guidance materials; forms for reporting and requesting disbursement payments.
2. Develop a process for underwriting and evaluating the debt coverage ratio of prospective borrowers.
3. Develop processes and loan agreements for awarding this specific type of financial assistance.
4. Establish a financial system to manage the funds, process repayments, etc.
5. Prepare outreach materials for the DNR website and other relevant platforms.

Administrative rule and program implementation tasks are estimated to result in a one-time workload increase of approximately 1,500 hours. With an average salary and fringe cost of \$51/hr, a one-time cost is estimated to

be \$76,500.

B. Ongoing Costs

A. Program Administration

On-going workload increases would be associated with the following tasks to administer the program:

1. Assistance to applicants
2. Application and plan review
3. Award allocations
4. Review of required loan documentation
5. Processing financial assistance agreements
6. Construction oversight
7. Expense eligibility review
8. Fund disbursement
9. Loan closeout procedures.

DNR anticipates that the work associated with implementing and managing the MRECRLP would require at least 1.0 FTE, at an estimated annual cost of \$106,100 for salary and fringe (2,080 hrs. x \$51/hr.). Of that amount, 0.5 FTE and half the position costs would be covered by the funding appropriated in the bill, while the other half would need to be reallocated from existing staff and budget resources.

B. Loans

This estimate assumes \$200,000/yr. in loans to municipalities and homeowners, which is the upper end of the range described in "Background Information & Assumptions" section above.

III. Revenue

Rules would need to be established in order to understand the revenue implications of loan repayment. As such, the amount of repayments revenue that would be collected by the program is indeterminate.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2023 Session

Detailed Estimate of Annual Fiscal Effect

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I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect): Estimated one-time costs of \$76,500 for the promulgation of emergency and permanent rules and to develop a new program.	
II. Annualized Costs:	Annualized Fiscal Impact on funds from:
	Increased Costs Decreased Costs
A. State Costs by Category	
State Operations - Salaries and Fringes	\$106,100
(FTE Position Changes)	(1.0 FTE)
State Operations - Other Costs	
Local Assistance	200,000
Aids to Individuals or Organizations	
TOTAL State Costs by Category	\$306,100
B. State Costs by Source of Funds	
GPR	
FED	
PRO/PRS	
SEG/SEG-S	306,100
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)	
	Increased Rev Decreased Rev
GPR Taxes	\$
GPR Earned	
FED	
PRO/PRS	
SEG/SEG-S	
TOTAL State Revenues	\$
NET ANNUALIZED FISCAL IMPACT	
	<u>State</u> <u>Local</u>
NET CHANGE IN COSTS	\$306,100
NET CHANGE IN REVENUE	\$
Agency/Prepared By	Authorized Signature
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	Date
	12/26/2023