

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4096-05
Bill No.: HCS for SCS for SB 703
Subject: Agriculture; Agriculture, Department of; Animals; Boards, Commissions, Committees, and Councils; Fees; Motor Fuel; Taxation and Revenue - General
Type: Original
Date: April 26, 2016

Bill Summary: This proposal changes the laws regarding agriculture.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
FUND AFFECTED	FY 2017	FY 2018	FY 2019	Fully Implemented (FY 2020)
General Revenue	(Could exceed \$12,354,712)	(Could exceed \$10,221,815)	(Could exceed \$25,222,494)	(Could exceed \$25,223,275)
Total Estimated Net Effect on General Revenue	(Could exceed \$12,354,712)	(Could exceed \$10,221,815)	(Could exceed \$25,222,494)	(Could exceed \$25,223,275)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2017	FY 2018	FY 2019	Fully Implemented (FY 2023)
Qualified Fuel Ethanol Producer	\$0	\$0	\$0	\$0
Qualified Gaseous Biofuel Producer	\$0	\$0	\$0	\$0
Petroleum Inspection	Up to \$692,771	Up to \$1,364,759	Up to \$1,344,288	Up to \$2,109,045
Total Estimated Net Effect on Other State Funds	Up to \$692,771	Up to \$1,364,759	Up to \$1,344,288	Up to \$2,109,045

Numbers within parentheses: () indicate costs or losses. This fiscal note contains 25 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS				
FUND AFFECTED	FY 2017	FY 2018	FY 2019	Fully Implemented (FY 2020)
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)				
FUND AFFECTED	FY 2017	FY 2018	FY 2019	Fully Implemented (FY 2020)
General Revenue	1 FTE	1 FTE	1 FTE	1 FTE
Total Estimated Net Effect on FTE	1 FTE	1 FTE	1 FTE	1 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 2017	FY 2018	FY 2019	Fully Implemented (FY 2020)
Local Government	\$0	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

§142.028 - In response to a similar proposal from this year (HCS for HB 1413), officials at the **Department of Agriculture (AGR)** assumed it would have the following impact on their organization.

Officials at the **Department of Agriculture (AGR)** assume this proposal will have a zero to unknown fiscal impact on their organization. In response to a previous version, AGR noted they were not aware of any plans for new construction of either traditional corn or biomass-based ethanol plants in Missouri. However, removal of the sunset date does allow for the possibility of additional ethanol incentives at some time in the future.

Oversight notes the following information was provided by AGR; under the program, a qualified ethanol producer was eligible for a total grant in any calendar year equal to 20 cents per gallon from the first 12.5 million gallons of qualified fuel ethanol produced plus five cents per gallon for the next 12.5 gallons of qualified ethanol produced from Missouri agricultural products in the fiscal year. A Missouri qualified ethanol producer was eligible to receive grants for a total of 60 months.

The following plants received incentives: Macon - NEMO Grain Process, Craig - Golden Triangle Energy, Malta Bend - Mid-MO Energy, Laddonia - MO Ethanol, St. Joseph - Lifeline Foods, and Carrollton - Show Me Ethanol.

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

<u>Fiscal Year</u>	<u>Production</u>	<u>Payments</u>
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
14		\$ 0
15		\$ 0
Total		\$101,622,967

ASSUMPTION (continued)

Due to the time needed for the start-up of a new plant, **Oversight** will assume \$0 impact in FY 2017 and then range the impact from \$0 (no new plants built) to a cost up to \$4,790,895 (the most recent ethanol incentive totals paid from general revenue in FY13) if new construction occurs and incentives are passed.

§142.028 - In response to a similar proposal from this year (HCS for HB 1413), officials at the **Office of Administration - Budget and Planning** assumed the proposed legislation would postpone the sunset for the Missouri Qualified Producer Incentive Program. Under this program, the maximum allowable subsidy amount per year per producer is \$3,125,000. The last payment to a qualified ethanol producer occurred in FY2013. There is no current production eligible for subsidies. A new facility would have to begin qualifying production to be eligible for subsidies. It is unknown how many new ethanol production facilities might be established as 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. This proposed legislation would cost general revenue an unknown amount, depending on the number of qualified producers and the amount of qualified production.

§142.028 - In response to a similar proposal from this year (HCS for HB 1413), officials at the **Department of Revenue** and **Department of Transportation** each assumed the proposal will not have a fiscal impact on their respective organizations

§142.041 - In response to a similar proposal (SB 945), officials from the **Department of Agriculture (AGR)** stated the proposal would create a Missouri Qualified Gaseous Biofuel Producer Incentive Fund to encourage the production of qualified gaseous biofuels, but does not authorize or generate any particular stream of revenues for the fund. This analysis assumes resources for the fund's operations would be appropriated through a transfer from General Revenue in the absence of other specified revenue sources. Transfers from General Revenue have been used to fund two similar incentive funds, the Missouri Qualified Fuel Ethanol Producer Incentive Fund and the Missouri Qualified Biodiesel Producer Incentive Fund.

Under this proposal, each qualified producer would be eligible for up to \$5,274,000 of incentives per fiscal year, for the first five fiscal years of production (see calculations below). Each producer would be eligible for up to \$26,370,000 of incentives over five fiscal years. Since it's unknown how many producers would participate, this estimate shows the cost for each qualified producer. The following tables explain the calculations used for this fiscal estimate and also provide a comparison of the proposal's subsidies to those authorized for ethanol and biodiesel under current sections 142.028 and 142.031, RSMo.

ASSUMPTION (continued)

Biofuel Incentives

Gaseous Biofuel Incentives

1st 2.25M MMBTU per year

two thousand three hundred forty-four		2,344
one billion	÷	<u>1,000,000,000</u>
dollars per BTU - Gaseous Biofuel		\$0.000002344
BTUs per MMBTU	x	<u>1,000,000</u>
dollars per MMBTU - Gaseous Biofuel		\$2.344
eligible MMBTUs	x	<u>2,250,000</u>
dollars per 2.25M MMBTUs		<u>\$5,274,000</u>
Annual Maximum Per Producer		<u>\$5,274,000</u>
5-Year Maximum Per Producer		<u>\$26,370,000</u>

Ethanol Incentives

1st 12.5M Gallons per year

2nd 12.5M Gallons per year

dollars per gallon		0.20		0.05
eligible gallons	x	<u>12,500,000</u>	x	<u>12,500,000</u>
dollars per 12.5M gallons		<u>\$2,500,000</u>		<u>\$625,000</u>
Annual Maximum Per Producer				<u>\$3,125,000</u>
5-Year Maximum Per Producer				<u>\$15,625,000</u>

BTUs per gallon - Ethanol		80,430		80,430
dollars per BTU - Ethanol		\$0.000002487		\$0.000000622
dollars per MMBTU - Ethanol		\$2.49		\$0.62
MMBTUs per 12.5M gallons - Ethanol		1,005,375		1,005,375

Biodiesel Incentives

1st 15M Gallons per year

2nd 15M Gallons per year

dollars per gallon		0.30		0.10
eligible gallons	x	<u>15,000,000</u>	x	<u>15,000,000</u>
dollars per 15M gallons		<u>\$4,500,000</u>		<u>\$1,500,000</u>
Annual Maximum Per Producer				<u>\$6,000,000</u>
5-Year Maximum Per Producer				<u>\$30,000,000</u>

BTUs per gallon - Biodiesel		123,755		123,755
dollars per BTU - Biodiesel		\$0.000002424		\$0.0000008080
dollars per MMBTU - Biodiesel		\$2.42		\$0.81
MMBTUs per 15M gallons - Biodiesel		1,856,325		1,856,325

Summary Comparison	Annual Eligible MMBTUs	Average Subsidy Per MMBTU
Gaseous Biofuel	2,250,000	\$2.34
Ethanol	2,010,750	\$1.55
Biodiesel	3,712,650	\$1.62

BTU/gal Values for Ethanol & Biodiesel		
	Ethanol	Biodiesel
low BTU/gal	76,330	119,550
high BTU/gal	84,530	127,960
median BTU/gal	80,430	123,755

* Source: http://www.afdc.energy.gov/fuels/fuel_comparison_chart.pdf.

Oversight will show a fiscal impact in FY18 and FY19 based on the assumption that the effective date of this proposal is August 28, 2016 but it would take time for an operation to become eligible to receive this incentive.

§142.041 - In response to a similar proposal from this year (SB 945), officials from the **Office of the Secretary of State (SOS)** stated many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS 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 that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes 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 with the 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.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

§142.041 - In response to a similar proposal from this year (SB 945), officials at the **State Treasurer's Office, Joint Committee on Administrative Rules, Department of Revenue, and Department of Natural Resources** each assumed the proposal will not have a fiscal impact on their respective organizations.

ASSUMPTION (continued)

§143.121 - In response to a similar proposal from this year (SB 641), officials from the **Office of Administration - Division of Budget and Planning (B&P)** assumed the proposal would reduce Total State Revenues (TSR) by as much as \$51.5 million and would impact the calculation required under Article X, Section 18(e) of the state constitution.

Oversight notes the similar proposal on which B&P provided and impact statement differs from this proposal in that the similar proposal had an effective date for all tax years beginning on or after January 1, 2014, while this proposal is effective for all tax years beginning on or after January 1, 2015. Both proposal would allow a taxpayer to deduct from Missouri adjusted gross income, any payments from any program that provides compensation to agricultural producers who have suffered losses due to a disaster, emergency. Oversight will adjust the calculations provided by B&P to reflect the effective date difference. B&P officials used data provided by the United States Department of Agriculture (USDA) to estimate the fiscal impact.

Since deductions do not reduce taxes on a dollar for dollar basis, B&P officials assume the exemption provided for in this proposal would reduce TSR by 6% of the amount of disaster payments received by Missouri taxpayers. The proposal would allow the deduction for tax years 2015 and forward. Therefore, the impact in fiscal year 2017 could be as much as \$4,070,000. The annual revenue reduction could also vary in the future due to the impact of SB 509 (2014).

Oversight notes the B&P estimate is based on an assumption that all such payments would be subject to the maximum personal income tax rate of 6% for FY 2017 , and a potentially reduced rate for FY 2018 and FY 2019. 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 and in addition, 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.

Oversight notes the federal payments made by the USDA to Missouri farmers during federal FY 2014 (\$286.3 million) greatly exceeded the payments made by the USDA to Missouri farmers during federal FY 2013 (\$76.4 million). The increase was caused largely by the increase in the Livestock Forage Program. The large payments under the Livestock Forage Program were not repeated in federal FY 2015 and are not likely to be repeated in the near term.

Oversight has given additional consideration to the fact that the United States Department of Agriculture (USDA) fiscal year runs from October 1 through September 30 and a portion of the Livestock Forage Program was paid out prior to the effective date of this proposal (January 1, 2014).

ASSUMPTION (continued)

Due to the wide fluctuations in the payments over the immediate proceeding years, it is difficult to project the future fiscal impact. **Oversight** will include an estimated revenue reduction in this fiscal note based in part on the B&P response; Oversight has used the historical record of USDA disaster payments made for the periods after January 1, 2014 to compute the fiscal note amount of up to \$12.1 million in FY 2017, which provides for 2014 and 2015 amended returns which would be filed in FY 2017. **Oversight** has no basis upon which to base future payments of agriculture disaster amounts, and will reflect a negative unknown amount for FY 2018 and FY 2019.

§143.121 - In response to a similar proposal from this year (SB 641), officials from the **Department of Revenue (DOR)** noted the proposal would, effective January 1, 2014, allow 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.

DOR officials assumed Personal Tax would require programming and form changes, and two additional Revenue Processing Technicians I for contacts on the delinquent and non-delinquent tax lines.

DOR officials provided an estimate of the administrative cost to implement the proposal including two additional employees; the total including additional employees, benefits, equipment, and expense, was \$81,681 for FY 2017, \$84,086 for FY 2018, and \$84,960 for FY 2019.

Oversight notes this proposal would change a limited number of computations on 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.

DOR officials also provided an estimate of the IT cost to implement the proposal of \$37,584 based on 50 hours of programming at the current state contract rate of \$75 per hour to make changes to DOR systems.

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

ASSUMPTION (continued)

§143.121 - In response to a similar proposal from this year (SB 641), officials from **Office of the Secretary of State**, the **Joint Committee on Administrative Rules** and the **Department of Agriculture** assumed the proposal would not have a fiscal impact to their organizations.

§261.130 - In response to a similar proposal from this year (SB 928), officials at the **Department of Agriculture**, **Department of Natural Resources**, **Office of Administration - Administrative Hearing Commission**, and **Attorney General's Office** each assumed this proposal will not have a fiscal impact on their respective organizations.

§262.900 - Officials at the **Department of Agriculture**, **Department of Revenue**, and **Department of Conservation** each assume this proposal will have no fiscal impact on their respective organizations.

§262.960 - Officials at the **Department of Corrections (DOC)** assume this legislation has the potential to fiscally impact their agency by increasing the department's food cost. With the initial goal of ten percent of total food purchased by DOC from Missouri farms or agribusinesses, this increased purchasing cost could increase overall food costs per offender per day.

By the definition of "small farms" and "small agribusiness", it is doubtful that any one farm or agribusiness could support the product needs of all of our institutions statewide. Therefore smaller regional contracts or purchases would need to be made, resulting in only some of the institutions incurring the higher food costs.

If only certain regions or institutions would be purchasing product from Missouri farms or agribusinesses, the volume of product needed statewide by other institutions would decrease proportionately. Since the DOC manages its costs by purchasing in volume and the amount purchased effects the cost of delivered product, the purchasing price for non-Missouri products could also increase because lower volumes would be purchased.

The Department of Corrections spent approximately \$31,165,327 in FY15. This legislation proposes that at least ten percent of all food products be purchased locally. Based on current figures, ten percent would amount to \$3,116,533 of locally purchased food. It is assumed that there may be at least 5% higher cost to purchase food locally adding \$155,827 of additional cost. The Department's costs would then be approximately \$3,272,360. The DOC could possibly absorb approximately half of the increased cost. Therefore, the estimated amount of increased cost would be (\$77,913 to Unknown) in year 1, (\$79,471 to Unknown) in year 2, and (\$93,113 to Unknown) in year 10.

ASSUMPTION (continued)

DOC food costs	(\$31,165,327)
Minimum purchase locally %	10%
Amount to purchase locally	(\$3,116,533)
Estimated cost increase %	5%
Amount of increase to purchase locally	(\$155,827)
Increased cost in year 1 after half absorbed by DOC	<u>(\$77,913)</u>

Oversight will not project costs into year 10 for this fiscal note but will show the impact through FY19 based on the information provided for FY17 and FY18.

Officials from the **Department of Agriculture (AGR)** responded to HCS HB 1184 from session 2015 as follows:

This proposal would require one new Marketing Specialist II/III, related equipment, materials, and travel. The added employee will remain after the first year. Most states with these positions have made them permanent.

AGR assumes the position will be required to deliver the new scope of work for farm-to-school outreach detailed throughout the proposal.

AGR assumes this position will be incorporated into the existing Agri-Missouri program, all other costs would be absorbed with existing appropriation and funding.

However, this year officials at the AGR assumed this proposal would not have a fiscal impact on their organization. Therefore, **Oversight** will not show a fiscal impact to AGR in this fiscal note.

Officials at the **Department of Agriculture, Department of Economic Development, Department of Elementary and Secondary Education, Department of Higher Education, Department of Natural Resources, and Office of Administration** each assume this proposal will not have a fiscal impact on their respective organizations.

In response to a similar proposal (HB 1747), officials at the **Department of Health and Senior Services** assumed the proposal would not have a fiscal impact on their organization.

ASSUMPTION (continued)

Officials at the school district of **New Haven** assume this proposal will have a negative impact by adding 15% costs to providing meals to students through increased foods costs and labor costs to procure and prepare the food purchased locally.

Officials at the school district of **Macon County R-IV** assume this proposal will have a minimal fiscal impact on their organization based on possible costs related to workshops and travel.

Oversight assumes the program already applies to schools (Farm-to-School Act being replaced by the Farm-to-Table Act) and therefore the changes in this proposal would have no additional fiscal impact to school districts. Oversight will further assume school districts will be able to meet the new 10% threshold with existing resources.

Officials at the cities of **Jefferson City** and **Kansas City** each assume this proposal will not have a fiscal impact on their respective organizations.

Officials at the **Missouri State University, Missouri Western State University, Northwest Missouri State University, State Technical College of Missouri, University of Central Missouri,** and **University of Missouri** each assume this proposal will not have a fiscal impact on their respective organizations.

Officials at the school districts of **Kingston 42, Malta Bend,** and **Seymour R-II** each assume this proposal will not have a fiscal impact on their respective organizations.

265.300 - Officials at the **Department of Agriculture, Department of Revenue,** and **Department of Conservation** each assume this proposal will have no fiscal impact on their respective organizations.

266.301, 266.311, 266.331, 266.336, 266.343, 266.347 - Officials at the **Office of Administration - Budget and Planning** state the 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. The bill transfers that power to a new board that the bill creates 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.

The current law also establishes how penalties for noncompliance are to be calculated. The bill leaves those provisions in place, but does place new upper limits on the amount of penalties that

ASSUMPTION (continued)

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. Budget and Planning defers to the Agriculture Experiment Station for a specific estimate of the bill's fiscal impact.

Officials at the **University of Missouri System - Office of Academic Affairs, Research and Economic Development** assume passage of this legislation would not impact the collection of fertilizer fees, about \$1.25M per annum, by the Director of the Missouri Agricultural Experiment Station (MOAES). It would; however, change the authority for the allocations of these funds from the MOAES Director to a newly established Fertilizer Control Board. Loss of this authority could negatively impact funds the MOAES uses to support the fertilizer inspection service and the MOAES Chemical Lab. Additionally, funds used to underwrite an annual competitive research program to support the fertilizer industry and Missouri's farmers might be impacted.

Loss of this allocation authority could severely impact the ability of the MOAES to meet its inspection and reporting responsibilities under the Agricultural Liming Materials Law (RSMo 266.500 to 255.550).

Officials from the **Office of the 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 SOS 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 that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes 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 with the 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.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

Officials at the **Department of Natural Resources, Department of Agriculture, and Department of Health and Senior Services** each assume this proposal would not have a fiscal impact on their respective organizations.

ASSUMPTION (continued)

266.600 - Officials at the **Department of Agriculture** assume this proposal would not have a fiscal impact on their organization.

Officials at the **City of Kansas City** assume this proposal would not have a fiscal impact on their organization.

Officials at the counties of **Callaway** and **St. Louis** assume this proposal would not have a fiscal impact on their organizations.

267.169 - Officials at the **Department of Natural Resources** assumes the proposal only applies to environmental data collected pursuant to Chapter 267 (State Veterinarian-Diseased Animals) and the Federal Animal Disease Traceability Program. Therefore, the department would not anticipate a direct fiscal impact from this proposal.

The proposal also states any entity or person alleging a violation of the proposal provisions may bring a civil action against a state agency in a court of competent jurisdiction. The court may order any appropriate relief including damages in an amount not to exceed \$10,000, payment of reasonable attorney's fees, costs, expenses, and any injunctive relief the court deems necessary and proper.

In response to this HCS, officials at the **Department of Natural Resources (DNR)** assume Section 267.169 of this proposal will not have a fiscal impact on their organization based on the following assumption. Also, DNR assumes this proposal only applies to environmental data collected pursuant to Chapter 267 (State Veterinarian--Diseased Animals) and the Federal Animal Disease Traceability Program. Therefore, the department would not anticipate a direct fiscal impact from this proposal.

Officials at the **Office of Attorney General (AGO)** assume any potential costs arising from this proposal can be absorbed with existing resources. AGO may seek additional appropriations if the proposal results in a significant increase in workload.

Officials at the **Department of Agriculture, Department of Conservation, Department of Health and Senior Services, Office of Administration - Budget and Planning, Department of Health and Senior Services, and Office of State Courts Administrator** each assume this proposal will not have a fiscal impact on their respective organizations.

ASSUMPTION (continued)

267.565 - Officials at the **Department of Agriculture, Department of Revenue, and Department of Conservation** each assume this proposal will have no fiscal impact on their respective organizations.

276.606 - Officials at the **Department of Agriculture, Department of Revenue, and Department of Conservation** each assume this proposal will have no fiscal impact on their respective organizations.

In response to this HCS, officials at the **Department of Economic Development (DED)** assume this proposal will have a negative fiscal impact on their organization based on the following:

This proposed legislation amends chapter 620 by adding sections 620.1950 - 620.1956 to be called the Show Me Rural Jobs Act.

- §620.1951 - definitions
- §620.1952 - creates the Show Me Rural Jobs Fund to hold the money collected under the program. The Treasurer is the custodian of the fund. Money in the fund is appropriated by the legislature and is used to administer the program.
- §620.1953 - Requires the Dept of Agriculture to create and manage an application process for approved investment companies.
- §620.1954 - creates a tax credit that DED administers for taxpayers who make a capital contribution to an approved investment company. The taxpayer earns a vested credit equal to the amount of the capital contribution. The taxpayer may claim up to 20% of the credit authorized for each of the five tax years occurring after July 1, 2018. The amount of credits claimed in one year by all taxpayers cannot exceed \$15M.
- §620.1955 - explains when DED can revoke the tax credit
- §620.1956 - requires approved investment companies to submit a report to Agriculture and DED on or before the fifth business day after the second anniversary of the closing date.

This proposed legislation will create a new tax credit for DED to administer with an annual cap of \$15M. DED will require 1 new FTE to develop, implement, and facilitate this program. DED will be issuing credits before the first tax year after July 2018 even though the recipients must wait until then to redeem them.

The fiscal impact is 1FTE, and \$15M/year beginning in the first tax year after July 1, 2018. The remaining legislation in the bill does not relate to DED thus DED defers to MDA and DOR on the remainder.

ASSUMPTION (continued)

§414.082 - In response to a similar proposal from this year (SB 884), officials at the **Department of Agriculture (AGR)** assumed the proposal would have a positive fiscal impact on their organization by increasing the inspection fee of specific motor fuels allowing the current level of service by this program to be maintained.

AGR noted the revenue estimates assume that, without the inspection fee adjustments allowed by SB 884, current revenues would continue their 1.5 percent average annual decline. The revenue estimates also assume 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 2017 are not deposited into the inspection fee fund until February 2017). Note that with the reduction in gasoline and diesel fuel prices, consumption has increased 1.5% for the first 5 months of the fiscal year but over the long term, as more newer, better mileage vehicles enter the market, a 1.5% annual reduction in fuel consumption is anticipated.

AGR estimates a 3.5 cent per 50-gallon barrel inspection fee may be necessary effective 1-1-17 in order to maintain the current level of services provided by the program.

If the adjustment allowed by SB 884 is needed, the revenue estimates would be as follows:

Current Per Barrel Fees for Inspection of Motor Fuels				
Revenue	Projected FY16	Projected FY17	Projected FY18	Projected FY19
Annual	\$2,344,403.40	\$2,309,237.35	\$2,274,598.79	\$2,240,479.81
Per Month Revenue	\$195,366.95	\$192,436.45	\$189,549.90	\$186,706.65

Per Barrel Fees for Inspection of Motor Fuels from SB 884 - Effective 1/1/17				
Under SB 884	Projected FY16	Projected FY17	Projected FY18	Projected FY19
Annual	Not applicable	\$2,694,110.24	\$3,184,438.30	\$3,136,671.73
Difference	Not applicable	\$384,872.89	\$909,839.52	\$896,191.92

ASSUMPTION (continued)

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 costs of administering the program.

Oversight notes, according to the State Treasurer's Office, the balance of the Petroleum Inspection Fund (0662) as of June 30, 2015 was \$1,396,025.53. Total receipts for FY15 were \$2,353,862.98 and total disbursements were \$1,650,946.16.

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

Year	Projected Revenue (current 3.5 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 2016	\$2,344,403	93,766,120	.025		
FY 2017	\$2,309,237	92,369,478	.04 (at 1/1/17)	\$3,002,008	\$692,771
FY 2018	\$2,274,599	90,983,936	.04	\$3,639,357	\$1,364,759
FY 2019	\$2,240,480	89,619,177	.04	\$3,584,767	\$1,344,288
FY 2020	\$2,206,872	88,274,889	.04	\$3,530,996	\$1,324,123
FY 2021	\$2,173,769	86,950,766	.04	\$3,478,031	\$1,304,261
FY 2022	\$2,141,163	85,646,505	.05 (at 1/1/2022)	\$3,854,093	\$1,712,930
FY 2023	\$2,109,045	84,361,807	.05	\$4,218,090	\$2,109,045

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

Oversight will reflect 6 months of potential impact in FY 2017, or \$692,771 (\$1,385,542 x 6/12).

ASSUMPTION (continued)

In response to a similar proposal from this year (SB 884), officials at the **Department of Revenue (DOR)** assumed the proposal allowed the rate charged to be adjusted annually, requiring updates to forms, rate notification to approximately 490 licensed suppliers and distributors, and minor programming changes to the motor fuel system.

In FY17, DOR would need to incur a one-time fiscal impact of \$5,994 for 80 hours of consultant contract costs. In addition, an increase of \$272 for mailing costs to send out rate change notifications in FY17. DOR shows a fiscal impact for FY18 and FY19, an increase of \$272 for mailing costs in each fiscal year.

Oversight assumes DOR could absorb these costs and will not show an impact from these costs in the fiscal note.

DOR assumes this proposal allows the rate charged for inspections until December 31, 2016, is two and one-half cent (\$0.025) per barrel. Between January 1, 2017, and December 31, 2021, the rate charged for the inspection of gasoline, blended fuels, kerosene, etc., cannot exceed four cents (\$0.04) per barrel. After January 1, 2022, the legislation sets the maximum fee at five cents (\$0.05) per barrel.

DOR assumes 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.

In response to a similar proposal from this year (SB 884), officials at the **Office of Administration - Budget and Planning (BAP)** assumed the proposal would have a negative fiscal impact on their organization because it would affect both total state revenue and Missouri Tax Commission and fee calculations by changing the current statutory limits on petroleum inspection fees. Therefore, BAP defers to the Department of Agriculture for an estimate of its potential impact.

In response to a similar proposal from this year (SB 884), officials at the **State Treasurer's Office** and **Department of Natural Resources** assumed the proposal would not have a fiscal impact on their respective organizations.

Officials at the **Department of Economic Development - Tourism** assume this proposal will not have a fiscal impact on their organization, and defers to Department of Agriculture and Department of Revenue.

Officials at the **State Tax Commission** assume this proposal will not have a fiscal impact on their organization.

ASSUMPTION (continued)

In response to a previous version, officials at the **Joint Committee on Administrative Rules** assumed the proposal would not have a fiscal impact on their organization.

In response to a previous version, officials from the **Office of the Secretary of State (SOS)** stated many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS 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 that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes 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 with the 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.

620.1950 to 620.1958 - In response to this HCS, officials from the **Office of the 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 SOS 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 that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes 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 with the 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.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

In response to this HCS, officials at the **Attorney General's Office** assume that any potential costs arising from this proposal can be absorbed with existing resources.

In response to this HCS, officials at the **City of Columbia** assume this proposal will not have a fiscal impact on their organization.

In response to this HCS, officials at the **County of Callaway** assume this proposal will not have

ASSUMPTION (continued)

a fiscal impact on their organization.

In response to this HCS, officials at the school districts of **Kansas City** and **Malta Bend** each assume this proposal will not have a fiscal impact to their respective organizations.

In response to this HCS, officials at the **Office of Administration - Accounting, Department of Corrections, the Department of Labor and Industrial Relations, the Department of Mental Health, the Office of Prosecution Services, the State Public Defender, the Department of Social Services, the State Tax Commission, the and State Treasurer's Office** each assume this proposal will not have a fiscal impact to their respective organizations.

<u>FISCAL IMPACT -</u> <u>State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019	Fully Implemented (FY 2020)
GENERAL REVENUE				
<u>Transfer Out - AGR</u> §142.028 - Qualified Fuel Ethanol Producer Incentive Fund	\$0	\$0 to (\$4,790,895)	\$0 to (\$4,790,895)	\$0 to (\$4,790,895)
§142.041 - Missouri Qualified Gaseous Biofuel Producer Incentive Fund	\$0	\$0 or (Greater than \$5,274,000)	\$0 or (Greater than \$5,274,000)	\$0 or (Greater than \$5,274,000)
<u>Costs - §262.960 -</u> DOC Increased food costs	(\$77,913 to Unknown)	(\$79,471 to Unknown)	(\$79,471 to Unknown)	(\$79,471 to Unknown)
Costs - DOR §620.1950 - programming	(\$68,855)	\$0	\$0	\$0
<u>Costs - §620.1950 to</u> §620.1958 - DED				
Personnel	(\$43,410)	(\$52,613)	(\$53,139)	(\$53,670)
Fringe Benefits	(\$20,270)	(\$24,466)	(\$24,610)	(\$24,856)
Equipment and Expenses	(\$6,680)	(\$370)	(\$379)	(\$383)
Credit Eligible Capital Contribution	<u>\$0</u>	\$0	<u>(Up to \$15,000,000)</u>	<u>(Up to \$15,000,000)</u>
Total Costs	(\$70,360)	(\$77,449)	<u>(Up to \$15,078,128)</u>	<u>(Up to \$15,078,909)</u>
FTE Change - DED	1 FTE	1 FTE	1 FTE	1 FTE

<u>FISCAL IMPACT -</u> <u>State Government</u> (continued)	FY 2017 (10 Mo.)	FY 2018	FY 2019	Fully Implemented (FY 2020)
<u>Cost</u> - §143.121 - DOR - programming	(\$37,584)	\$0	\$0	\$0
§143.121 - Tax exemption	(Up to <u>\$12,100,000</u>)	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
NET EFFECT ON GENERAL REVENUE	<u>(Could exceed \$12,354,712)</u>	<u>(Could exceed \$10,221,815)</u>	<u>(Could exceed \$25,222,494)</u>	<u>(Could exceed \$25,223,275)</u>
Net FTE Change - DED	1 FTE	1 FTE	1 FTE	1 FTE
QUALIFIED FUEL ETHANOL PRODUCER INCENTIVE FUND				
<u>Transfer In</u> - §142.028 - General Revenue	<u>\$0</u>	<u>\$0 to \$4,790,895</u>	<u>\$0 to \$4,790,895</u>	<u>\$0 to \$4,790,895</u>
<u>Costs</u> - §142.028 - Incentives for Qualified Ethanol Producers	<u>\$0</u>	<u>\$0 to (\$4,790,895)</u>	<u>\$0 to (\$4,790,895)</u>	<u>\$0 to (\$4,790,895)</u>
ESTIMATED NET EFFECT ON QUALIFIED FUEL ETHANOL PRODUCER INCENTIVE FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT -</u> <u>State Government</u>	<u>FY 2017</u> <u>(10 Mo.)</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>Fully</u> <u>Implemented</u> <u>(FY 2020)</u>
MISSOURI QUALIFIED GASEOUS BIOFUEL PRODUCER INCENTIVE FUND				
<u>Transfer In -</u> §142.041 - from General Revenue Fund	<u>\$0</u>	\$0 or Greater than \$5,274,000	\$0 or Greater than \$5,274,000	<u>\$0 or Greater</u> than <u>\$5,274,000</u>
<u>Costs -</u> §142.041 - incentive payments to Qualified Producers	<u>\$0</u>	<u>\$0 or (Greater</u> than <u>\$5,274,000)</u>	<u>\$0 or (Greater</u> than <u>\$5,274,000)</u>	<u>\$0 or (Greater</u> than <u>\$5,274,000)</u>
NET EFFECT ON THE MISSOURI QUALIFIED GASEOUS BIOFUEL PRODUCER INCENTIVE FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT -</u>				Fully
<u>State Government</u>	FY 2017			Implemented
<u>(continued)</u>	(10 Mo.)	FY 2018	FY 2019	(FY 2023)

**PETROLEUM
 INSPECTION
 FUND**

<u>Revenue - \$414.082</u>				
- Inspection Fees	<u>Up to \$692,771</u>	<u>Up to \$1,364,759</u>	<u>Up to \$1,344,288</u>	<u>Up to \$2,109,045</u>

**ESTIMATED NET
 EFFECT ON THE
 PETROLEUM
 INSPECTION
 FUND**

	<u>Up to \$692,771</u>	<u>Up to \$1,364,759</u>	<u>Up to \$1,344,288</u>	<u>Up to \$2,109,045</u>
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<u>FISCAL IMPACT -</u>				Fully
<u>Local Government</u>	FY 2017	FY 2018	FY 2019	Implemented
	(10 Mo.)			(FY 2020)
	\$0	\$0	\$0	\$0

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This proposal makes several changes related to agriculture.

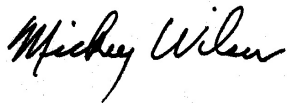
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Callaway County
City of Columbia
City of Jefferson City
City of Kansas City
Department of Agriculture
Department of Conservation
Department of Corrections
Department of Elementary and Secondary Education
Department of Economic Development
Department of Higher Education
Department of Health and Senior Services
Department of Labor and Industrial Relations
Department of Mental Health
Department of Natural Resources
Department of Revenue
Department of Social Services
Joint Committee on Administrative Rules
Kingston 42 School District
Macon County R-IV School District
Malta Bend School District
Missouri Department of Transportation
Missouri State University
Missouri Western State University
New Haven School District
Northwest Missouri State University
Office of Administration
 Division of Budget and Planning
 Administrative Hearing Commission
Office of the Attorney General
Office of Prosecution Services
Office of the Secretary of State
Office of the State Courts Administrator
Office of State Public Defenders

SOURCES OF INFORMATION (continued)

Office of the State Treasurer
Seymour R-II School District
State Tax Commission
St. Louis County
University of Central Missouri
University of Missouri



Mickey Wilson, CPA
Director
April 26, 2016

Ross Strobe
Assistant Director
April 26, 2016