

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5904-04
Bill No.: Perfected SS for SCS for SB 850
Subject: Social Services Department; Public Assistance; Agriculture and Animals;
 Taxation and Revenue - Sales and Use; Agriculture Department; Conservation
 Department
Type: Original
Date: April 15, 2014

Bill Summary: This proposal establishes a SNAP food stamps pilot project to encourage purchases of fresh food at farmer's markets.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	(Unknown to More than \$100,000)	(Unknown to More than \$100,000)	(Unknown to More than \$100,000)
Total Estimated Net Effect on General Revenue Fund	(Unknown to More than \$100,000)	(Unknown to More than \$100,000)	(Unknown to More than \$100,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Conservation Commission	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)
Parks, and Soil and Water	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)
School District Trust	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)
Total Estimated Net Effect on <u>Other</u> State Funds	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)

Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains 12 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	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Department of Social Services (DSS) - Family Support Division (FSD)** assume the use of food stamp benefits at farmers' markets is currently supported by the federal government and Missouri follows that policy. Establishing a pilot program within the DSS is subject to appropriations in this legislation. The food stamp program is entirely federally funded. This legislation proposes a dollar for dollar match with Supplemental Nutrition Assistance Program (SNAP) benefits for every SNAP dollar spent in an amount up to ten dollars per week.

Farmers' markets are not uniquely identifiable in the Fidelity Information Services (FIS) ebtEDGE system, all retailers are the same. FIS cannot identify what the cardholder bought at the farmers market. Location and amount are captured in the EBT system, but there is no mechanism to capture individual items purchased. Receipts would need to be submitted from each participant. State staff would review the receipts and determine the dollar match. Once approved, the FSD would notify FIS. To automatically trigger a match, FIS would need funding up front.

FIS will have to program to identify the authorized markets, monitor the transactions at those specific markets, and determine the amount of funds the cardholders should receive as a reimbursement, move the funds to the cardholder, and collect that amount from the state. In addition, system updates would be needed to add a new fund code to accept the state dollar-for-dollar match.

The FSD anticipates additional costs associated with FIS, similar to the Summer Electronic Benefit Transfer for Children (SEBTC) program. Initial start up costs to do the SEBTC program was \$34,785. Benefit authorizations would need to be manually entered through the ebtEdge (administrative terminal) system by FSD staff during the pilot program. If fully implemented, batch processes to transmit to Missouri's EBT contractor, FIS, will need to be created by the Family Assistance Management Information System (FAMIS) very similar to what is used today for Food Stamps (SNAP) and Temporary Assistance (TA).

In December 2013, there were 413,953 households in Missouri receiving food stamps. Using the assumption that this program would run for 20 weeks at ten dollars per week for each household, even if 327 households take advantage of the pilot program, appropriations needed are greater than \$100,000 (327 families x \$10 x 20 weeks = \$65,400); (\$65,400 + \$34,785 start up costs = \$100,185). Therefore, the appropriations needed to fund this program are unknown, but greater than \$100,000 annually.

ASSUMPTION (continued)

In the introduced version of this proposal, FSD did not include any staff to manage this new program. However, after further review, FSD believes the need for additional staff could be met with temporary staff hired through the Statewide Professional Service Contract for Temporary Personnel. FSD anticipates additional costs for temporary full-time staff at the rate of one (1) temporary clerical staff for every 150 participants to determine the individual is an active Food Stamp (FS) participant, receive the receipts, determine if the items purchased qualify for the match, determine the dollar amount of qualifying purchases, authorize the match payment, and inform participants of any denied payments. FSD also has a need for one (1) staff at the level of an Executive I or above to oversee the program. FSD anticipates these staff will work 20 weeks at 40 hours per week from May through September. Through the Statewide Contract, the average hourly rate for an Executive I is \$14.85 per hours and the average hourly rate for an Office Support Assistant (OSA) is \$9.90 per hour. Therefore, it is estimated temporary staff expenses would be \$27,720 (2 FTE OSA + 1 FTE Executive I).

Officials from the **Office of Administration (OA) - Division of Budget and Planning (BAP)** state this proposal provides a tax exemption on sales at farmers markets. According to information available in 2013 from the USDA, MO had about 141 of the 7,175 national farmers markets, or about 2.0%. The same source estimates national sales at over \$1.2B annually. Using these figures suggests MO sales of about \$24M annually. Some of these sales are probably already exempt, but the amount is unknown. A state sales tax exemption may reduce general and total state revenues (and impact 18e calculations) by the following amounts:

<u>Fund</u>	<u>Amount</u>
General Revenue	\$720,000
School District Trust	\$240,000
Conservation Commission	\$30,000
Parks, and Soil and Water	\$20,000

Additionally, this proposal requires the Department of Social Services (DSS) to establish a pilot program in which SNAP recipients receive a dollar-for-dollar match for every SNAP dollar spent at a farmer's market or vending Urban Agricultural Zone (UAZ) up to \$10 per week. BAP will defer to the DSS on the cost of implementation of this pilot program. However, according to USDA data, \$1,272,938 in SNAP benefits were redeemed at farmers markets in Missouri in FFY12 (Federal Fiscal Year October 1 - September 30).

Current law prohibits state and local governments from increasing property taxes on a UAZ beyond the amounts that were due on such property for the year preceding the year in which it was designated. Expanding the definition of processing UAZs to include produce processing facilities could increase the number of entities qualifying for such treatment and thereby reduce state property tax revenues to the Blind Pension Fund, potentially affecting Total State Revenue (TSR) and 18e.

ASSUMPTION (continued)

Finally, the current law provides that Department of Revenue (DOR) retain in GR for the costs of collection 1% of any local sales tax revenues from the sales of agricultural products in a UAZ deposited into the Urban Agricultural Zone Fund. The proposal expands the definition of processing UAZs, potentially increasing the number of such UAZs that also make agricultural product sales. It additionally provides that agricultural product sales taxes received by mobile units associated with vending UAZs will be deposited into the UAZ Fund. As deposits to the UAZ Fund increase, the amount retained by DOR for collection costs will increase, impacting TSR calculations.

Officials from the **Missouri Department of Conservation (MDC)** state the proposal will have an unknown negative fiscal impact, but less than \$100,000 on MDC funds. The Conservation Sales Tax funds are derived from one-eighth of one percent sales and use tax pursuant to Article IV Section 43(a) of the Missouri Constitution. Exempting products sold at farmers' markets from sales tax will decrease sales tax collected and thus would decrease revenue to the Conservation Sales Tax funds. The department assumes the Department of Revenue would be better able to estimate the anticipated fiscal impact that would result from this proposal.

Officials from the **Department of Revenue (DOR)** provided that according to a study by the Missouri Department of Agriculture, which provided an estimate of annual sales at Missouri farmers' markets of \$14.5 million. The report stated most of the sales are food related and currently taxed at the reduced food sales tax rate. DOR officials estimated the state sales tax loss at \$228,000, and noted that local governments would also have a negative impact.

DOR officials also provide the following:

§144.527 - Sales tax exemptions

The legislation specifically exempts from state and local sales and use taxes under sections 32.085, 144.010 to 144.525, 144.600 to 144.761, and 238.235 all sales of farm products sold at farmers' markets. Subsection 4 specifies that the provisions of this section do not apply to those persons or entities with annual sales of \$25,000 from participation in farmers' markets.

§208.018 - SNAP Program

The legislation requires the Department of Social Services to create a pilot program for providing SNAP participants with access, and ability, fresh food at farmers' markets.

§262.900 - Urban Agricultural Zones

Subdivision (11) adds a definition for "Mobile Unit." The legislation modifies subsection 12 to include local sales tax revenues from the sale of agricultural products sold by a mobile unit associated with a vending UAZ. Monies deposited in the UAZ Fund provide 50% for school districts and the other 50% for the municipalities.

ASSUMPTION (continued)

Administrative Impact:

ITSD-DOR: 320 hours

Sales Tax

 Splitting funds: 40 hours

 New distribution: 240 hours

 Report: 40 hours

Oversight assumes the Information Technology Services Division (ITSD) - DOR can absorb the minimal administrative impact of this proposal.

Officials from the **City of Columbia** assume the proposal will have a minimal fiscal impact from the sales tax exemption. Since Columbia has no Urban Agricultural Zone (UAZ), there is no impact related to this provision unless a UAZ is established.

Officials from the **Department of Agriculture**, the **Joint Commission on Administrative Rules**, and **St. Louis County** each assume the proposal would not fiscally impact their respective agencies.

Officials from the **Office of 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 Secretary of State's office 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 this is a small amount and does not expect that additional funding would be required to meet these costs. However, it is also recognized 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 within its 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.

ASSUMPTION (continued)

Oversight assumptions:

Oversight assumes the fiscal impact of this proposal on \$14.5 million annual sales, as estimated by the Department of Agriculture study referred to by the DOR above, could be calculated as follows.

<u>Fund or entity</u>	<u>Sales Tax Rate</u>	<u>Revenue Reduction</u>	
		<u>Annual</u>	<u>Ten Months</u>
School District Trust	1.000%	\$145,000	\$120,833
Conservation Commission	0.125%	\$18,125	\$15,104
Parks, and Soil and Water	0.100%	\$14,500	\$12,083
Local Governments *	3.700%	\$536,500	\$447,083

* The 3.7% average rate for local governments was computed by Oversight based on collections reported by the Department of Revenue.

For fiscal note purposes, **Oversight** will include an unknown revenue reduction for the General Revenue Fund since a substantial but unknown part of the reported sales are food and related items which are subject only to the 1% sales tax; none of that 1% tax is deposited into the General Revenue Fund.

Oversight will include a revenue reduction less than \$100,000 per year for the Conservation Commission Fund and the Parks, and Soil and Water Fund. Oversight notes that the revenue reduction for the School District Trust Fund would result in reduced transfers to local school districts in addition to the direct revenue reduction greater than \$100,000 per year for local governments, but will not include those transfers in this fiscal note.

Senate Amendment No. 1

Officials from the **Department of Agriculture**, the **Department of Revenue**, the **Joint Commission on Administrative Rules**, and the **Missouri Department of Conservation** each assume the amendment would not fiscally impact their respective agencies.

Oversight assumes the amendment will not fiscally impact the Department of Social Services or the Office of Secretary of State.

ASSUMPTION (continued)

Officials from the following **cities**: Ashland, Belton, Bernie, Bonne Terre, Boonville, California, Cape Girardeau, Clayton, Dardenne Prairie, Excelsior Springs, Florissant, Frontenac, Fulton, Gladstone, Grandview, Harrisonville, Independence, Jefferson City, Joplin, Kansas City, Kearney, Knob Noster, Ladue, Lake Ozark, Lebanon, Lee Summit, Liberty, Louisiana, Maryland Heights, Maryville, Mexico, Monett, Neosho, O’Fallon, Pacific, Peculiar, Popular Bluff, Raytown, Republic, Richmond, Rolla, Sedalia, Springfield, St. Charles, St. Joseph, St. Louis, St. Robert, Sugar Creek, Sullivan, Warrensburg, Warrenton, Webb City, Weldon Spring and West Plains did not respond to **Oversight’s** request for statement of fiscal impact.

Officials from the following **counties**: Andrew, Audrain, Barry, Bates, Boone, Buchanan, Callaway, Camden, Cape Girardeau, Carroll, Cass, Clay, Cole, Cooper, DeKalb, Franklin, Greene, Holt, Jackson, Jefferson, Johnson, Knox, Laclede, Lawrence, Lincoln, Marion, Miller, Moniteau, Monroe, Montgomery, New Madrid, Nodaway, Ozark, Perry, Pettis, Phelps, Platte, Pulaski, Scott, St. Charles, St. Francois, Taney, Warren, Wayne and Worth did not respond to **Oversight’s** request for a statement of fiscal impact.

This proposal will impact total state revenue.

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
GENERAL REVENUE FUND			
<u>Revenue reduction - DOR (\$144.527)</u>			
Sales Tax exemption	(Unknown)	(Unknown)	(Unknown)
<u>Costs - DSS-FSD (\$208.018)</u>			
Start up and pilot project costs	\$0 to <u>(Unknown, greater than \$100,000)</u>	\$0 to <u>(Unknown, greater than \$100,000)</u>	\$0 to <u>(Unknown, greater than \$100,000)</u>
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>(Unknown to More than \$100,000)</u>	<u>(Unknown to More than \$100,000)</u>	<u>(Unknown to More than \$100,000)</u>

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
CONSERVATION COMMISSION FUND			
<u>Revenue reduction - DOR (\$144.527)</u>			
Sales Tax exemption	<u>(Less than \$100,000)</u>	<u>(Less than \$100,000)</u>	<u>(Less than \$100,000)</u>
ESTIMATED NET EFFECT ON THE CONSERVATION COMMISSION FUND	<u>(Less than \$100,000)</u>	<u>(Less than \$100,000)</u>	<u>(Less than \$100,000)</u>
PARKS AND SOIL AND WATER FUND			
<u>Revenue reduction - DOR (\$144.527)</u>			
Sales Tax exemption	<u>(Less than \$100,000)</u>	<u>(Less than \$100,000)</u>	<u>(Less than \$100,000)</u>
ESTIMATED NET EFFECT ON THE PARKS AND SOIL AND WATER FUND	<u>(Less than \$100,000)</u>	<u>(Less than \$100,000)</u>	<u>(Less than \$100,000)</u>
SCHOOL DISTRICT TRUST FUND			
<u>Revenue reduction - DOR (\$144.527)</u>			
Sales Tax exemption	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>
ESTIMATED NET EFFECT ON THE SCHOOL DISTRICT TRUST FUND	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
LOCAL GOVERNMENTS			
<u>Revenue reduction - DOR (\$144.527)</u>			
Sales Tax exemption	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>

FISCAL IMPACT - Small Business

This proposal would have a direct fiscal impact to small businesses which operate farmers' markets or sell specified items at farmers' markets.

FISCAL DESCRIPTION

SALES AND USE TAX EXCEPTION (144.527)

This proposal creates a sales and use tax exemption for farm products sold at farmers' markets. The exemption does not apply to farm products sold by persons or entities with sales of at least \$25,000 from participating in farmers' markets.

SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM (208.018)

Subject to appropriations, this proposal requires the Department of Social Services to establish a pilot program for the purpose of providing Supplemental Nutrition Assistance Program (SNAP) participants with access and the ability to afford fresh fruit, vegetables, meat, fish, poultry, eggs, and honey when purchasing fresh produce at farmers' markets and vending urban agricultural zones.

Under the pilot program, such participants shall be able to purchase fresh produce with SNAP benefits with an electronic benefit transfer (EBT) card and receive a dollar-for-dollar match for every SNAP dollar spent at a participating vendor in an amount up to ten dollars per week whenever the participant purchases fresh produce with an EBT card.

FISCAL DESCRIPTION (continued)

In addition, purchases of approved fresh produce by SNAP participants under this proposal shall automatically trigger matching funds reimbursement into the vendor accounts by the Department.

The Department shall be required to promulgate rules setting forth the procedures and methods of implementing this proposal. This program shall sunset on August 28, 2020.

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 Revenue
Department of Social Services
Joint Commission on Administrative Rules
Missouri Department of Conservation
Office of Administration -
 Division of Budget and Planning
Office of Secretary of State
St. Louis County
City of Columbia

Mickey Wilson, CPA
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April 15, 2014



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