

Fiscal Estimate - 2025 Session

☒ Original ☐ Updated ☐ Corrected ☐ Supplemental

LRB Number 25-2626/1	Introduction Number AB-0209
Description creating a hazard mitigation revolving loan program, creating a Great Lakes erosion control revolving loan program, providing an exemption from emergency rule procedures, granting rule-making authority, and making an appropriation	
Fiscal Effect State: <div style="display: flex; flex-wrap: wrap;"><div style="width: 33%;"><input type="checkbox"/> No State Fiscal Effect <input checked="" type="checkbox"/> Indeterminate <input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Decrease Existing Appropriations <input checked="" type="checkbox"/> Create New Appropriations</div><div style="width: 33%;"><input type="checkbox"/> Increase Existing Revenues <input type="checkbox"/> Decrease Existing Revenues</div><div style="width: 33%;"><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</div></div> Local: <div style="display: flex; flex-wrap: wrap;"><div style="width: 33%;"><input type="checkbox"/> No Local Government Costs <input checked="" type="checkbox"/> Indeterminate 1. <input checked="" type="checkbox"/> Increase Costs 3. <input checked="" type="checkbox"/> Increase Revenue <input checked="" type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input checked="" type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 2. <input type="checkbox"/> Decrease Costs 4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory</div><div style="width: 33%;">5. Types of Local Government Units Affected <div style="display: flex; flex-wrap: wrap;"><div style="width: 33%;"><input checked="" type="checkbox"/> Towns <input checked="" type="checkbox"/> Counties <input type="checkbox"/> School Districts</div><div style="width: 33%;"><input checked="" type="checkbox"/> Village <input type="checkbox"/> Others <input type="checkbox"/> WTCS Districts</div><div style="width: 33%;"><input type="checkbox"/> Cities</div></div></div></div>	

Fiscal Estimate Narratives

DNR 5/6/2025

LRB Number	25-2626/1	Introduction Number	AB-0209	Estimate Type	Original
Description creating a hazard mitigation revolving loan program, creating a Great Lakes erosion control revolving loan program, 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 new revolving loan program to assist municipalities and homeowners where the structural integrity of municipal buildings or homes are threatened by shoreline erosion on Lake Michigan or Lake Superior. The bill appropriates \$5.0 million of one-time funding for this purpose and provides 0.5 FTE to administer the program. In addition, the bill requires DNR to promulgate rules to administer the program, including eligibility requirements and income limitations, and authorizes DNR to promulgate emergency rules for the period before permanent rules take effect.

A. Assumptions

1. The Department does not currently provide financial assistance (loans or grants) 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 proposed funding program and the existing loan programs would necessitate the development of a new, stand-alone loan program.
2. It will be necessary to limit the amount of loans that are awarded 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 \$5.0 million, the amount of loan funding available to award in the first several years of the program would range from \$250,000-\$500,000/yr., depending on the terms of the loans.
3. 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. As such, the proposed funding would be enough to initially fund no more than seven projects per year
4. The overall loan capacity of the program will gradually increase as the fund revolves over time.
5. Although the annual volume of loans awarded is estimated to be rather low, many of the tasks necessary to implement this program are unique and are not currently performed elsewhere in the department.
6. The 0.5 FTE that is provided to administer the program will be funded out of the same appropriation as the loans. Therefore, the loan capacity of the program will be reduced to some extent by the salary and fringe costs of the position.

B. One-Time Costs

1. One-time workload increases to develop a new program are as follows:
 - a. Complete the rule promulgation process--for both emergency and permanent rules;
 - b. Develop loan application form and processes;
 - c. Develop guidance materials;
 - d. Develop forms for reporting and requesting disbursement payments;
 - e. Establish a process for awarding this specific type of financial assistance;
 - f. Establish a financial system to manage the funds, process repayments, etc.
 - f. DOA Capital Finance manages this work for the existing DNR loan programs.
 - h. Prepare outreach materials for the DNR website and other relevant platforms.
2. The department estimates that approximately 1,500 hours of staff time will be needed to perform the aforementioned tasks. With an average salary and fringe benefit cost of \$51/hr. for a natural resources financial

assistance specialist, one-time costs are estimated to be \$76,500 (1,500 x \$51).

C. Ongoing Costs

1. Ongoing tasks to administer the program are as follows:

- a. Assistance to applicants;
- b. Application and plan review;
- c. Award allocations;
- d. Review of required loan documentation;
- e. Processing financial assistance agreements;
- f. Construction oversight;
- g. Expense eligibility review;
- h. Fund disbursement;
- i. Loan closeout procedures.

The recurring workload is dependent on a number of factors, most notably the volume of applications received on an annual basis. Some of the technical tasks and reviews will need to be conducted by expert staff in other DNR programs, while some of the financial tasks will need to be conducted by DNR's Bureau of Finance or DOA's Capital Finance Office.

2. For existing DNR loan programs, a 1.0 FTE project manager will typically manage 8-10 loan-funded projects per year due to the complexity of loan funding and the size of the projects. Therefore, assuming that up to 7 erosion control loans will be issued per year--possibly more if smaller projects are funded--the department anticipates that the work associated with implementing and managing this program would require at least 1.0 FTE, at an estimated annual cost of \$106,000 for salary and fringe benefits (2,080 hrs. x \$51/hr.). Of that amount, 0.5 FTE and \$53,000 would be funded out of the \$5.0 appropriated in the bill, while the other 0.5 FTE and \$53,000 would need to be reallocated from existing staff/budgetary resources.

3. As mentioned in the assumptions above, the department estimates that up to \$500,000/yr. in loans would be awarded under the program.

4. As proposed in the bill, loans would also be available to private homeowners, which will entail different procedural requirements than those issued to municipalities, including reviews of a citizen's financial creditworthiness to ensure the loan repayments can be made. DNR does not currently have the expertise or systems to process loans with private citizens; therefore, the time and cost to develop a loan program to homeowners is indeterminate.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2025 Session

Detailed Estimate of Annual Fiscal Effect

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Description creating a hazard mitigation revolving loan program, creating a Great Lakes erosion control revolving loan program, providing an exemption from emergency rule procedures, granting rule-making authority, and making an appropriation			
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect): \$76,500 of one-time staffing costs to promulgate emergency and permanent rules, and to develop the new loan program			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
State Operations - Salaries and Fringes		\$106,000	\$
(FTE Position Changes)		(1.0 FTE)	
State Operations - Other Costs			
Local Assistance		500,000	
Aids to Individuals or Organizations			
TOTAL State Costs by Category		\$606,000	\$
B. State Costs by Source of Funds			
GPR			
FED			
PRO/PRS			
SEG/SEG-S		606,000	
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			
		State	Local
NET CHANGE IN COSTS		\$606,000	\$
NET CHANGE IN REVENUE		\$	\$
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Authorized Signature Margaret Hutter (608) 640-7546		Date 5/6/2025	