

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1170-03
Bill No.: Truly Agreed To and Finally Passed SS for SCS for HB 542
Subject: Agriculture and Animals; Agriculture Department; County Government; General Assembly; Taxation and Revenue - Property
Type: Original
Date: June 7, 2013

Bill Summary: This proposal modifies provisions relating to agriculture.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
General Revenue	\$27,495	\$72,325	\$104,825
Total Estimated Net Effect on General Revenue Fund	\$27,495	\$72,325	\$104,825

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 17 pages.

Note: No fiscal impact is shown for § 348.521; however, changes to this section increases the state's overall financial exposure from \$20,000 to \$50,000 per loan if defaulted.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Agriculture Protection*	\$0	\$0	\$0
Urban Agricultural Zone Fund*	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

* Revenues and expenditures net to zero

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
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 2014	FY 2015	FY 2016
Local Government	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)

FISCAL ANALYSIS

ASSUMPTION

§§ 64.196, 323.100 and 413.225 - Propane Meters and Metrology Lab Fees:

Oversight assumes this section of the proposal will increase propane meter fees from \$10/meter to \$25/meter on January 1, 2014 and from \$25 to \$50/meter on January 1, 2015 and from \$50 to \$75/meter on January 1, 2016. The propane meter testing fee will be set at \$75 thereafter.

Officials from the **Department of Agriculture (AGR)** assume the propane meter and metrology laboratory programs will become more self sufficient from fees collected and deposited to the Agriculture Protection Fund (APF) as a result of this section of the proposal. AGR assumes a savings to General Revenue in the amount of the increased fee revenues.

AGR assumes the following changes to propane meter and metrology lab fees.

Propane Meters:

Estimated FY14 revenue increase for APF = 433 propane meters (one-third of total will be inspected in the first 6 months) X \$15/meter additional revenue = \$6,495

- **Total FY14 additional revenues = \$6,495**

Estimated FY15 revenue increase for APF:

- 867 propane meters (two-thirds of total will be inspected at the \$25/meter rate in the first 6 months of the FY) X \$15/meter additional revenue = \$13,005
- 433 propane meters at the \$50/meter rate (one-third of total will be inspected in the last 6 months of the FY) X \$40/meter additional revenue = \$17,320
- **Total FY15 additional revenues = \$30,325**

Estimated FY16 revenue increase for APF:

- 867 propane meters (two-thirds of total will be inspected at the \$50/meter rate in the first 6 months of the FY) X \$40/meter additional revenue = \$34,680
- 433 propane meters at the \$75/meter rate (one-third of total will be inspected in the last 6 months of the FY) X \$65/meter additional revenue = \$28,145
- **Total FY16 additional revenues = \$62,825**

ASSUMPTION (continued)

Metrology Laboratory:

Metrology calibration fees will increase from \$60/hour to \$120/hour on January 1, 2014.

Estimated **FY14** revenue increase for APF = 350 hours X \$60/hour additional revenue = **\$21,000.**

FY 15 and **FY16** revenues = 700 hours X \$60/hour additional revenue = **\$42,000.**

AGR state General Revenue funds used by the metrology laboratory program will decline by the same amounts.

Table 1: Total Revenue Changes for Propane Meter and Metrology Laboratory Programs

	Propane	Metrology	Total
FY 14	\$6,495	\$21,000	\$27,495
FY 15	\$30,325	\$42,000	\$72,325
FY 16	\$62,825	\$42,000	\$104,825

Source: Department of Agriculture

These increased fee revenues will replace General Revenue currently used by AGR to operate these programs.

In response to the previous version of this proposal, officials from the **Office of Administration - Division of Budget and Planning (BAP)** assumed this section of the proposal would allow the Department of Agriculture Director to adjust certain weights and measures fees annually based on the total expenses for administering the programs so that fees will cover the expenses for the following year. This section would have no impact on BAP, but could have an unknown fiscal impact on the 18e calculation and total state revenues.

Oversight assumes the increased fee rates of the propane meter and metrology lab programs will result in a savings to General Revenue equal to the increased fee revenue received by the Agriculture Protection Fund.

This section of the proposal could increase Total State Revenues.

ASSUMPTION (continued)

§ 178.550 - Career and Technical Education Advisory Council:

Officials from the **Department of Elementary and Secondary Education** state that, until the make up of the council is determined, they cannot estimate costs; however, they do not anticipate significant costs.

Officials from **Linn State Technical College** indicated this provision has an unknown fiscal impact.

In response to SCS for SB 17, officials from the **Missouri Senate**, assumed the proposal would not fiscally impact their agency.

Oversight assumes any fiscal impact to community colleges and DESE would only relate to participation on the advisory council which would be minimal and could be absorbed with existing resources.

§ 196.311 - Eggs:

Officials from the **Department of Agriculture** and **Department of Health and Senior Services** each assume this section of the proposal would not fiscally impact their respective agencies.

Oversight assumes there is no direct fiscal impact from this section of the proposal on state or local government funds.

§ 262.598 - University of Missouri Extension Councils:

In response to a similar proposal from this year (TAFP SB 9), **Oversight** received the following responses:

Officials from the **Platte County Board of Election Commissioners** assumed there would be costs for an election for any county conducting an election. Costs per election would range from \$50,000 to \$60,000, depending upon the number of other participants involved in any specific election, as costs would be pro-rated based upon the number of registered voters within each district.

ASSUMPTION (continued)

In response to the introduced bill, officials from the **Kansas City Election Board (KCEB)** stated the cost to conduct a city-wide general municipal election can range up to \$350,000 depending on the number of entities participating and the number of registered voters in each jurisdiction requesting the election. The KCEB would need more information about the size and locations of these "districts" before they could give a more accurate estimate of these costs.

Oversight assumes this part of the proposal is discretionary and would have no local fiscal impact without action by the governing body.

§ 262.900 - Urban Agricultural Zones:

In response to the previous version of this proposal, officials at the **Office of Administration - Budget and Planning** assumed this proposal creates a mechanism for certain municipalities to create Urban Agricultural Zones (UAZ) to encourage agricultural production and community education. This proposal directs sales taxes on products sold within the UAZ into the Urban Agricultural Zone Fund, except those sales taxes that are constitutionally dedicated, or for school districts, or on motor vehicles. Therefore, this proposal will reduce General Revenue by an unknown amount.

BAP assumed real property in the UAZ is to be exempt from assessment and taxation for the first ten years. This proposal could reduce local revenues, including those for schools. This could also reduce Total State Revenue if Blind Pension Fund receipts decline.

Grower-UAZs are provided water at wholesale rates and provided discounts on hook-ups. This may reduce municipal revenues if the municipality is the water provider.

Oversight assumes this substitute limits the sales taxes diverted to the UAZ Fund to local sales taxes and therefore, will not reflect an impact to General Revenue from this part of the proposal.

Officials at the **Department of Agriculture (AGR)** assume the fiscal impact of this proposal is unknown. It is not possible to estimate with any accuracy the number of UAZ that will be formed, their location, the types of agricultural products that will be produced, or the amount of sales tax revenue realized from the sale of products in the UAZ.

ASSUMPTION (continued)

Officials at the **Department of Elementary and Secondary Education (DESE)** assume this proposal appears to allow a person or organization to develop an UAZ (urban agricultural zone) on a blighted area of land within a municipality. Sales tax revenues received from the sale of products sold in the UAZ, with specific exceptions, are deposited in the "Urban Agricultural Zone Fund" to which school districts may apply for funds to be used for the development of curriculum on or the implementation of urban farming practices.

DESE states, in general, tax subsidies reduce the state's tax revenues and decrease the amount of money available for public schools and all public school students. Given the subject matter, "blighted areas" are not likely to reap additional sales tax revenues; however, it is impossible to determine whether the blighted area might have generated revenues independent of this proposal.

DESE states, the impact of this proposal is dependent upon the unknown actions of persons and/or organizations as well as future sales tax revenues which cannot be predicted at this time. Therefore, any impact is unknown.

Officials from the **City of Columbia** state the city provides municipal water service. The city would expect to lose revenue from exemptions on paying water connections and usage fees and loss of property tax revenue, including taxes diverted to the school district.

Officials from the **Department of Social Services** do not expect this section to have a significant impact on revenue to the Blind Pension Fund, which funds Blind Pension payments.

In response to similar legislation filed this year (SB 228), officials at the **City of Kansas City (KC)** stated they are unable to determine the impact of this proposal, but revenue growth can be assumed to exist through increased agricultural activity in the city. With regard to section 4 requiring a municipality to sell water at a wholesale rate and reduce the cost to tap into the water system, this approach would undermine the cost-of-service basis for water rates and potentially result in a \$150 million dollar revenue loss. It would expose the city to an argument that water fees are a tax subject to the Hancock Amendment.

KC assumed while the city would lose sales and real property tax revenues, a project need not be approved if those losses are not offset in their entirety (or exceeded) by increases in other revenues.

Oversight assumes that no city, county, school or other local political subdivision would be affected by this proposal unless an Urban Agricultural Zone (UAZ) was created in their area.

ASSUMPTION (continued)

Oversight assumes it is unclear how many Urban Agricultural Zones would be created in this State. Additionally, any local sales tax revenue generated in the UAZ will be required, per this proposal, to be transferred to the Urban Agricultural Zone Fund. Oversight notes there will be a revenue reduction to political subdivisions and a revenue increase to the UAZ Fund. Since UAZ Fund monies will be distributed to UAZ and UAZ will be political subdivisions, the net sales tax fiscal impact to all subdivisions will be zero.

Oversight assumes that all money received by the Urban Agricultural Zone Fund will be used for administration of this program according to the guidelines established in this proposal.

Oversight assumes this proposal allows for the UAZ to purchase water at wholesale prices. Political subdivisions that own their own water and light departments would be affected by this proposal. Therefore Oversight will show the revenue reduction to Local Political Subdivision Funds as \$0 (no UAZ created) to an Unknown loss.

Oversight notes this section exempts St. Charles County from the provisions of the chapter.

Oversight assumes the creation of this new program outlined in this proposal may have an impact on the overall economy of the state. However, Oversight considers this to be indirect impact of the proposal and will not reflect it in this fiscal note.

§ 267.655 - Missouri Livestock Disease Control and Eradication Law

In response to similar legislation filed this year, HB 927, the following responded:

Officials from the **Office of Administration - Division of Budget and Planning**, stated this section imposes a civil penalty of up to \$1,000 for violations of the Missouri Livestock Disease Control and Eradication Law it could increase Total State Revenue by an unknown amount.

Officials from the **Department of Agriculture**, stated any monies collected through civil penalties would be deposited into the County School Fund.

Oversight assumes the number of cases resulting in additional civil penalties impacting total state revenue would be minimal and, for fiscal note purposes only, show no direct fiscal impact from this section of the proposal.

ASSUMPTION (continued)

§ 348.521 - Livestock Feed and Crop Loan Guarantee:

Officials from the **Department of Agriculture** and **Department of Economic Development** each assumed this section of the proposal would not fiscally impact their respective agencies.

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** assumed this section of the proposal would increase the maximum loan amount for the Livestock Feed and Crop Input Loan Guarantee Program and could impact general revenue if loans are defaulted.

BAP assumed the section does not change current statutory caps limiting the amount to be spent on loan guarantees at \$4 million.

Oversight assumes this section of the proposal permits the Missouri Agricultural and Small Business Development Authority to increase the maximum livestock feed and crop input loan guarantees from \$40,000 to \$100,000.

Oversight assumes in the event of a default on a livestock feed and crop input loan, the State of Missouri will provide a 50% first loss guarantee for the purchase of livestock feed used to produce livestock or inputs used to produce livestock feed. Currently the state liability is \$20,000 per loan and this section of the proposal will increase the state's liability to \$50,000 per loan.

Oversight assumes any livestock feed and crop input loan default would have a direct impact on the state General Revenue Fund. However, since the program's inception, no loan default has occurred. Therefore, **Oversight** assumes no direct fiscal impact on state or local government funds, but this section of the proposal would increase the state's overall financial exposure.

§ 640.725 - Monitoring of Flush System Animal Waste Wet Handling Facilities:

Officials from the **Department of Natural Resources (DNR)** assume this provision requires the owner or operator of any flush system animal waste wet handling facility to visually inspect the system once per week.

Oversight assumes this provision would not have a material fiscal impact to DNR or local political subdivisions. Therefore, Oversight will not reflect a fiscal impact from this provision.

ASSUMPTION (continued)

§ 644.052 - Fees for Modifications to Water Permits:

Officials from the **Department of Natural Resources (DNR)** assume the actual amount of change in permit fee revenue is unknown due to the actual number of facilities and types of facilities that would submit these changes in future years.

Oversight assumes this provision would not have a material fiscal impact to DNR or local political subdivisions. Therefore, Oversight will not reflect impact in the fiscal note from this provision.

Bill as a Whole:

Officials from the **Office of Governor** assume there should be no added cost to the Governor's Office as a result of this measure. However, if additional duties are placed on the office related to appointments in other TAFP legislation, there may be the need for additional staff resources in future years.

Officials from the **Department of Revenue (DOR)** assume an IT fiscal impact of \$36,355 calculated on 1,344 FTE hours to implement the provisions of this proposal.

Oversight assumes DOR is provided with core funding to handle a certain amount of computer programming activity each year. Oversight assumes DOR could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, DOR could request funding through the appropriation process.

Officials from the **Department of Elementary and Secondary Education (DESE)** state there is no anticipated state cost to the foundation formula associated with this proposal.

DESE assumes to the extent fine revenues exceed 2004-2005 collections, any increase in this money distributed to school districts increases the deduction in the foundation formula the following year.

ASSUMPTION (continued)

DESE states the affected districts will see an equal decrease in the amount of funding received through the formula the following year; unless the affected districts are hold-harmless, in which case the districts will not see a decrease in the amount of funding received through the formula (any increase in fine money distributed to the hold-harmless districts will simply be additional money). An increase in the deduction (all other factors remaining constant) reduces the cost to the state of funding the formula.

Officials from the **University of Central Missouri, State Treasurer's Office, Department of Economic Development, Department of Health and Senior Services, Parkway School District, Linn State Technical College,** and the **University of Missouri** each assume the proposal would not fiscally impact their respective agencies.

<u>FISCAL IMPACT - State Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
GENERAL REVENUE FUND			
<u>Savings - AGR</u>			
§§ 323.100 and 413.225 - Reduced general revenue appropriation for weights and measures programs	<u>\$27,495</u>	<u>\$72,325</u>	<u>\$104,825</u>
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>\$27,495</u>	<u>\$72,325</u>	<u>\$104,825</u>

Note: No fiscal impact is shown for § 348.521; however, changes to this section increases the state's overall financial exposure from \$20,000 to \$50,000 per loan if defaulted.

**AGRICULTURE PROTECTION
FUND**

<u>Revenue - AGR</u>			
§§ 323.100 and 413.225 - Increased fee revenue for Propane Meters and Metrology lab programs	\$27,495	\$72,325	\$104,825
<u>Loss - AGR</u>			
§§ 323.100 and 413.225 - Less funding from General Revenue for operating expense of Propane Meters and Metrology lab programs	<u>(\$27,495)</u>	<u>(\$72,325)</u>	<u>(\$104,825)</u>
ESTIMATED NET EFFECT ON THE AGRICULTURE PROTECTION FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - State Government</u>	FY 2014	FY 2015	FY 2016
(continued)	(10 Mo.)		

**URBAN AGRICULTURAL ZONE
 FUND**

<u>Revenue</u> - § 262.900 - collection of local sales taxes in the UAZ	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
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<u>Cost</u> - § 262.900 - administration of the program	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>
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ESTIMATED NET EFFECT ON THE URBAN AGRICULTURAL ZONE FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2014	FY 2015	FY 2016
	(10 Mo.)		

LOCAL POLITICAL SUBDIVISIONS

<u>Revenue Reduction</u> - Local Political Subdivisions	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>
§ 262.900 - Loss of property taxes, and water sold at wholesale prices (UAZ's)			

ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>
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FISCAL IMPACT - Small Business

§ 196.311 - Eggs:

Small business farmers that sell such eggs could be positively impacted as a result of this provision.

§ 262.900 - Urban Agricultural Zones:

Small businesses participating in the UAZ could be positively impacted as a result of this provision.

§§ 323.100 and 413.225 - Propane Meters and Metrology Lab Fees:

Small businesses that pay metrology and propane meter fees will now pay these fees at a higher rate.

§ 348.521 - Livestock Feed and Crop Loan Guarantee:

Direct fiscal impact to small business farmers could result from this section of the proposal.

FISCAL DESCRIPTION

§ 262.900 - Urban Agricultural Zones:

This proposal authorizes a person or organization to apply to an incorporated municipality to develop an urban agricultural zone (UAZ) on a blighted area of land.

§§ 323.100 and 413.225 - Propane Meters and Metrology Lab Fees:

This section of the proposal sets the testing fees of all meters used for the measurement and sale of liquefied petroleum gas at \$10. On January 1, 2014, the fee will increase to \$25, and the fee will increase to \$50 on January 1, 2015. On January 1, 2016, and thereafter, the fee will be set up to \$75. The Director must also publish any change to the testing fee schedule on the departmental website.

This section of the proposal also allows fees collected for registration, inspection, and calibration to be deposited into the Agriculture Protection Fund. Laboratory fees for metrology calibrations will be computed to the nearest 1/4 hour rather than the nearest hour and set.

FISCAL DESCRIPTION (continued)

On January 1, 2014, the fee rate will be set at a rate to not yield more revenue than the total cost of operating the metrology laboratory, but not more than \$125, during the ensuing year. The Director must also publish any change to the testing fee schedule on the departmental website.

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 Agriculture
Department of Social Services
Department of Revenue
Department of Elementary and Secondary Education
Department of Health and Senior Services
Office of Administration - Division of Budget and Planning
Department of Natural Resources
Office of Governor
Department of Economic Development
Department of Higher Education
Office of State Courts Administrator
Office of Secretary of State
Missouri Tax Commission
State Treasurer's Office
Missouri Senate
University of Missouri
University of Central Missouri
Missouri State University
Linn State Technical College
City of Columbia
City of Kansas City
City of Kansas City Election Board
St. Louis County
Platte County Board of Election Commissioners
Parkway School District



Ross Strope
Acting Director
June 7, 2013