

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1623-08
Bill No.: Truly Agreed to and Finally Passed HCS for SCS for SB 355
Subject: Alcohol; Agriculture Dept.; Fees
Type: Original
Date: May 26, 2005

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
General Revenue*	\$0 to (\$1,042,314)	\$0 to (\$1,084,007)	\$0 to (7,177,367)
Total Estimated Net Effect on General Revenue Fund	\$0 to (\$1,042,314)	\$0 (\$1,084,007)	\$0 (\$7,177,367)

***Subject to appropriations**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Grape and Wine Fund	\$1,336,733	\$1,648,516	\$1,697,971
Marketing Development Fund	(\$1,336,733)	(\$1,648,516)	(\$1,697,971)
Missouri Qualified Biodiesel Producer Incentive Fund	\$0	\$0	\$0
State School Moneys	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 10 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials with the **State Treasurer's Office** and **Department of Economic Development** assume no fiscal impact to their agency.

Officials with the **Department of Agriculture** assume the proposal will transfer the Grape and Wine monies currently going into the Market Development Fund to the Wine and Grape Fund. AGR also assumes the proposal will change the Grape and Wine Board from advisory appointed by the Director of Agriculture to appointment by the Governor and confirmed by the Senate.

In 2003 over 9.2 million gallons of wine were sold in Missouri. There is a 12 cents-per-gallon tax on each gallon of wine sold in Missouri. In calendar year 2003, this tax generated a total of \$1.1 million, which is the last year for which official figures have been provided by Missouri Liquor Control. The calendar year 2004 revenue estimate is approximately \$1.3 million, with a continued increase to \$1.5 million expected in calendar year 2006.

Officials from the Department of Agriculture also assume based on information available at this time, the earliest anticipated date for biodiesel production is the summer of 2007. Therefore, this fiscal estimate assume:

ASSUMPTION (continued)

- that no eligible biodiesel fuel will be produced in the state until July 2007.
- that only one eligible biodiesel plant will begin production at that time.
- that the plant will produce 30 million gallons of eligible biodiesel annually.

These assumptions lead to the following cost estimates:

- FY 2007 = \$0
- FY 2008 = 15.0 million gallons * \$0.30 / gallon = \$4,500,000
15.0 million gallons * \$0.10 / gallon = \$1,500,000

Total FY 2008 Cost = \$6,000,000

The fiscal analysis also assumes these costs will be paid from general revenue using a transfer from the general revenue fund to the Missouri Qualified Biodiesel Producer Incentive Fund.

Officials from the Department of Agriculture also assume based on ethanol plants in operation at this time, only one plant will be eligible for incentives beyond the current sunset date. That facility produces an estimated 48 million gallons of ethanol annually. Therefore the facility will have produced 24 million gallons in fiscal year 2008 by 12/31/07. Since incentives are paid only on the first 25 million gallons of ethanol production, the facility will be eligible to receive 5 cents-per-gallon on only one million gallons of FY 2008 ethanol production before reaching the maximum allowable grant for a fiscal year (1 MG * \$0.0 / gallon = \$50,000).

In addition, the plant will also be eligible for \$3.125 million in both Fiscal Years 2009 and 2010 under this proposal.

12.5 million gallons * \$0.20 / gallon = \$2,500,000
12.5 million gallons * \$0.05 / gallon = \$ 625,000
Total = \$3,125,000

Officials from the **Department of Elementary and Secondary Education (DESE)** assume the school districts will utilize the maximum amount allowed under the original bill (HB 453 - 2001). Based on seven-tenths of a percent of the 1998-1999 school year entitlement authorized by Section 163.161, RSMo (State aid for transportation) which was \$132,373,402 and a 4 percent growth for three years, the maximum effect of the original proposal was:

ASSUMPTION (continued)

2002-03	\$132,373,402 x .007 = \$ 926,614
2003-04	\$ 926,614 x 1.04 = \$ 963,678
2004-05	\$ 963,678 x 1.04 = \$1,002,225
2005-06	\$ 1,022,225 x 1.04 = \$1,042,314

Extending the sunset to the 2011-12 school year would calculate to the following maximum amount:

2006-07	\$1,042,314 x 1.04 = \$1,084,007
2007-08	\$1,084,007 x 1.04 = \$1,127,367
2008-09	\$1,127,367 x 1.04 = \$1,172,462
2009-10	\$1,172,462 x 1.04 = \$1,219,360
2010-11	\$1,219,360 x 1.04 = \$1,268,135
2011-12	\$1,268,135 x 1.04 = \$1,318,860

<u>FISCAL IMPACT - State Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
GENERAL REVENUE			
<u>Transfers Out - Missouri Qualified</u>			
Biodiesel Producer Incentive Fund	\$0	\$0	*(\$6,000,000)
<u>Cost - Department of Agriculture</u>			
Monthly Ethanol Grants			
6 Monthly Ethanol Grants (\$8,333)	\$0	\$0	(\$50,000)
<u>Costs - Transfers to State School Moneys</u>	<u>*\$0 to</u> <u>(\$1,042,314)</u>	<u>*\$0 to</u> <u>(\$1,084,007)</u>	<u>*\$0 to</u> <u>(\$1,127,367)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND*	<u>*\$0 to</u> <u>(\$1,042,314)</u>	<u>*\$0 to</u> <u>(\$1,084,007)</u>	<u>*\$0 to</u> <u>(\$7,177,367)</u>

***Subject to appropriations**

GRAPE AND WINE FUND

<u>Transfer In</u> - Grape and Wine Fund	<u>\$1,336,733</u>	<u>\$1,648,516</u>	<u>\$1,697,971</u>
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ESTIMATED NET EFFECT ON GRAPE AND WINE FUND	<u>\$1,336,733</u>	<u>\$1,648,516</u>	<u>\$1,697,971</u>
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**MARKETING DEVELOPMENT
FUND**

<u>Transfer Out</u> - Marketing Development Fund	<u>(\$1,336,733)</u>	<u>(\$1,648,516)</u>	<u>(\$1,697,971)</u>
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ESTIMATED NET EFFECT ON MARKETING DEVELOPMENT FUND	<u>(\$1,336,733)</u>	<u>(\$1,648,516)</u>	<u>(\$1,697,971)</u>
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**MISSOURI QUALIFIED BIODIESEL
PRODUCER INCENTIVE FUND**

<u>Transfers In</u> - General Revenue Fund	\$0	\$0	\$6,000,000
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<u>Cost</u> - Incentive Grants for Production	<u>\$0</u>	<u>\$0</u>	<u>(\$6,000,000)</u>
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ESTIMATED NET EFFECT ON MISSOURI QUALIFIED BIODIESEL PRODUCER INCENTIVE FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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STATE SCHOOL MONEYS FUND

<u>Income</u> - Transfers from General Revenue Fund	\$0 to (\$1,042,314)	\$0 to (\$1,084,007)	\$0 to (\$1,127,367)
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<u>Cost</u> - Distributions to School Districts	<u>\$0 to \$1,042,314</u>	<u>\$0 to \$1,084,007</u>	<u>\$0 to \$1,127,367</u>
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ESTIMATED NET EFFECT ON STATE SCHOOL MONEYS FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
SCHOOL DISTRICTS			
<u>Income</u> - Increased state aid	\$0 to \$1,042,314	\$0 to \$1,084,007	\$0 to \$1,127,367
<u>Costs</u> - difference between market price of diesel and cost of biodiesel	<u>\$0 to</u> <u>(\$1,042,314)</u>	<u>\$0 to</u> <u>(\$1,084,007)</u>	<u>\$0 to</u> <u>(\$1,127,367)</u>
ESTIMATED NET EFFECT ON SCHOOL DISTRICTS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Yes. Small businesses which are biodiesel fuel distributors, manufacturers or retailers and new generation cooperatives could be affected by this proposal.

DESCRIPTION

This act pertains to agriculture.

SECTION 142.029 - The act extends the Missouri qualified ethanol producer incentive fund to expire in 2015.

SECTION 142.031 - New language makes it clear that eligibility for a Missouri qualified producer incentive grant is for sixty months unless such producers fail, within that time frame, due to a lack of appropriations, to receive the full amount from the fund for which they were eligible. In such cases, the producer shall continue to be eligible for up to twenty-four additional months or until they have received the maximum amount of funding for which they were originally eligible.

The amount which each eligible producer can receive has been modified with the act; a total grant equal to thirty cents per gallon for the first fifteen million gallons plus ten cents per gallon for the next fifteen million gallons of qualified biodiesel. All biodiesel produced in excess of thirty million gallons shall not be applied to the computation of the grant.

SECTION 142.815 - The act adds to the circumstances when motor fuel is exempt from the fuel

DESCRIPTION (continued)

tax. Bulk sales of one hundred gallons or more of gas made to farmers and delivered by the ultimate vender to a farm location for agricultural purposes only. The vender may make a claim for the refund under section 142.824 with this act, provided the farmer to which the gasoline was sold provides an exemption certificate. SECTION 144.010 - Includes llamas, alpacas and buffalo to the definition of livestock.

SECTION 144.030 - Adds natural gas, propane and electricity used by an eligible new generation cooperative or processing entity as well as field drain tile, to the list of exemptions from sale and use taxes.

SECTION 196.291 - All sales of foods which are not potentially dangerous, sold by religious, non profit or charitable organizations shall be exempt from food inspection laws.

SECTION 246.005 - Any drainage district, levee district, or drainage and levee district shall have five years after the lapse of the corporate charter to reinstate and extend the time of the corporate existence. This section has an emergency clause.

SECTION 261.241 - Sellers of jams, jellies and honey whose annual sales are less than thirty thousand dollars per domicile shall not be required to construct separate facilities for the manufacturing of such food. Such sellers shall be exempt from health regulations if certain requirements are met. New to this list of requirements is information to be labeled on all jams, jellies and honey sold. Anyone who violates this section may be enjoined by the department of health and senior services.

SECTION 262.820 - Establishes the Missouri Wine and Grape Board.

SECTION 262.823 - The purpose of the board is to further the growth and development of the grape growing industry in the state of Missouri. In order to reach these goals, the board may participate in activities with other groups and organizations to develop better grape varieties, develop research projects, utilize expertise of the board members and experts in the proper fields of study, furnish information and data to grape growers and vintners, and participate in studies, programs, and information dissemination in the areas of sales, promotions, and effective distribution of Missouri wines.

SECTION 262.826 - Definitions

SECTION 262.829 - The principal office of the board will be located in Jefferson City, but it may have offices elsewhere if needed. The board will act as an organization within the Department of Agriculture and will be the sole recipient of funding from the "Missouri Wine and

DESCRIPTION (continued)

Grape Fund".

SECTION 262.832 - No officer or employee shall be considered to have given up his or her office or employment by accepting membership on the board.

SECTION 262.835 - The act provides that the board will have 11 members. Seven of the members will represent the Missouri grape and wine industry, the food service industry, or the medai marketing industry. These members will be current members of the Missouri Grape and Wine Advisory Board. When the terms of these members expire, the seven positions will be filled by having the Governor appoint new members, with the advice and consent of the Senate, for 4 year terms. No appointed board member can serve more than 2 consecutive terms. The board will also have 4 ex officio members, including the President of the Missouri Grape Growers Association, the President of the Missouri Vintners Association, the President of the Missouri Wine Marketing and Research Council, and the Director of the Department of Agriculture. The members shall be voting members and their terms will coincide with the time they hold the elected or appointed office.

SECTION 262.838 - A board member shall be removed from office for malfeasance, willful neglect of duty, or other cause.

SECTION 262.841 - The board members shall annually elect a chairman and a vice chairman.

SECTION 262.844 - The act provides that the board will have 11 members. Seven of the members will represent the Missouri grape and wine industry, the food service industry, or the medai marketing industry. These members will be current members of the Missouri Grape and Wine Advisory Board. When the terms of these members expire, the seven positions will be filled by having the Governor appoint new members, with the advice and consent of the Senate, for 4 year terms. No appointed board member can serve more than 2 consecutive terms. The board will also have 4 ex officio members, including the President of the Missouri Grape Growers Association, the President of the Missouri Vintners Association, the President of the Missouri Wine Marketing and Research Council, and the Director of the Department of Agriculture. The members shall be voting members and their terms will coincide with the time they hold the elected or appointed office.

SECTION 262.847 - The board members will not receive compensation for their duties, but they shall be reimbursed for their expenses.

SECTION 262.850 - The board shall employ an executive director to be paid an amount to be determined by the board, but not to exceed that of the director of the department of agriculture.

DESCRIPTION (continued)

SECTION 262.853 - The director, as secretary, will be responsible for keeping the records of the board.

SECTION 262.856 - To fulfill their goals and duties, the board will have power to:

- Receive and accept aid or contributions for purposes consistent with this act;
- Work with and counsel viticulture and enology experts on the needs of grape producers and wine makers in order to make the best strains of grape varieties;
- Review progress and reports from experts;
- Confer and cooperate with other boards and councils;
- Approve and recommend amendments to these powers; and
- Perform other duties necessary to proper operation of the board.

SECTION 262.859 - The board must submit an annual report to the Governor and General Assembly on the activities of the prior year.

SECTION 265.300 - Adds llamas, alpaca and buffalo to the definition of livestock - section pertaining to meat inspections.

SECTION 267.565 - Adds llamas, alpaca and buffalo to the definition of livestock - section pertaining to livestock disease.

SECTION 268.063 - Directs any information pertaining to premises registration be kept confidential, to be shared with no one except state and federal animal health officials, and shall not be subject to subpoena.

SECTION 276.606 - Adds llamas, alpaca and buffalo to the definition of livestock - section pertaining to livestock dealers.

SECTION 277.020 - Adds llamas, alpaca and buffalo to the definition of livestock - section pertaining to Missouri livestock marketing law.

SECTION 277.200 - Adds llamas, alpaca and buffalo to the definition of livestock - section pertaining to livestock packers.

DESCRIPTION (continued)

VL:LR:OD (12/02)

SECTION 281.040 - Maintains the prohibition on the issuance of a licensing fee but allows for the collection of a fee for the actual cost of the materials necessary to complete the course of instruction required for a certified private applicator's license. The University of Missouri Extension Service shall pay for the materials required for the course of instruction and that such costs shall be reviewed on an annual basis by the directors of both the Department of Agriculture and the Extension service.

SECTION 311.554 - Currently the charges imposed under Section 311.554, RSMo, are deposited to the credit of a separate account in the Marketing Development Fund, created by Section 261.035, RSMo. This act would require such charges to be deposited into the "Missouri Wine and Grape Fund", which is created by this act. There is a six cents per gallon charge for the selling of wine which can only be used for market development in developing programs for growing, selling, and marketing of grapes and grape products grown in Missouri. There is an additional six cent per gallon charge which can only be used for research and advertisement of grapes and grape products in Missouri. The Missouri Wine and Grape Board will receive money from this fund.

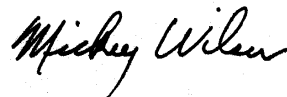
SECTION 348.430 - Removes prohibition for members, owners, investors or lenders of a new generation cooperative to receive agricultural product utilization contributor tax credits.

SECTION 414.433 - Extends the period of time in which school districts can contract with eligible new generation cooperatives to purchase biodiesel fuel - this act extends that time frame to the 2011-2012 school year.

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 Economic Development
State Treasurer's Office
Department of Agriculture
Department of Elementary and Secondary Education



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Director
May 26, 2005