COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0219-04
Bill No.: HCS for SCS for SB 131
Subject: Agriculture and Animals; Transportation
Type: Original
Date: May 5, 2015

Bill Summary: This proposal changes the laws regarding agriculture.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
FUND AFFECTED	FY 2016	FY 2017	FY 2018	Fully Implemented (FY 2022)
General Revenue*	($487,752) up to ($7,490,647)	($235,760) up to ($6,632,655)	($239,095) up to ($6,635,990)	($251,410) up to ($1,857,410)
Total Estimated Net Effect on General Revenue	**($487,752) up to ($7,490,647)**	**($235,760) up to ($6,632,655)**	**($239,095) up to ($6,635,990)**	**($251,410) up to ($1,857,410)**

***The tax credit created in this proposal shares a $1,000,000 annual cap with the Alternative Fuel Infrastructure tax credit implemented in 2014 from SB 729.**

Note: The fiscal note does not reflect the possibility that some of the tax credits could be utilized by insurance companies against insurance premium taxes. If this occurs, the loss in tax revenue would be split between the General Revenue Fund and the County Foreign Insurance Fund, which ultimately goes to local school districts.

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 24 pages.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2016	FY 2017	FY 2018	Fully Implemented (FY 2022)
Petroleum Inspection Fund	Up to $692,188	Up to $1,375,418	Up to $1,354,787	Up to $2,125,518
Road Fund	(Over $100,000)	(Over $100,000)	(Over $100,000)	(Over $100,000)
Colleges & Universities	$0 to (Unknown)	$0 to (Unknown)	$0 to (Unknown)	**$0 to (Unknown)**
Total Estimated Net Effect on Other State Funds	**Less than $598,182**	**Less than $1,275,418**	**Less than $1,254,787**	**Less than $2,025,518**

ESTIMATED NET EFFECT ON FEDERAL FUNDS				
FUND AFFECTED	FY 2016	FY 2017	FY 2018	Fully Implemented (FY 2022)
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)				
FUND AFFECTED	FY 2016	FY 2017	FY 2018	Fully Implemented (FY 2022)
General Revenue	2 FTE	2 FTE	2 FTE	2 FTE
Total Estimated Net Effect on FTE	2 FTE	2 FTE	2 FTE	2 FTE

☒ 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	Fully Implemented (FY 2022)
Local Government	**$0**	**$0**	**$0**	**$0**

FISCAL ANALYSIS

ASSUMPTION

Sections 135.710 - 135.711

Officials from the **Department of Insurance, Financial Institutions and Professional Registration (DIFP)** assume an unknown reduction of premium tax revenue as a result of the authorization of the qualified alternative fuel vehicles tax credit is possible. Premium tax revenue is split 50/50 between General Revenue and County Foreign Insurance Fund except for domestic Stock Property and Casualty Companies who pay premium tax to the County Stock Fund. The County Foreign Insurance Fund is later distributed to school districts throughout the state. County Stock Funds are later distributed to the school district and county treasurer of the county in which the principal office of the insurer is located. It is unknown how each of these funds may be impacted by tax credits each year.

DIFP officials assume the trail of tax credits issuance, changes, and balances are to be captured within current electronic tax credit systems. DIFP assumes no new hardware or software purchases are expected however, contractor labor will be required at a cost of $4,212.

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

Oversight notes the tax credit created in this proposal shares a $1,000,000 cap with the Alternative Fuel Infrastructure tax credit created in 2014 from SB 729. SB 729 reauthorized the Alternative Fuel Infrastructure tax credit for calendar years 2015 to 2017 and allows persons installing and operating an alternative fuel refueling property to be eligible for an income tax credit. A cap of one million dollars per year was set for the tax credit. Under this proposal, the cumulative amount of tax credit which may be claimed by eligible applicants claiming all credits authorized under §135.710 (Alternative Fuel Infrastructure tax credit) and §135.711 shall not exceed $1,000,000.

Oversight notes the cumulative amount of tax credits which may be claimed by eligible applicants claiming all credits authorized in this proposal shall not exceed $1,000,000 in any calendar year. Therefore, Oversight will show the impact as $0 (no credits claimed) to the maximum $1,000,000.

ASSUMPTION (continued)

Officials from the **Department of Revenue (DOR)** assume beginning January 1, 2015, the legislation allows a taxpayer a tax credit for purchasing a new qualified alternative fuel vehicle or converting a pre-owned vehicle to a qualified alternative fuel vehicle. The legislation allows tax credits based on three different categories of vehicle weight. Subsection 4 of this bill establishes an aggregate amount not to exceed one million dollars in a fiscal year.

Administrative Impact

The Department requires form and programming changes.

The Personal Tax Division will require one (1) Revenue Processing Technicians I for tax credit redemption and tax credit transfers.

The Corporate Tax Division will require three (3) Revenue Processing Technicians I (Range 10, Step L) for tax credits redeemed, error correction, and additional correspondence.

The proposed language will require 1342.44 hours of OA-ITSD software updates at a cost of $100,683 in FY 2016.

Oversight assumes the responsibilities of this proposal can be handled by one additional FTE. Should DOR see an increase in tax credit redemptions, DOR can seek additional resources through the appropriation process.

Oversight has, for fiscal note purposes only, changed the starting salary for the one Revenue Processing Technician I ($25,884) to correspond to the second step above minimum for comparable positions in the state's merit system pay grid. This decision reflects a study of actual starting salaries for new state employees over the last six months and policy of the Oversight Subcommittee of the Joint Committee on Legislative Research.

In response to similar legislation from 2015 (HB 1005), officials at the **Office of Administration's Division of Budget and Planning (BAP)** assumed this proposal would create a tax credit for taxpayers that purchase a new qualified alternative fuel vehicle or convert a previously purchased vehicle into a qualified alternative fuel vehicle, beginning January 1, 2015. These tax credits and those in §135.710 RSMo. are capped at an aggregate of $1,000,000 per calendar year. These tax credits are subject to appropriation. This proposal could therefore reduce General and Total State Revenues by up to this amount annually.

ASSUMPTION (continued)

§142.029 - Economic Subsidies for Fuel Ethanol Producers:

In response to a similar proposal (HB 854) from this year, officials from the **Office of Administration - Division of Budget and Planning (B&P)** assumed the proposal would eliminate the sunset for the Missouri Qualified Producer Incentive Program. The last payment to a qualified ethanol producer occurred in FY13. It is unknown how many ethanol production facilities may be established and qualify as a qualified ethanol producers in the future. A general revenue transfer to the Missouri Qualified Fuel Ethanol Producer Incentive Fund is used to pay for these incentives.

B&P assumes an unknown cost to the General Revenue Fund from this proposal.

In response to a similar proposal (HB 854) from this year, officials from the **Department of Agriculture (AGR)** noted all existing ethanol producers in Missouri have already qualified and received funding subsidies for the 60 month time period they were eligible under the Ethanol Producer Incentive Program. AGR state they are unaware of any plans for new construction of either traditional corn or biomass-based ethanol plants in Missouri.

AGR assumes the removal of the sunset date does allow for the possibility of additional ethanol incentives at some time in the future. AGR assumes a fiscal impact of $0 to an unknown cost from this proposal.

AGR provided the following total Missouri Ethanol Production and Payment information from FY00 - FY13.

ASSUMPTION (continued)

Fiscal Year	Production	Payments
00	1,810,801	$364,259
01	22,523,273	$4,524,989
02	40,011,740	$4,905,706
03	43,464,260	$3,093,748
04	59,793,540	$3,576,485
05	79,436,946	$5,340,834
06	110,834,572	$8,102,393
07	154,485,337	$13,687,990
08	187,820,705	$9,191,905
09	222,019,498	$12,500,000
10	254,072,540	$13,366,382
11	260,167,086	$9,375,000
12	254,044,088	$8,802,378
13	257,623,905	$4,790,895
Total	**1,948,208,290**	**$101,622,967**

Source: Department of Agriculture

Oversight assumes this proposal would permit additional appropriations from the General Revenue Fund after the expiration date (12/31/15) for new construction of corn or biomass ethanol producers. For the purpose of the fiscal note, Oversight will show $0 (no new construction) or a cost up to ($4,790,895), the most recent ethanol incentive payment paid from general revenue in FY13, if new construction occurs and incentives are passed.

In response to a similar proposal, officials from the **Department of Transportation** and the **Department of Revenue** each assumed the proposal would not fiscally impact their respective agencies.

Section 143.121.3(10)

DOR assumes effective January 1, 2014, the legislation in this section of the proposal allows a subtraction from the federal adjusted gross income of the amount of income an agricultural producer receives to compensate for losses because of disaster, emergency, or decline in market prices. The provisions in Subdivision (10) allow for the subtraction from the taxpayer's federal adjusted gross income to the extent the taxpayer included the payment in his or her federal adjusted gross income.

ASSUMPTION (continued)

Administrative Impact

The Personal Tax Division requires two (2) Revenue Processing Technicians I (Range 10, Step L) for additional correspondence and error correction.

DOR officials assume the proposed language in this section will require 504.36 hours of OA-ITSD software updates at a cost of $37,827 in FY 2016.

In response to a similar proposal (HCS for HB 771) from this year, officials from the **Office of Administration - Division of Budget and Planning (BAP)** assumed a previous version of this proposal would reduce Total State Revenues (TSR) by $4.6 million and would impact the calculation required under Article X, Section 18(e) of the state constitution.

The amended proposal would allow a taxpayer to deduct from Missouri adjusted gross income any payments from a federal program that provides compensation to agricultural producers who have suffered losses due to a disaster or emergency. The amendment removed language from the proposal that included federal crop insurance in the payments that would be eligible for the deduction.

Using data provided by the United States Department of Agriculture, BAP officials estimated this would exempt as much as $76.4 million in income. Since deductions do not reduce taxes on a dollar for dollar basis, BAP officials assume this would reduce TSR by ($76,400,000 x 6%) = $4.6 million (rounded). Because the proposal would allow the deduction for 2014, the full impact in fiscal year 2016 could be as much as $9.2 million since refund claims for 2014 as well as tax returns for 2015 would be filed in FY 2016. BAP officials also assume the revenue reduction numbers could also vary in the future due to the impact of SB 509 (2014).

Oversight notes the BAP estimate is based on an assumption that all such payments would be subject to the maximum personal income tax rate of 6% for FY 2016 and FY 2017, and a potentially reduced rate for FY 2018. Oversight also notes the reduced rate for 2017 returns filed in FY 2018 is contingent on net general revenue collections exceeding a net general revenue collections threshold which may or may not occur. Finally, some of the payments may be received by individuals who would be taxed at a lower rate due to total taxable income less than $9,000.

The DOR estimate of administrative cost to implement the proposal including two additional employees and the related benefits, equipment, and expense, was $81,681 for FY 2016, $84,086 for FY 2017, and $84,960 for FY 2018.

ASSUMPTION (continued)

Oversight notes this proposal would change a limited number of computations on a limited number of income tax returns and would not be expected to have a significant impact on the number of returns filed. Oversight notes a significantly high percentage of income tax returns are prepared online, electronically, or by paid preparers, and assumes there would not be a significant number of additional errors resulting from the changes in this proposal. Oversight assumes existing DOR staffing would be adequate to implement this proposal. If unanticipated additional costs are incurred or if multiple proposals are implemented that increase DOR costs or the workload for DOR employees, resources could be requested through the budget process.

IT impact

DOR officials also provided an estimate of the IT cost to implement the proposal of $37,827 based on 504 hours of programming at the current state contract rate of $75 to make changes to DOR systems.

Oversight will include the DOR estimate of IT cost to implement this proposal in the fiscal note.

In response to a similar proposal (HCS for HB 771) from this year, officials from the **University of Missouri, Economic and Policy Analysis Research Center** provided a response which indicated the proposal would result in a revenue reduction up to $850,000 per year based on a baseline simulation using the latest individual income tax data for 2013 and current provisions, and a second simulation using the same data and provisions with the exclusion of agricultural disaster program payments.

In response to a similar proposal (HCS for HB 771) from this year, officials from the **Office of the Secretary of State**, the **Joint Committee on Administrative Rules**, and the **Department of Agriculture** assumed a previous version of this proposal would not have a fiscal impact to their organizations.

ASSUMPTION (continued)

Oversight assumption

Oversight has obtained updated information from the United States Department of Agriculture which indicates the payments which would be eligible for this exemption would amount to approximately $10.1 million per year. This would imply a revenue reduction of approximately ($10,100,000 x 6%) = $606,000 per year.

Oversight notes the limited amount of federal payments which would be eligible for this exemption is due to the expiration of federal funding for certain programs for years after 2011. Individual federal programs could be re-authorized in the future and/or expanded which would increase the amount of payments eligible for this program and the resulting state revenue reduction.

Accordingly, Oversight will include the revenue reduction estimate calculated above for this proposal, and notes the revenue reduction could be more or less than the calculated amount in the future. Oversight assumes the fiscal impact in FY 2016 could include two years' refund claims since the proposal would allow the exemption for 2014 and 2015 on tax returns which would be filed in FY 2016.

Oversight also notes the potential exists for a reduction in the personal income tax rates for 2017, which would have a fiscal impact in FY 2018 when 2017 income tax returns are filed. The rate reduction is contingent on net general revenue collections for the state of Missouri exceeding a statutory threshold, which may or may not occur.

Section 261.320 - Agri-Ready County Designation Program:

Officials from the **Department of Agriculture (AGR)** assume this proposal will require AGR to develop an application and review procedures for the Agri-Ready County Designation program.

AGR would need to verify requirements of the program for each county in the initial application and annually thereafter.

AGR assumes this proposal will require AGR to work with counties on the application process and develop a logo, signs, website, and on-line forms for the Agri-Ready County Designation program.

AGR assumes the following estimated costs to implement and coordinate this program.

One Agriculture Manager Band 2 with an annual salary of ($50,000)

ASSUMPTION (continued)

Signs (approximately 5 per county) - ($15,000)
Logo Development and Messaging - ($5,000)
In-State Travel - ($10,000)
Supplies - ($10,000)
Professional Development - ($5,000)
Communication Services - ($1,810)
Office Equipment - ($6,124)

AGR estimates ITSD costs of ($186,907) in FY16 to implement the program. Ongoing ITSD costs would be ($40,151) in FY16 and ($41,097) in FY17.

Sections 266.301, 266.311, 266.331, 266.336, 266.343, 266.347 - Fertilizer Control Board:

In response to a similar proposal (SCS for HB 100) from this year, officials from the **University of Missouri (MU)** assumed the revenue generated from the program would be collected by the Director of the Missouri Agricultural Experiment Station (AES).

MU assumes that the expenditure authority would move from the AES Director to the newly formed Fertilizer Control Board. These changes could influence how much of the revenue flows through university programs/activities and result in a negative fiscal impact to MU. AES provided the following FY14 revenue figures for the program.

Revenue	Fertilizer Fees
Tonnage Fees	$1,068,263
Audits	$3,330
Permit Fees	$142,700
Deficiency Payments	$13,687
Late Payment Fees	$10,986
Total Revenue	$1,238,967

Oversight assumes this proposal changes the revenue and expenditure decision making authority from the AES Director to the newly formed Fertilizer Control Board. Ths fiscal impact of this proposal would be $0 to an (unknown) cost, dependent on the decisions made by the newly formed Fertilizer Control Board.

ASSUMPTION (continued)

In response to a similar proposal (SCS for HB 100) from this year, officials from the **Office of Administration - Division of Budget and Planning (B&P)** stated current law authorizes fertilizer permit fees to be set within prescribed statutory limits by the director of the Missouri Agricultural Experiment Station at the University of Missouri-Columbia College of Agriculture, Food and Natural Resources.

B&P assumes this proposal transfers that power to a new control board to replace the program's current advisory board. The new board would have no more latitude to set fees than is currently the case for the director. This transfer of power should not affect calculations either for 18e or TSR.

B&P assumes current law also establishes how penalties for noncompliance are to be calculated. The proposal leaves those provisions in place, but does place new upper limits on the amount of penalties that can be assessed per year and per offense. These upper limits would not affect 18e calculations but could decrease TSR calculations by an unknown amount. B&P defers to the University of Missouri-Columbia for an estimate of the proposal's fiscal impact.

Oversight assumes section 266.343 of this proposal limits the total penalties that can be assessed to a fertilizer distributor to no more than $5,000 per year, or the amount of the current value of the plant food deficiency, whichever is greater. A fertilizer distributor, who knowingly violates the provisions of law relating to fertilizers, could be assessed a penalty of not more than $25,000 for each offense. Oversight will not reflect a direct fiscal impact from this provision.

Section 267.169.2

Officials from the **Attorney General's Office (AGO)** assume this section of the proposal allows any entity or person alleging a violation of this section to bring a civil action against a state agency which the AGO may be obligated to defend. Any potential costs arising from this proposal can be absorbed with existing resources. The AGO may seek additional appropriations if the proposal results in a significant increase in cases.

Section 301.010

Officials from the **Department of Revenue (DOR)** assumes the proposed legislation in this section expands the definition of a "local log truck" and "local log tuck tractor" by adding "any form or type" of harvested forest products. These definitions also expand the radius they can operate from 100 to 200 miles.

ASSUMPTION (continued)

Administrative Impact

The proposed language will require procedure changes by a Management Analyst Specialist I, at a cost of $890.

Oversight assumes DOR is provided with core funding to handle a certain amount of 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.

Revenue Impact

DOR assumes this legislation broadens the definition of a "local log truck" and a "local log truck tractor". The registration fee for a local log truck or truck tractor is less than that of a standard local property-carrying commercial motor vehicle registered at 72,000 lbs and above. Due to the fact that this legislation broadens what qualifies for a local log truck or truck tractor, there may be a slight decrease in registration fees. After discussing this proposal with Missouri Department of Transportation, it's not clear how many trucks will be considered a local log truck or local log truck tractor. Any decrease in revenue is a loss to the Missouri Department of Transportation's highway funding.

Section 304.180 - Weight Limitations on certain vehicles:

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.

Section 351.120 - Farming Corporation Registration Report Requirements:

In response to a similar proposal (HB 233) from this year, officials from the **Office of Secretary of State (SOS)** assumed this proposal would exempt Authorized Farm Corporations and Family Farm Corporations from filing annual registration reports with a $45 fee if no registration information has changed.

ASSUMPTION (continued)

SOS notes there are approximately 765 Authorized Farm Corporations and Family Farm Corporations in good standing in Missouri. SOS would anticipate 40% of those companies will not file an annual or biennial report in the first year, and 85% of the qualifying corporations not filing an annual or biennial report in subsequent years.

SOS assumes they would have to contract with a vendor to change the automated processes performed by SOS business software. This would include removing certain notifications sent to businesses about annual report requirements. SOS anticipates a cost of $30,000 to their Technology Trust Fund to change the current software operated by the Business Services Division.

SOS also estimates losses of $14,000 from the report filing fees in the first year and $30,000 in subsequent years.

Section 414.082 - Per Barrel Fee for Inspection of Motor Fuels:

DOR assumes the rate charged for inspections until December 31, 2015, is two and one-half cents ($0.025) per barrel. Between January 1, 2015, and December 31, 2020, the rate charged for the inspection of gasoline, blended fuels, and kerosene cannot exceed four cents ($0.04) per barrel. The maximum amount after that is set at five cents ($0.05) per barrel.

Administrative Impact

Excise Tax

The rate charged in this legislation can be adjusted annually, requiring updates to forms, rate notification to approximately 490 licensed suppliers and distributors, and minor programming changes to the motor fuel tax system. Additionally, regulation 12 CSR 10-7.190 requires revision.

The proposed language will require 79.92 hours of OA-ITSD software updates at a cost of $5,994 in FY 2016.

Officials from the **Department of Agriculture (AGR)** assume this proposal allows the petroleum inspection fee to be adjusted, if needed, by the Department of Revenue so that revenues from the inspection fee equal the costs of the petroleum inspection program.

ASSUMPTION (continued)

AGR notes revenues have been declining by an average of 1.5% annually for the last several years due to decreasing gasoline consumption as a result of increasing fuel economy of newer vehicles. The program would be unable to inspect fueling stations twice a year as required by state statute. Retailers and consumers could lose an estimated ($3,000,000) per year from inaccurate dispensers if inspections are not maintained.

AGR assumed that there will continue to be a one month lag between the fees assessed and the Department of Revenue's actual collection and deposit of revenues into the petroleum inspection fund (e.g. fees assessed in January 2016 are not deposited into the inspection fee fund until February 2016). AGR estimated a 3.5 cent per 50-gallon barrel inspection fee may be necessary (effective 1-1-16) in order to maintain the current level of services provided by the program.

AGR assumed if the adjustment allowed by this proposal is needed, the revenue estimates would be as follows: See Table 1 for current fee revenue and Table 2 for fee revenue from this proposal.

Table 1: Current Per Barrel Fees for Inspection of Motor Fuels

Current	FY15 Revenue	Projected FY16 Revenue	Projected FY17 Revenue	Projected FY18 Revenue
Annual	$2,362,714	$2,327,273	$2,292,364	$2,257,978
Per Month	$196,893	$193,939	$191,030	$188,165

Source: Department of Agriculture

Table 2: Per Barrel Fees for Inspection of Motor Fuels from SCS for SB 520 - Effective 01/01/16

Under SCS for SB 520	FY15 Revenue	Projected FY16 Revenue	Projected FY17 Revenue	Projected FY18 Revenue
Annual	Not applicable	Not applicable	$2,674,425	$3,161,170
Difference	Not applicable	Not applicable	$382,061	$903,191

Oversight assumes currently, the fee for the inspection of certain motor fuels for the Department of Agriculture is used for expenses to administer the program. The fee cannot be less than 1.5 cents per barrel and cannot exceed 2.5 cents per barrel. The Department of Revenue (DOR) sets the per barrel fee, after receiving an expense report from AGR, for the ensuing calendar year. DOR sets the fee to not yield revenue greater than the costs of administering the program.

<u>ASSUMPTION</u> (continued)

Oversight notes, according to the State Treasurer's Office, the balance of the Petroleum Inspection Fund (0662) was $1,359,777.62 on March 31, 2015. March receipts to the fund totaled $203,620.67 and disbursements totaled ($133,622.36).

Utilizing AGR's estimate of 1.5% reduction in utilization, **Oversight** assumes the following potential impact of the proposal:

Year	Projected Revenue at current 2.5 cents rate	Projected Barrels (assuming 1.5% decline)	Maximum Charge per barrel allowed in the proposal	Potential new revenue estimates	Projected possible additional Revenue
FY 2015	$2,362,714	94,508,550	.025		
FY 2016	$2,327,273	93,090,922	.04 (at 1/1/2016)	$3,723,637	$698,182
FY 2017	$2,292,364	91,694,558	.04	$3,667,782	$1,375,418
FY 2018	$2,257,978	90,319,139	.04	$3,612,766	$1,354,787
FY 2019	$2,224,109	88,964,352	.04	$3,558,574	$1,334,465
FY 2020	$2,190,747	87,629,887	.04	$3,505,195	$1,314,448
FY 2021	$2,157,886	86,315,439	.05 (at 1/1/2021)	$3,884,195	$1,726,309
FY 2022	$2,125,518	85,020,707	.05	$4,251,035	$2,125,518

Oversight will range the fiscal impact of this proposal as "Up To" the amounts reflected above. The Department of Revenue has the ability to charge a fee up to the new maximums.

Oversight will reflect 6 months of potential impact in FY 2016, or $698,182 ($1,396,364 * 6/12).

<u>Bill as a Whole:</u>

Officials from the **Department of Natural Resources**, the **Department of Economic Development**, the **Office of the State Treasurer**, the **Department of Health and Senior Services** and the **Office of the State Courts Administrator** each assume the proposal will have no fiscal impact on their respective organizations.

ASSUMPTION (continued)

Officials from the **Missouri Department of Conservation** assume an unknown fiscal impact to their organization.

In response to a previous version, officials from the **University of Missouri** and the **University of Central Missouri** each assumed the proposal will have no fiscal impact on their respective organizations.

FISCAL IMPACT - State Government	FY 2016 (10 Mo.)	FY 2017	FY 2018	Fully Implemented (FY 2022)
GENERAL REVENUE FUND				
Revenue Reduction - §135.711 - Creation of tax credit for alternative fuel vehicles*	$0 to ($1,000,000)	$0 to ($1,000,000)	$0 to ($1,000,000)	$0 to ($1,000,000)
Cost - DOR § 135.711 - Administration of alternative fuel vehicles tax credit				
ITSD Programming	($100,683)	$0	$0	$0
Personal Service	($21,570)	($26,143)	($26,404)	($27,476)
Fringe Benefits	($11,217)	($13,596)	($13,731)	($14,289)
Equipment and Expenses	($7,080)	($1,126)	($1,153)	($1,248)
Total Cost - DOR	($140,550)	($40,865)	($41,288)	($43,013)
FTE Change - DOR	1 FTE	1 FTE	1 FTE	1 FTE
Costs - AGR §142.029 - Ethanol Producer Incentives	$0 or (up to $4,790,895)	$0 or (up to $4,790,895)	$0 or (up to $4,790,895)	$0

FISCAL IMPACT - State Government (continued)	FY 2016 (10 Mo.)	FY 2017	FY 2018	Fully Implemented (FY 2022)
GENERAL REVENUE (continued)				
Cost - DOR §143.121.3 (10) Computer programming	($37,827)	$0	$0	$0
Revenue reduction §143.121.3 (10) Tax exemption	(Could exceed $1,212,000)	(Could exceed $606,000)	(Could exceed $606,000)	(Could exceed $606,000)
Costs - AGR § 261.320 - Agri-Ready County Designation Program				
ITSD programming	($186,907)	($40,151)	($41,097)	($44,485)
Personal Service	($41,667)	($50,500)	($51,005)	($53,076)
Fringe Benefits	($21,669)	($26,263)	($26,525)	($27,602)
Expense and Equipment	($45,132)	($47,980)	($49,180)	($53,234)
Total Costs - AGR	($295,375)	($164,894)	($167,807)	($178,397)
FTE Change - AGR	1 FTE	1 FTE	1 FTE	1 FTE
Loss - MoDOT § 301.010 - Decrease in registration fees (log trucks)	(Unknown)	(Unknown)	(Unknown)	(Unknown)
Loss - SOS § 351.120 - Annual Registration Report exemption for Authorized Farm Corporations and Family Farm Corporations	Up to ($14,000)	Up to ($30,000)	Up to ($30,000)	Up to ($30,000)
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	**($487,752) up to ($7,490,647)**	**($235,760) up to ($6,632,655)**	**($239,095) up to ($6,635,990)**	**($251,410) up to ($1,857,410)**

FISCAL IMPACT - State Government (continued)	FY 2016 (10 Mo.)	FY 2017	FY 2018	Fully Implemented (FY 2022)
GENERAL REVENUE (continued)				
Estimated Net FTE Change for the General Revenue Fund	2 FTE	2 FTE	2 FTE	2 FTE

***The tax credit created in this proposal shares a $1,000,000 annual cap with the Alternative Fuel Infrastructure tax credit implemented in 2014 from SB 729.**

COLLEGES & UNIVERSITIES				
Costs - University of Missouri AES §§ 266.301, 266.311, 266.331, 266.336, 266.343, 266.347 - Fertilizer Control Board	$0 to (Unknown)	$0 to (Unknown)	$0 to (Unknown)	$0 to (Unknown)
ESTIMATED NET EFFECT ON COLLEGES & UNIVERSITIES	**$0 to (Unknown)**	**$0 to (Unknown)**	**$0 to (Unknown)**	**$0 to (Unknown)**
ROAD FUND				
Costs - MoDOT § 304.180 - Increased Maintenance	(Over $100,000)	(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)**	**(Over $100,000)**

FISCAL IMPACT - State Government (continued)	FY 2016 (10 Mo.)	FY 2017	FY 2018	Fully Implemented (FY 2022)
PETROLEUM INSPECTION FUND				
Income - AGR §414.082 - Increase in maximum per barrel fees for motor fuel inspections	Up to $698,182	Up to $1,375,418	Up to $1,354,787	Up to $2,125,518
Cost - DOR Administrative cost	($5,994)	$0	$0	$0
ESTIMATED NET EFFECT TO PETROLEUM INSPECTION FUND	**Up to $692,188**	**Up to $1,375,418**	**Up to $1,354,787**	**Up to $2,125,518**

Note: The fiscal note does not reflect the possibility that some of the tax credits could be utilized by insurance companies against insurance premium taxes. If this occurs, the loss in tax revenue would be split between the General Revenue Fund and the County Foreign Insurance Fund, which ultimately goes to local school districts.

FISCAL IMPACT - Local Government	FY 2016 (10 Mo.)	FY 2017	FY 2018	Fully Implemented (FY 2022)
	$0	**$0**	**$0**	**$0**

FISCAL IMPACT - Small Business

§§ 135.710, 135.711 - Alternative Fuel Vehicle Income Tax Credits:

Small businesses that qualify for the new tax credit could be positively impacted by this proposal.

§ 261.235 - AgriMissouri Trademark Fee:

Small business sellers using the AgriMissouri trademark, could expect to pay a fee that does not yield total revenue greater than the administration of the AgriMissouri program as a result of this proposal.

§ 261.320 - Agri-Ready County Designation Program:

Small businesses in counties where an Agri-Ready County Designation is obtained may experience a positive economic impact from 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.

§ 414.082 - Per Barrel Fee for Inspection of Motor Fuels:

Small business suppliers and distributors engaged in the sale of certain motor fuels could be impacted annually by an update of the per barrel fee for the inspection of certain motor fuels from this proposal.

FISCAL DESCRIPTION

§§ 135.710, 135.711 - Alternative Fuel Vehicle Income Tax Credits:

Beginning January 1, 2015, this proposal authorizes a tax credit for the purchase of a new qualified alternative fuel vehicle or for converting a previously-purchased motor vehicle to a qualified fuel vehicle in the following amounts: $5,000 for each vehicle with a gross vehicle weight (GVW) of greater than 2,000 pounds but less than 10,000 pounds, $7,000 for a heavy-duty vehicle with a GVW of at least 10,000 pounds but less than 26,000 pounds, and $20,000 for vehicles with a GVW of at least 26,000 pounds. The credit cannot be refunded, transferred, sold, or assigned, but may be carried forward for up to 10 subsequent taxable years.

FISCAL DESCRIPTION (continued)

The tax credit is added to the $1 million per year cumulative cap set for tax credits for electric vehicle recharging properties and alternative fuel refueling properties in Section 135.710, RSMo, and is subject to appropriations. A taxpayer cannot receive more than $100,000 in tax credits before March 31 per year. Beginning April 1, all unused, appropriated credits can be issued to any taxpayer for any qualified alternative fuel vehicle and not be subject to the $100,000 cap.

The proposal allows any alternative fuel vehicle to exceed the maximum GVW limit and axle weight limit for such vehicle under Section 304.180 by 2,000 pounds.

The provisions of the bill will expire December 31 six years from the effective date.

§ 261.320 - Agri-Ready County Designation Program:

This proposal creates the "Agri-Ready County Designation Program" within the Department of Agriculture. The program is a voluntary program by which a county or the City of St. Louis may apply to become designated as an Agri-Ready county.

To qualify as an agri-ready county, the county must meet certain requirements that show the county encourages agricultural operations to locate in the county. By March 31, 2016, the Department of Agriculture (AGR) must establish application requirements and review procedures for the program. Any county that receives an agri-ready designation must submit a report annually to the department. The report may not be longer than one page and AGR must allow on-line submission of the report. If AGR determines a county no longer meets the requirements of the program, it may withdraw the designation.

AGR must develop an Agri-Ready County logo and any county designated as an agri-ready county may use the logo on any sign, brochure, website, or other marketing material. Any agri-ready county may request the Department of Transportation erect and maintain signs designating it as agri-ready, with the cost to be paid for by the county. AGR must publish and maintain a list of agri-ready counties on its website.

In evaluating any grant proposal based on a point system, the Departments of Agriculture, Natural Resources, and Economic Development must increase the total number of points awarded by 5% to any agri-ready county, any political subdivision within an agri-ready county, or any agricultural operation located within or proposing to locate within an agri-ready county. If an agri-ready county loses its designation at any point during the grant period, the county is responsible for repaying any grant funding received.

FISCAL DESCRIPTION (continued)

§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.

§ 414.082 - Per Barrel Fee for Inspection of Motor Fuels:

Currently, the fee for the inspection of certain motor fuels shall not be less than 1.5 cents per barrel and shall not exceed 2.5 cents per barrel. Under this proposal, the per barrel fee shall not exceed 4 cents from 2016 to 2020, and shall not exceed 5 cents from 2021 and thereafter.

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 Administration - Division of Budget and Planning
Department of Insurance, Financial Institutions and Professional Registration
Department of Natural Resources
Department of Transportation
State Treasurer's Office
Department of Economic Development
Joint Committee on Administrative Rules
Office of the Attorney General

Mickey Wilson

Mickey Wilson, CPA	Ross Strope
Director	Assistant Director
May 5, 2015	May 5, 2015