

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 6313-01  
Bill No.: SB 1008  
Subject: Agriculture; Agriculture Department; Energy  
Type: Original  
Date: March 2, 2016

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Bill Summary: This proposal creates the Missouri Qualified Solid Biomass Fuel Producer Incentive Fund to provide economic subsidies to solid biomass fuel producers.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
General Revenue*	\$0	\$0 to (\$750,000)	\$0 to (\$1,500,000)
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0</b>	<b>\$0 to (\$750,000)</b>	<b>\$0 to (\$1,500,000)</b>

\* Incentive payments are up to \$750,000 per solid biomass fuel producer annually.

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

\*\*Transfer In and Costs Net to Zero

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 6 pages.

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

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

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

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

## FISCAL ANALYSIS

### ASSUMPTION

Officials at the **Office of Administration - Budget and Planning** assume this proposal will have a negative fiscal impact on their organization.

The proposal would create a Missouri Qualified Solid Biomass Fuel Producer Incentive Fund to subsidize the production of qualified solid biomass fuels, but would not authorize or result in the generation of any additional state revenues for the fund. Presumably, resources for the fund's operations would be appropriated through a transfer from General Revenue in the absence of other sources. Transfers from GR have been used to resource two similar subsidy funds, the Missouri Qualified Fuel Ethanol Producer Incentive Fund, which subsidized 6 producers, and the Missouri Qualified Biodiesel Producer Incentive Fund, which subsidized 14 producers.

Under this proposal, each qualified producer would be eligible for subsidies of up to \$750,000 per year for the first five years of production. Assuming the same number of producers participate in this program that participated in the Qualified Biodiesel Producer Incentive Program, the program's annual cost to GR could be as much as \$10,500,000. Budget and Planning notes that if more than 14 producers participate, the GR impact would be greater.

Officials at the **Department of Agriculture (AGR)** stated the proposal would create a Missouri Qualified Solid Biomass Fuel Producer Incentive Fund to encourage the production of solid biomass fuels, 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 \$750,000 of incentives per fiscal year, for the first five fiscal years of production (see calculations below). Each producer would be eligible for up to \$3,750,000 of incentives over five fiscal years. Since its unknown how many producers would participate, this estimate shows the cost for each qualified producer.

1st 30,000 tons of solid biomass = \$20/ton * 30,000 tons = \$600,000	
2nd 30,000 tons of solid biomass = \$ 5/ton * 30,000 tons = \$150,000	
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Total Cost Per Producer Per Fiscal Year =	\$750,000

ASSUMPTION (continued)

Due to the time needed for the start-up of a new plant (producer), **Oversight** will assume \$0 impact in FY 2017 and then range the impact from \$0 (no new plants built) to a cost up to \$750,000 for one plant in FY 2018, and up to \$1,500,000 in FY 2019 for two plants. There is no program limit or limit on the number of qualified producers; therefore, the eventual number of producers could meet or exceed those estimated by Budget and Planning (14) with an estimated cost to the state possibly exceeding \$10.5 million (14 producers x \$750,000 annual maximum each). Oversight does not have any information on which to base the number of solid biomass fuel producers will be built and receive the incentives, but for the fiscal note scope (3 years), we will assume that two producers will be built and start receiving incentive payments from the state.

Officials at the **Attorney General’s Office, Department of Labor and Industrial Relations, Office of Administration - Accounting, Office of State Court’s Administrator, and State Treasurer’s Office** each assume this proposal will not have a fiscal impact on their respective organizations.

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

Officials at the following counties: Andrew, Atchison, Audrain, Barry, Bollinger, Boone, Buchanan, Camden, Cape Girardeau, Carroll, Cass, Christian, Clay, Cole, Cooper, DeKalb, Dent, Franklin, Greene, Holt, Jackson, Jefferson, Johnson, Knox, Laclede, Lawrence, Lincoln, Maries, Marion, McDonald, Miller, Mississippi, Moniteau, Monroe, Montgomery, New Madrid, Nodaway, Ozark, Perry, Pettis, Phelps, Platte, Pulaski, Scott, Shelby, St. Charles, St. Louis, St. Francois, Taney, Warren, Wayne and Worth did not respond to **Oversight’s** request for fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2017	FY 2018	FY 2019
	(10 Mo.)		
<b>GENERAL REVENUE</b>			
<u>Transfer Out - Department of Agriculture</u>			
<u>(AGR) - Missouri Qualified Solid</u>			
Biomass Fuel Producer Incentive Fund	<u>\$0</u>	<u>\$0 to (\$750,000)</u>	<u>\$0 to (\$1,500,000)</u>
<b>TOTAL NET EFFECT ON</b>		<b>\$0 to</b>	<b>\$0 to</b>
<b>GENERAL REVENUE</b>	<b><u>\$0</u></b>	<b><u>(\$750,000)</u></b>	<b><u>(\$1,500,000)</u></b>

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2017 (10 Mo.)	FY 2018	FY 2019
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**MISSOURI QUALIFIED SOLID  
 BIOMASS FUEL PRODUCER  
 INCENTIVE FUND**

<u>Transfer In</u> - from General Revenue Fund	\$0	\$0 to <u>\$750,000</u>	\$0 to <u>\$1,500,000</u>
<u>Costs</u> - incentive payments to Qualified Producers	\$0	\$0 to <u>(\$750,000)</u>	\$0 to <u>(\$1,500,000)</u>
<b>NET EFFECT ON THE MISSOURI    QUALIFIED SOLID BIOMASS FUEL    PRODUCER INCENTIVE FUND</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

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

FISCAL IMPACT - Small Business

Small businesses that qualify for the incentive could be impacted by this proposal.

FISCAL DESCRIPTION

This act creates the Missouri Qualified Solid Biomass Fuel Producer Incentive Fund to provide economic subsidies to Missouri qualified solid biomass fuel producers through the Department of Agriculture.

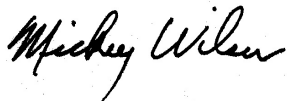
A qualified producer is eligible for a monthly grant from the fund for a total of 60 months. If the producer failed, due to a lack of appropriations, to receive the full amount for which they were eligible during the 60 months, the producer can continue to be eligible until they have received the maximum amount of funding for which they were eligible.

The act specifies the formula for calculating the amount of funding for which a producer is eligible, the time frame for applying for and disbursement of the grants, and the application requirements. This act shall expire in 2026.

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

Office of Administration - Budget and Planning  
Department of Labor and Industrial Relations  
Office of Administration - Accounting  
Office of State Courts Administrator  
State Treasurer's Office



Mickey Wilson, CPA  
Director  
March 2, 2016

Ross Strobe  
Assistant Director  
March 2, 2016