

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 5493-01  
Bill No.: HB 2535  
Subject: Easements and Conveyances; Property, Real and Personal  
Type: Original  
Date: March 9, 2020

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Bill Summary: This proposal authorizes the conveyance of certain state property in Oregon County.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
State Parks Earnings Fund (0415)*	Less than (\$1,207,000) to Unknown	\$0	\$0
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>Less than (\$1,207,000) to Unknown</b>	<b>\$0</b>	<b>\$0</b>

\* \$1,200,000 of this amount represents disposing of the state park land (assumed fair market value of \$8,000,000) less the potential sale proceeds (must be at least 80% of the fair market value (\$6,400,000). Oversight notes there is an unanswered question regarding where the proceeds of the sale would go and how those funds may be used.

Numbers within parentheses: ( ) indicate costs or losses. This fiscal note contains 5 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0 or Unknown</b>	<b>\$0 or Unknown</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Department of Natural Resources (DNR)** state this bill would require the department to sell property in Oregon County known as Eleven Point State Park. The bill requires the department to grant a right of first refusal to the prior owner to purchase the property for no less than 80% of fair market value. If the prior owner declines to purchase the property, the bill would require the department to sell the property at public auction, with the terms of the sale set by the Commissioner of Administration by December 31, 2021.

If the department sold this property at public auction, it could incur an auction fee of approximately 10% of the sale price (percentage estimate was obtained by contacting an auctioneer firm), which would likely be passed onto the buyer. In addition, pursuant to financial agreements with the U.S. Department of Interior ("DOI"), any proceeds from the sale of the properties must be returned to the DOI Restoration Account to be used by the DOI and the department as co-trustees to fulfill the restoration objectives of the CERCLA and the ASARCO LLC Settlement Agreement.

The department would also need to obtain an updated real estate appraisal of the property to determine its fair market value, which is estimated to cost approximately \$7,000 based on the cost to obtain appraisals of the property prior to purchase in 2016.

Additionally, there is a possibility that the proposed conveyance could face legal challenge because the deeds contain clauses requiring the property to remain dedicated to public use as a state park. Defense of such litigation would be handled by the Attorney General's Office but a prevailing party could recover attorneys' fees and costs from the Legal Expense Fund. It is not possible to estimate the likelihood or the amount of any such cost at this time.

Upon inquiry, DNR stated they have made payments in lieu of taxes (PILTs) to Oregon County of \$4,803 in 2019 and for the previous three years. DNR stated this is the fourth payment of the five scheduled.

Also upon inquiry, DNR stated the cost of the properties included:

Buildings for Babies (purchase price)	\$4,730,000
Buildings for Babies - settlement costs	\$18,956
Frederick Creek Ranch (purchase price)	\$3,273,327; and
Frederick Creek Range - settlement costs	\$11,748
TOTAL	\$8,034,032

ASSUMPTION (continued)

**Oversight** notes the bill specifies the “grantor shall be offered the ability to repurchase such property at eighty percent of the property’s fair market value.” If the grantor does not accept this offer, then the state may offer the property for sale at public auction, but shall not sell such property for less than eighty percent of the property’s fair market value. Therefore, assuming the fair market value of the property is approximately \$8 million, Oversight will assume sale proceeds could exceed \$6.4 million (\$8 million x 80%). Oversight will show both the loss of the property and the proceeds of the sale to the State Parks Earnings Fund (0415) in FY 2021.

Officials from the **Office of Administration**, the **Office of the Attorney General** and the **Office of the Governor** each assume the proposal would not fiscally impact their respective agencies.

Officials from **Oregon County** stated DNR paid \$4,803 in property taxes on these parcels in 2019. Oregon County also stated DNR has agreed to pay property taxes on the parcels for 5 years. Since DNR has paid four of five PILT installments, Oversight will assume DNR will not realize a savings (of not having to pay PILTs in the future if the property is no longer owned by the state) in the fiscal note. However, Oregon County could see a continuation or perhaps an increase in property tax revenues depending upon who purchases the parcels.

<u>FISCAL IMPACT - State Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
<b>STATE PARKS EARNINGS FUND (0145)</b>			
<u>Sale Proceeds</u> - sale of property contained in the Eleven Point State Park	Could exceed \$6,800,000	\$0	\$0
<u>FMV of Property sold</u> - assumed fair market value of Eleven Point State Park based upon recent purchase	(\$8,000,000)	\$0	\$0
<u>Cost</u> - DNR - Real Estate Appraisal	(\$7,000)	<u>\$0</u>	<u>\$0</u>
<b>ESTIMATED NET EFFECT TO THE STATE PARKS EARNINGS FUND (0415)</b>	<b><u>Less than</u> <u>(\$1,207,000) to</u> <u>Unknown</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

FISCAL IMPACT - Local Government

FY 2021  
(10 Mo.)

FY 2022

FY 2023

**OREGON COUNTY**

Income - potential additional income if private entity(s) purchase the parcels

\$0 \$0 or Unknown \$0 or Unknown

**ESTIMATED NET EFFECT TO OREGON COUNTY**

\$0 \$0 or Unknown \$0 or Unknown

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

This bill specifies that the Director of the Department of Natural Resources is authorized to sell, transfer, grant, convey, remise, release, and forever quitclaim all of Missouri's interest in real property, described in the bill, located in Oregon County.

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 the Governor  
Office of the Attorney General  
Office of Administration  
Oregon County



Julie Morff  
Director  
March 9, 2020



Ross Strope  
Assistant Director  
March 9, 2020