

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1391-01
Bill No.: Perfected HB 458
Subject: Agriculture and Animals; Boards, Commissions, Committees, Councils;
 Agriculture Dept.
Type: Original
Date: April 4, 2011

Bill Summary: This proposal establishes the Missouri Farmland Trust Act to receive donated land to preserve it as farmland and provide beginning farmers an opportunity to farm through low and variable cost leases on the land.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Missouri Farmland Trust Fund	(\$2,500)	Unknown Greater than \$3,791 to (\$2,575)	Unknown Greater than \$7,582 to (\$2,652)
Total Estimated Net Effect on <u>Other</u> State Fund	(\$2,500)	Unknown Greater than \$3,791 to (\$2,575)	Unknown Greater than \$7,582 to (\$2,652)

Numbers within parentheses: () indicate costs or losses. This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on FTE	0	0	0

- Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).
- Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
County Funds	Unknown	\$0 to Unknown	\$0 to Unknown

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Department of Agriculture (AGR)** state this proposed legislation allows individuals and entities to donate, gift, or otherwise convey farmland to the Missouri Department of Agriculture for the purpose of preserving the land as farmland and to give new farmers an opportunity to farm by allowing long term, low and variable cost leases.

AGR states lease revenues from participating beginning farmers will be deposited in the state treasury to the credit of the Missouri Farmland Trust Fund.

AGR states, the department will improve, maintain, operate, and regulate any such donated lands to promote agriculture and the general welfare using moneys in the Missouri Farmland Trust Fund. A board, appointed by the Director, will make recommendations to the Director on the appropriate uses of farmland in the trust, criteria to be used to select applicants for the program, and review and make recommendations regarding applications to lease farmland in the trust. Board members shall serve without financial compensation but, subject to appropriations, may be reimbursed for actual and necessary expenses. Upon appropriation, the department may make payments to counties for the value of land as payment in lieu of real and personal property taxes for privately owned land acquired after 8-28-11.

AGR states, the program will be administered by existing staff. Any program expenses will be paid from lease revenues.

The following assumptions were used to estimate annual program revenues:

Land Donations

The Department of Conservation has a similar program that receives land donated for conservation purposes. Over the most recent five (5) years, they have received an average of 215 donated acres per year.

Although it is difficult to predict whether or not the Missouri Farmland Trust will receive more or less donated land, for the purposes of this fiscal estimate it is assumed the program will receive average donations of 215 acres per year.

ASSUMPTION (Continued)

Lease Revenues

AGR states, recent survey data from the United States Department of Agriculture show the following average rental rates per acre of farmland:

Crop land = \$90 per acre
Pasture land = \$31 per acre

Applying these average rental rates to a typical Missouri farm yields the following revenues:

67% cropland * \$90/acre =	\$60.30 per acre
33% pasture * \$31/acre =	\$10.23 per acre

	\$70.53/acre @ Market Rate

AGR states, the program is intended to attract beginning farmers by allowing long term, low and variable leases, this analysis also assumes the lease rate will be only 25% of market rates in the first five years of the program. These assumptions generate the following annual revenues:

Year 1: 215 acres * \$70.53/acre market rate * 0.25 = \$3,791
Year 2: 430 acres * \$70.53/acre market rate * 0.25 = \$7,582
Year 3: 645 acres * \$70.53/acre market rate * 0.25 = \$11,373
Year 4: 860 acres * \$70.53/acre market rate * 0.25 = \$15,164
Year 5: 1,075 acres * \$70.53/acre market rate * 0.25 = \$18,955

AGR states these estimates are only an example of potential revenues. Actual revenues will be determined by farm acreage donated, market lease rates, and policies of the Farmland Trust Advisory Board.

Oversight assumes in FY12 lease revenue will be \$0 as the program will be new and AGR will be in the process of acquiring land to be donated to the "Missouri Farmland Trust".

ASSUMPTION (Continued)

Oversight assumes the following annual lease revenues for the “Missouri Farmland Trust Fund”.

Year 1: 0 acres * \$70.53/acre market rate * 0.25 = \$0 to could exceed \$0
Year 2: 215 acres * \$70.53/acre market rate * 0.25 = \$0 to could exceed \$3,791
Year 3: 430 acres * \$70.53/acre market rate * 0.25 = \$0 to could exceed \$7,582
Year 4: 645 acres * \$70.53/acre market rate * 0.25 = \$0 to could exceed \$11,373
Year 5: 860 acres * \$70.53/acre market rate * 0.25 = \$0 to could exceed \$15,164
Year 6: 1,075 acres * \$70.53/acre market rate * 0.25 = \$0 to could exceed \$18,955

Oversight assumes if AGR does not receive land into the “Missouri Farmland Trust” then no lease payments would be received.

Oversight assumes in future fiscal years lease payments will be set to equal the fund costs.

Oversight assumes that any administrative or necessary expenses related to this proposal for the “Missouri Farmland Trust Advisory Board” could be paid from revenues received by the “Missouri Farmland Trust Fund” or through existing appropriation.

Officials from the **Office of the Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year’s legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with the core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

Officials at the **State Treasurer’s Office** assumes there is no fiscal impact from this proposed legislation

<u>FISCAL IMPACT - State Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
MO FARMLAND TRUST FUND			
<u>Revenue - Department of Agriculture</u>			
Lease Payments	\$0	\$0 to could exceed \$3,791	\$0 to could exceed \$7,582
<u>Transfer Out - Counties</u>			
Payment in lieu of taxes paid	\$0	\$0 to (Unknown)	\$0 to (Unknown)
<u>Cost - Department of Agriculture</u>			
Board Member Reimbursement	(<u>\$2,500</u>)	(<u>\$2,575</u>)	(<u>\$2,652</u>)
ESTIMATED NET EFFECT ON MO FARMLAND TRUST FUND	<u>(\$2,500)</u>	<u>Unknown Greater than \$3,791 to (\$2,575)</u>	<u>Unknown Greater than \$7,582 to (\$2,652)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
COUNTY FUNDS			
<u>Transfer In - Counties</u>			
Payment in lieu of taxes collected	\$0	\$0 to Unknown	\$0 to Unknown
ESTIMATED NET EFFECT ON COUNTY FUNDS	<u>\$0</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>

FISCAL IMPACT - Small Business

Direct fiscal impact to beginning farmers would be expected as a result of this proposal.

FISCAL DESCRIPTION

This bill establishes the Missouri Farmland Trust Act to allow individuals and entities to donate or otherwise convey farmland to the Department of Agriculture to preserve it as farmland and to assist beginning farmers by allowing long-term low and variable cost leases on the land making it affordable for the next generation of farmers to produce food, fiber, and fuel. The Missouri Farmland Trust is implemented to accomplish the following objectives:

- (1) Protecting and preserving Missouri's farmland;
- (2) Linking new generations of prospective farmers with present farmers; and
- (3) Promoting best practices in environmental, livestock, and land stewardship.

The Missouri Farmland Trust Advisory Board is established within the department to make recommendations to the department director regarding the appropriate uses of farmland in the trust and the criteria for the selection of program participants and to review and make recommendations regarding applications to lease farmland in the trust.

The bill specifies the membership of the board and the terms of its members. The department is authorized to accept or acquire by purchase, lease, donation, or agreement any agricultural lands, easements, or real and personal property including, but not limited to, buildings, structures, improvements, equipment, or facilities subject to preservation and improvement which will be properties of the trust.

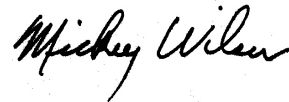
The Missouri Farmland Trust Fund is created consisting of gifts, donations, and appropriations by the General Assembly. Moneys in the fund must be used for the administration of the trust and the maintenance, operation, regulation, and improvement of the trust's assets to promote agriculture and its general welfare. Property acquired by the department must be used exclusively for agricultural purposes and must be farmed and maintained using the best environmental, conservation, and stewardship practices as specified by the department. No beginning farmer can lease farmland in the trust for more than 20 years. Any person or entity donating to or leasing land from the department must release the state from any and all claims, actions, or demands that he or she has now or may have in the future for any injury, death, or property damage related to participation in an activity, any acts connected to the activity, and the condition of the property where the activity occurred.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

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SOURCES OF INFORMATION

Department of Agriculture
State Treasurer's Office
Office of Secretary of State

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive style with a large, prominent 'M' and 'W'.

Mickey Wilson, CPA
Director
April 4, 2011