

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0110-02
Bill No.: SB 12
Subject: Agriculture and Animals; Agriculture Department; Appropriations; Bonds - Surety; Business & Commerce; County Government; Higher Education; Insurance - General; Liability; Licenses - Professional; Transportation; Veterinarians
Type: Original
Date: January 16, 2015

Bill Summary: This proposal modifies provisions relating to agriculture.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	Up to (\$2,436,364 - \$4,699,013)	Up to (\$2,210,906 - \$4,473,555)	Up to (\$2,212,102 \$4,474,751)
Total Estimated Net Effect on General Revenue	Up to (\$2,436,364 - \$4,699,013)	Up to (\$2,210,906 - \$4,473,555)	Up to (\$2,212,102 \$4,474,751)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 16 pages.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Missouri Dairy Industry Revitalization*	\$0	\$0	\$0
Colleges & Universities**	\$0	\$0	\$0
Road Fund	(Over \$100,000)	(Over \$100,000)	(Over \$100,000)
Total Estimated Net Effect on <u>Other</u> State Funds	(Over \$100,000)	(Over \$100,000)	(Over \$100,000)

*Transfers in from General Revenue equal transfers out

**Revenues and expenditures net to zero

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on FTE	0	0	0

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Community Colleges*	\$0	\$0	\$0

*Revenues and expenditures net to zero

FISCAL ANALYSIS

ASSUMPTION

§ 261.275, 261.290 - Dairy Industry Revitalization and Sales Tax Annual Studies:

Officials from the **University of Missouri (MU)** assume this provision would require MU to determine annually an estimated revenue stream from the dairy product sales tax revenue. MU would purchase scanner data related to the Kansas City and St. Louis metro areas and then scale that information to a Missouri estimate. MU estimates dairy industry sales tax research would cost \$25,000 annually.

MU assumes this provision requires MU to work with the Missouri Agricultural Small Business Development Authority (MASBDA) to do annual risk management training. MU estimates training to cost \$50,000 annually.

MU assumed this provision requires the University to conduct an annual study of the dairy industry to work on dairy industry revitalization. MU estimates the dairy industry revitalization study to cost \$750,000 annually.

University of Missouri Annual Expenses from this proposal:

Dairy Industry Sales Tax Study:	\$25,000
Risk Management Training:	\$50,000
Dairy Industry Revitalization Study:	\$750,000
<u>Total</u>	<u>\$825,000</u>

Oversight assumes this section of the proposal requires the University of Missouri Commercial Agriculture Program to conduct an annual study of the dairy industry for how to grow and enhance the dairy and dairy processing industries in Missouri. Costs of the annual study would be paid from the Missouri Dairy Industry Revitalization Fund.

Officials from the **Department of Revenue (DOR)** state dairy products are sold at a reduced sales tax rate of 1.225% unless the dairy product is sold at a restaurant which is taxed at the higher state sales tax rate of 4.225%.

DOR states sales tax revenues from the sale of dairy products at the reduced sales tax rate of 1.225% from grocery and convenience stores is dedicated to the following funds.

ASSUMPTION (continued)

Dairy Sales Tax Distribution:

School District Trust Fund:	1%
Conservation Fund:	0.125%
<u>Soil, Parks, and Water Fund:</u>	<u>0.100%</u>
Total	1.225%

DOR stated the following total dairy sales reported by Standard Industry Classification Codes (SIC) in 2013.

Dairy Farms	\$113,895
Dairy Products	\$10,493,680
Dairy Product Stores	\$64,477,720

Oversight assumes all programs in this proposal would be paid from General Revenue transferred to the Missouri Dairy Industry Revitalization Fund beginning in FY16.

§§ 261.270, 261.280, 261.295 - Dairy Producer Margin Insurance Program:

Officials from the **Department of Agriculture (AGR)** assume that operational cost of the program will be covered by application fees. If not, MASBDA would need \$20,000 for expense and equipment to administer the program.

AGR assumes current staffing would be able to handle any additional workload from this provision.

AGR assumes the continued operation of dairies in Missouri will have a positive impact on revenues generated for the program and there will be adequate revenue from the sale of dairy products as defined in Section 196.525 and 196.931, RSMo.

AGR assumes Dairy Margin Insurance Program Reimbursement costs would be \$938,084, however maximum participation costs could reach \$3,200,733.

ASSUMPTION (continued)

AGR assumes program costs are based on the following criteria.

- 2013 Missouri Milk production totaled 13,294,482 cwt (over 13.2 billion lbs.)
- 75% of the milk produced comes from herds producing less than 4 million lbs.
- 25% of the milk produced comes from herds producing more than 4 million lbs.
- 90% of production will be insured by Missouri dairy farmers.
- A margin of \$6.50 for the cost of premiums.
- Less than 4 million lbs of milk, the premium is \$0.09/cwt at \$6.50 margin.
- More than 4 million lbs of milk, the premium is \$0.29/cwt at \$6.50 margin.
- 80% of Missouri dairies will participate in the program.

AGR has provided the following formula as a basis for program costs at \$6.50 margin.

$13,294,482 \text{ cwt} \times 75\% \times .90\% \times (\$0.09 \times 70\%) \$0.063) + (13,294,482 \times 25\% \times .90\% \times (\$.29 \times 70\%) \$0.2030) = \$1,172,605.06 \times 80\% \text{ participation} = \$938,084$

AGR has provided the following formula as a basis for program costs at \$8.00 margin.

- Less than 4 million lbs of milk, the premium is \$0.475/cwt at \$8.00 margin.
- More than 4 million lbs of milk, the premium is \$1.36/cwt at \$8.00 margin.
- 80% of Missouri dairies will participate in the program.

$13,294,482 \text{ cwt} \times 75\% \times .90\% \times (\$0.475 \times 70\%) \$0.3325) + (13,294,482 \times 25\% \times .90\% \times (\$.34 \text{ maximum reimbursement})) = \$4,000,917 \times 80\% \text{ participation} = \$3,200,733$

Oversight assumes this provision 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, transferred to the Missouri Dairy Industry Revitalization fund, between \$938,084 and \$3,200,733 dependent upon program participation.

For the purpose of the fiscal note, **Oversight** will assume any expense and equipment costs to AGR could be absorbed by the department if it is not permitted to collect an application fee.

ASSUMPTION (continued)

§§ 261.270, 261.285, 261.295 - Missouri Dairy Scholars Program:

Officials from the **Department of Agriculture (AGR)** assumes 80 - \$5,000 annual scholarships would be awarded.

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.

Oversight assumes funding will be made available by AGR to award 80 - \$5,000 scholarships to assist with tuition and fees at two or four year universities, within Missouri, for eligible students.

Oversight assumes it is unknown how many students will apply and meet eligibility requirements for the scholarship program.

Oversight will show a cost to General Revenue, transferred to the Missouri Dairy Industry Revitalization fund, up to \$400,000. If all scholarships are used (80 x \$5,000) = \$400,000

Officials from the **University of Central Missouri (UCM)** estimate this provision could have a positive fiscal impact on the University in the form of encouraging increased enrollment in UCM's agriculture programs.

Officials from **Missouri State University** assume this provision may have a positive fiscal impact on the University, however the specific amount cannot be determined and quantified.

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

§ 275.352 - Beef Commodity Merchandising Fees:

Officials from the **Department of Agriculture** assume this provision would not fiscally impact their agency.

Officials from the **Office of Administration - Division of Budget and Planning** assume this provision will have no direct fiscal impact on total state revenue.

ASSUMPTION (continued)

§ 277.040 - Livestock Marketing Law Fees:

Officials from the **Office of Administration - Division of Budget and Planning** assume this provision would limit the revenue of fees collected to no more than the total costs of administering the Missouri Livestock Marketing Law. This could impact total state revenues and the state's Article X, Section 18(e) calculation. These fees are deposited into the Livestock Sales and Markets Fund; in FY13 expenditures from the fund totaled \$9,093 and revenues in FY14 totaled \$9,000.

Officials from the **Department of Agriculture**, and the **State Treasurer's Office** each assume this provision would not fiscally impact their respective agencies.

§ 281.065 - Commercial Pesticide Applicators:

Officials from the **Department of Agriculture**, the **Department of Natural Resources**, and the **Department of Insurance, Financial Institutions and Professional Registration** each assume this provision would not fiscally impact their respective agencies.

Oversight assumes this provision will have no direct fiscal impact on state or local government funds.

§304.180 - Weight Limitations on Vehicles Hauling Milk & Livestock:

Officials from the **Department of Transportation (MoDOT)** assume an unknown negative impact to the Road Fund from the increased cost of additional wear and tear to the highways and bridges from this provision.

Oversight will estimate a cost to the Road Fund of "(Over \$100,000)", since MoDOT has no way to quantify the dollar amount of additional wear and tear to the highways and bridges for additional maintenance.

ASSUMPTION (continued)

§ 414.300 - Fuel Labeling:

Officials from the **Department of Agriculture (AGR)** assume the fiscal impact of this provision is unknown. The Weights and Measures Division will need to confer with stakeholders to discuss and develop rules for renewable fuels and the labeling of motor fuel pumps.

Oversight assumes AGR will absorb any costs related to this provision with existing administrative staff.

§§ 442.571, 442.586 - Foreign Ownership of Agricultural Land:

Officials from the **Department of Agriculture**, the **Office of State Courts Administrator**, the **Missouri Tax Commission**, **Office of the Attorney General**, **Monroe County**, and **St. Louis County** each assume this provision would not fiscally impact their respective agencies.

Oversight assumes this provision will have no direct fiscal impact on state or local government funds.

§ 537.325 - Liability for Livestock Activities:

Officials from the **Department of Agriculture** assume this provision would not fiscally impact their agency.

Oversight assumes this provision expands the limited liability to a livestock sponsor, a livestock owner, a livestock facility and a livestock auction market for injuries or death from accidents associated with livestock activities. There is no direct fiscal impact from this provision on state or local government funds.

ASSUMPTION (continued)

Bill as a Whole:

Officials from the **Department of Agriculture (AGR)** assume every new IT project for this proposal will be bid out because current ITSD resources are at full capacity.

AGR assumes this proposal would require web development processes for two public applications, customer portal, internal workflow processes, and back office solution of low to moderate complexity to assist in the monitoring and awarding of grants and scholarships. Costs for implementation of these changes from the General Revenue Fund are estimated to be \$273,280 in FY16, \$47,822 in FY17, and \$49,018 in FY18.

Officials from the **Department of Revenue, Department of Conservation, Department of Natural Resources, State Treasurer's Office, Office of the Attorney General, and the University of Missouri Western** each assume the proposal would not fiscally impact their respective agencies.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
GENERAL REVENUE FUND			
<u>Costs - AGR</u>			
§ 261.280 - Margin Insurance Program	(\$938,084 - \$3,200,733)	(\$938,084 - \$3,200,733)	(\$938,084 - \$3,200,733)
<u>Costs - AGR</u>			
§ 261.285 - Agriculture Scholarships	Up to (\$400,000)	Up to (\$400,000)	Up to (\$400,000)
<u>Costs - AGR</u>			
§ 261.275, 261.290 - Dairy Industry Revitalization and Sales Tax Annual Studies:	(\$825,000)	(\$825,000)	(\$825,000)
<u>Costs - AGR</u>			
§§ 261.275, 261.280, 261.285 - ITSD	<u>(\$273,280)</u>	<u>(\$47,822)</u>	<u>(\$49,018)</u>
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	Up to (\$2,436,364 - <u>\$4,699,013</u>)	Up to (\$2,210,906 - <u>\$4,473,555</u>)	Up to (\$2,212,102 <u>\$4,474,751</u>)

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2016 (10 Mo.)	FY 2017	FY 2018
MISSOURI DAIRY INDUSTRY REVITALIZATION FUND			
<u>Transfer In</u> - from General Revenue			
§ 261.280 - Margin Insurance Program	\$938,084 - \$3,200,733	\$938,084 - \$3,200,733	\$938,084 - \$3,200,733
<u>Transfer Out</u> - Dairy Producers			
§ 261.280 - Margin Insurance Program	(\$938,084 - \$3,200,733)	(\$938,084 - \$3,200,733)	(\$938,084 - \$3,200,733)
<u>Transfer In</u> - from General Revenue			
§ 261.285 - Scholarships	Up to \$400,000	Up to \$400,000	Up to \$400,000
<u>Transfer Out</u> - Colleges/Universities			
§ 261.285 - Scholarships	(Up to \$400,000)	(Up to \$400,000)	(Up to \$400,000)
<u>Transfer In</u> - from General Revenue			
§§ 261.275, 261.290 - Dairy Industry Revitalization and Sales Tax Annual Studies	\$825,000	\$825,000	\$825,000
<u>Transfer Out</u> - University of Missouri			
§§ 261.275, 261.290 - Dairy Industry Revitalization and Sales Tax Annual Studies	<u>(\$825,000)</u>	<u>(\$825,000)</u>	<u>(\$825,000)</u>
ESTIMATED NET EFFECT TO THE MISSOURI DAIRY INDUSTRY REVITALIZATION FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - State Government
 (continued)
COLLEGES & UNIVERSITIES

Revenue - from Missouri Dairy Industry
 Revitalization Fund
 § 261.285 - Agriculture Scholarships Up to \$400,000 Up to \$400,000 Up to \$400,000

Costs - Eligible Students
 § 261.285 - Agriculture Scholarships (Up to \$400,000) (Up to \$400,000) (Up to \$400,000)

Revenue - from Missouri Dairy Industry
 Revitalization Fund
 §§ 261.275, 261.290 - Dairy Industry
 Revitalization and Sales Tax Annual
 Studies Reimbursement \$825,000 \$825,000 \$825,000

Costs - University of Missouri
 §§ 261.275, 261.290 - Dairy Industry
 Revitalization and Sales Tax Annual
 Studies (\$825,000) (\$825,000) (\$825,000)

**ESTIMATED NET EFFECT ON
 COLLEGES & UNIVERSITIES** **\$0** **\$0** **\$0**

ROAD FUND

Cost - DHT
 § 304.180 - Increased Maintenance (Over \$100,000) (Over \$100,000) (Over \$100,000)

**ESTIMATED NET EFFECT TO THE
 ROAD FUND** **(Over \$100,000)** **(Over \$100,000)** **(Over \$100,000)**

<u>FISCAL IMPACT - Local Government</u>	FY 2016	FY 2017	FY 2018
	(10 Mo.)		
COMMUNITY COLLEGES			
<u>Revenue</u> - from Missouri Dairy Industry Revitalization Fund			
§ 261.285 - Agriculture Scholarships	Up to \$400,000	Up to \$400,000	Up to \$400,000
<u>Costs</u> - Eligible Students			
§ 261.285 - Agriculture Scholarships	(Up to <u>\$400,000</u>)	(Up to <u>\$400,000</u>)	(Up to <u>\$400,000</u>)
ESTIMATED NET EFFECT ON COMMUNITY COLLEGES	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

§§ 261.270, 261.280 - Dairy Producer Margin Insurance Program:

Direct fiscal impact to small business dairy farmers by ensuring some amount of margin on production costs would be expected as a result of this provision.

§ 281.065 - Commercial Pesticide Applicators:

Direct fiscal impact to small business pesticide applicators could be expected as a result of this proposal.

§304.180 - Weight Limitations on Vehicles Hauling Milk & Livestock:

Small businesses that haul large loads of livestock and/or agriculture products could be impacted by this provision.

§ 537.325 - Liability for Livestock Activities:

This provision would provide small business livestock farmers, livestock facilities, and livestock auction markets an expanded limited liability for livestock activities, which may lower their insurance rates and provide them protection in a lawsuit.

FISCAL DESCRIPTION

§§ 261.270, 261.280 - Dairy Producer Margin Insurance Program:

This section of the 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.

§§ 261.270, 261.285, 261.295 - Missouri Dairy Scholars Program:

This section of the 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.

§§ 261.275, 261.290 - Dairy Industry Revitalization and Sales Tax Annual Studies:

This section of the proposal requires the University of Missouri's Commercial Agriculture Program to conduct research annually on the estimated state sales tax revenue generated from dairy products. Such estimated sales tax revenue shall be provided to the Department of Agriculture. Additionally, Commercial Agriculture Program will conduct an annual study of the dairy industry and develop a plan for how to grow dairy industries in Missouri. The plan will be delivered to certain members of the General Assembly

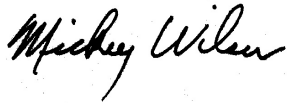
§304.180 - Weight Limitations on Vehicles Hauling Milk & Livestock:

This provision adds grain, grain co-products, and livestock to the current milk exemption for weight limitations on highways, and applies such exemption to all highways with the exception of Interstates.

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
Office of the Attorney General
Office of Administration -
 Division of Budget and Planning
Department of Transportation
Department of Natural Resources
Department of Conservation
State Treasurer's Office
University of Missouri
Missouri State University
University of Central Missouri



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