

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 6084-01
Bill No.: SB 945
Subject: Agriculture; Agriculture Department; Appropriations; Economic Development;
 Energy
Type: Original
Date: February 22, 2016

Bill Summary: This proposal creates economic subsidies for qualified gaseous biofuel producers

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
General Revenue	\$0	\$0 or (Greater than \$5,274,000)	\$0 or (Greater than \$5,274,000)
Total Estimated Net Effect on General Revenue	\$0	\$0 or (Greater than \$5,274,000)	\$0 or (Greater than \$5,274,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Missouri Qualified Gaseous Biofuel Producer Incentive Fund *	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

*Transfer In and Costs Out Net Zero

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 7 pages.

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

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on FTE	0	0	0

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

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Agriculture (AGR)** state 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.

Biofuel Incentives

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

Ethanol Incentives	1st 12.5M Gallons per year	2nd 12.5M Gallons per year
dollars per gallon	0.20	0.05
eligible gallons	x 12,500,000	x 12,500,000
dollars per 12.5M gallons	\$2,500,000	\$625,000
Annual Maximum Per Producer		\$3,125,000
5-Year Maximum Per Producer		\$15,625,000

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 15,000,000	x 15,000,000
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 approximately a year for an operation to become eligible to receive this incentive.

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

ASSUMPTION (continued)

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 **State Treasurer's Office, Joint Committee on Administrative Rules, Department of Revenue, and Department of Natural Resources** each assume this proposal will not have a fiscal impact on their respective organizations.

<u>FISCAL IMPACT - State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
GENERAL REVENUE			
<u>Transfer Out</u> - Department of Agriculture (AGR) - Missouri Qualified Gaseous Biofuel Producer Incentive Fund	<u>\$0</u>	\$0 or (Greater than <u>\$5,274,000</u>)	\$0 or (Greater than <u>\$5,274,000</u>)
TOTAL NET EFFECT ON GENERAL REVENUE	<u>\$0</u>	<u>\$0 or (Greater than \$5,274,000)</u>	<u>\$0 or (Greater than \$5,274,000)</u>
MISSOURI QUALIFIED GASEOUS BIOFUEL PRODUCER INCENTIVE FUND			
<u>Transfer In</u> - from General Revenue Fund	\$0	\$0 or Greater than \$5,274,000	\$0 or Greater than \$5,274,000
<u>Costs</u> - incentive payments to Qualified Producers	<u>\$0</u>	\$0 or (Greater than <u>\$5,274,000</u>)	\$0 or (Greater 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>

FISCAL IMPACT - Local Government

FY 2017
(10 Mo.)

FY 2018

FY 2019

\$0

\$0

\$0

FISCAL IMPACT - Small Business

Small businesses located near a gaseous biofuel site could see positive economic impacts as a result of this legislation.

FISCAL DESCRIPTION

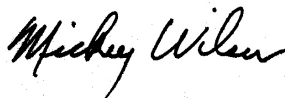
This act creates the Missouri Qualified Gaseous Biofuel Producer Incentive Fund. Upon appropriation to the Fund, such moneys shall be used to provide subsidies to Missouri qualified gaseous biofuel producers as defined in this act. Such qualified producers shall be eligible for a monthly grant from the fund for a total of 60 months. The amount of the grant shall be calculated as set forth in this act. In order to receive a grant from the Fund, a qualified gaseous biofuel producer shall apply to the Department of Agriculture and include certain information as set forth in this act.

This provision shall expire on December 1, 2018. However, producers receiving any grants awarded prior to that date shall continue to be eligible for the remainder of the original 60 month time period under the same terms and conditions.

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
Office of Administration - Budget and Planning
Office of Secretary of State
Joint Committee on Administrative Rules
Department of Revenue
Department of Natural Resources



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L.R. No. 6084-01
Bill No. SB 945
Page 7 of 7
February 22, 2016

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February 22, 2016

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February 22, 2016