

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4096-06
Bill No.: CCS for 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: May 12, 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 2023)
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2017	FY 2018	FY 2019	Fully Implemented (FY 2023)
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 11 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS				
FUND AFFECTED	FY 2017	FY 2018	FY 2019	Fully Implemented (FY 2023)
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 2023)
Total Estimated Net Effect on FTE	0	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 2017	FY 2018	FY 2019	Fully Implemented (FY 2023)
Local Government	\$0	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

§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 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 Corrections, 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.

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.

ASSUMPTION (continued)

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.

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.

§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.

ASSUMPTION (continued)

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

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:

ASSUMPTION (continued)

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).

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.

ASSUMPTION (continued)

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 18e 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.

Bill as a Whole

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.

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 the current version of this proposal the following responses were received:

Officials at the **Department of Economic Development** defer to Department of Agriculture and the Department of Revenue for the fiscal impact.

Officials at the **Office of Administration**, the **Attorney General's Office**, the **Department of Conservation**, the **Department of Elementary and Secondary Education**, the **Department of**

ASSUMPTION (continued)

Labor and Industrial Relations, the **Department of Mental Health**, the **Department of Natural Resources**, the **Office of Prosecution Services**, the **State Public Defender's Office**, the **Department of Revenue**, the **Department of Social Services**, the **State Tax Commission**, the **State Treasurer's Office** each assume this proposal would not have a fiscal impact on their respective organizations.

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

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

Officials at the school districts of **Malta Bend, Kansas City**, and West Plains R-VII School District each assume this proposal would not have a fiscal impact on their respective organizations.

In response to a previous version of this proposal, officials at the **Department of Corrections**, the **Department of Health and Senior Services**, and the Department of Higher Education each assumed the proposal would not have a fiscal impact on their respective organizations.

In response to a previous version of this proposal, 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.

In response to a previous version, officials at the **Department of Transportation** deferred to the Department of Revenue for a fiscal impact.

ASSUMPTION (continued)

In response to a previous version of this proposal, officials at the **City of Columbia** assumed the proposal would not have a fiscal impact on their organization.

In response to a previous version of this proposal, officials at **Callaway County** and **St. Louis County** assumed the proposal would not have a fiscal impact on their organization

In response to a previous version of this proposal, officials at the school district of **Kansas City** assumed this proposal would not have a fiscal impact on their organization.

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

**PETROLEUM
 INSPECTION
 FUND**

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

<u>FISCAL IMPACT -</u> <u>Local Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019	Fully Implemented (FY 2023)
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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.

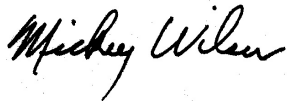
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Callaway County
City of Columbia
City of 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
Kansas City Public Schools
Kingston 42 School District
Macon County R-IV School District
Malta Bend School District
New Haven School District
Seymour R-II School District
West Plains R-VII School District
Missouri Department of Transportation
Missouri State University
Missouri Western State University
State Technical College of Missouri
Northwest Missouri State University
University of Central Missouri
University of Missouri
Office of Administration
Office of the Attorney General

SOURCES OF INFORMATION (continued)

Office of Prosecution Services
Office of the Secretary of State
Office of State Public Defenders
Office of the State Treasurer
State Tax Commission
St. Louis County



Mickey Wilson, CPA
Director
May 12, 2016

Ross Strobe
Assistant Director
May 12, 2016