

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5021-01
Bill No.: HB 1326
Subject: Agriculture and Animals; Agriculture Department; Department of Higher Education
Type: Original
Date: January 21, 2014

Bill Summary: This proposal establishes the Missouri Dairy and Agriculture Education Act.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue*	(Up to \$1,076,853)	(Up to \$1,076,853)	(Up to \$1,076,853)
Total Estimated Net Effect on General Revenue Fund	(Up to \$1,076,853)	(Up to \$1,076,853)	(Up to \$1,076,853)

* If the Federal Farm Bill does not pass General Revenue costs would be (Up to \$8,000,000) in each fiscal year.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
AGRICULTURE EDUCATION SCHOLARSHIP PROGRAM FUND*	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

* Transfer in from General Revenue equals costs of scholarships

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
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 2015	FY 2016	FY 2017
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

§ 261.270 - Dairy Producer Margin Insurance Program:

Officials from the **Department of Agriculture (AGR)** assume that there will be a Federal Farm Bill and that the Federal Farm Bill will include a Dairy Margin Insurance Program.

AGR assumes that the Federal Dairy Margin Insurance Program would cover those margins up to and including \$4.00/cwt. cwt = 100 pounds

AGR assumes the state program will cover up to \$6.50/cwt and based on the assumed premium rate of \$.09/cwt. The program allows a dairy farmer to enroll at up to 90% level of his production not to exceed 4,000,000 pounds.

AGR assumes a maximum program cost up to \$1,076,853 based on the following criteria.

- 2013 Missouri Milk production totaled 13,294,482 cwt (over 13.2 billion lbs.)
- 90% program level enrollment of all Missouri dairy farmers
- \$.09/cwt state premium rate paid to cover the additional insurance margin from \$4.00/cwt (Federal level) to the state level margin of \$6.50/cwt.

$13,294,482 \text{ cwt} \times 90\% \times \$0.09/\text{cwt} = \$1,076,853$

Oversight assumes this proposal will provide additional assistance to Missouri dairy farmers enrolled in the Federal Dairy Margin Insurance Program. The state will pay additional dairy margin insurance premiums of dairy farmers for the purpose of guaranteeing certain income margins for milk produced.

Oversight assumes state premium payments will be paid based on the number of dairy farmers who enroll in the insurance program and at what level of insurance they enroll.

Oversight will show a cost to General Revenue up to \$1,076,853 if the Federal Farm Bill passes, and a cost up to \$8,000,000, to administer the program, should the Federal Farm Bill not pass.

ASSUMPTION (continued)

§ 261.275 - Missouri Agriculture Education Scholarship Program:

AGR assumes 25 - \$500 per semester scholarships would be given to 2 year students, and 75 - \$1,000 per semester scholarships would be given to 4 year students.

AGR assumes an annual cost of \$175,000, but makes no assumptions in regards to those students who might not maintain eligibility.

AGR has not included any provision for payback of scholarship funds if the student does not work in Missouri for the required number of years.

Officials from the **University of Central Missouri** estimate this proposal will have no direct fiscal impact on the university, except any increased enrollment that may result from the additional scholarship funds.

Officials from the **Department of Higher Education, State Treasurer's Office, University of Missouri, Missouri State University** and **Northwest Missouri State University** each assume the proposal would not fiscally impact their respective universities.

Oversight assumes any increase in enrollment or additional scholarship funds at 2 year and 4 year Missouri colleges and universities from this proposal would be an indirect impact and will not be reflected in the fiscal note.

Oversight assumes the scholarships would be paid from revenues generated by state taxes paid by the dairy industry transferred from General Revenue.

Oversight assumes scholarship funds received will be administered and distributed from the Agriculture Education Scholarship Program Fund.

Bill as a Whole:

Officials from the **Southeast Missouri State University** did not respond to **Oversight's** request for fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
GENERAL REVENUE FUND			
<u>Costs - AGR</u>			
§ 261.270 - Margin Insurance Program*	(Up to \$1,076,853)	(Up to \$1,076,853)	(Up to \$1,076,853)
<u>Transfer Out - to Agriculture Education Scholarship Program Fund</u>			
§ 261.275 - Scholarships	<u>(\$175,000)</u>	<u>(\$175,000)</u>	<u>(\$175,000)</u>
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	<u>(Up to \$1,251,853)</u>	<u>(Up to \$1,251,853)</u>	<u>(Up to \$1,251,853)</u>

* If the Federal Farm Bill does not pass General Revenue costs would be **(Up to \$8,000,000)** in each fiscal year.

**AGRICULTURE EDUCATION
SCHOLARSHIP PROGRAM FUND**

<u>Transfer In - from General Revenue</u>			
§ 261.275 - Scholarships	\$175,000	\$175,000	\$175,000
<u>Costs - AGR</u>			
§ 261.275 - Scholarships	<u>(\$175,000)</u>	<u>(\$175,000)</u>	<u>(\$175,000)</u>
ESTIMATED NET EFFECT TO THE AGRICULTURE EDUCATION SCHOLARSHIP PROGRAM FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

§ 261.270 - Dairy Producer Margin Insurance Program:

Direct fiscal impact to small business dairy farmers would be expected as a result of this proposal.

FISCAL DESCRIPTION

§ 261.270 - Dairy Producer Margin Insurance Program:

This proposal establishes the Missouri Dairy and Agriculture Education Act that requires the Department of Agriculture to administer, through the Missouri Agricultural and Small Business Development Authority, a dairy producer margin insurance program for the purpose of protecting dairy producer income by paying participating dairy producers margin insurance payments when actual dairy producer margins are less than the threshold levels for payments.

All dairy producers in the state must be eligible to participate in the program, and any participating dairy producer may annually purchase margin insurance.

§ 261.275 - Missouri Agriculture Education Scholarship Program:

This proposal establishes upon appropriation, scholarships for eligible students who enter an agriculture education program and make a commitment to work in the agriculture industry in Missouri as a condition of receiving the scholarship.

Subject to appropriation, each year the department must make available up to 100 two-year or four-year Missouri agriculture education scholarships in an amount set by the department to assist with the cost of tuition and fees at a two-year or four-year Missouri college or university.

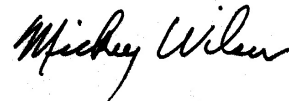
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Agriculture
Department of Higher Education
State Treasurer's Office
University of Missouri
University of Central Missouri
Missouri State University
Northwest Missouri State University

Not Responding:

Southeast Missouri State University



Mickey Wilson, CPA
Director
January 21, 2014

Ross Strobe
Assistant Director
January 21, 2014