

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0107-02  
Bill No.: SB 123  
Subject: Agriculture; Agriculture Department; Animals; Business and Commerce;  
 Conservation Department; Fishing and Hunting; Health Department; Health,  
 Public  
Type: Original  
Date: February 3, 2017

Bill Summary: This proposal modifies provisions relating to captive cervids.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
General Revenue	(More than \$74,495)	(More than \$82,763)	(More than \$83,701)
<b>Total Estimated Net Effect on General Revenue</b>	<b>(More than \$74,495)</b>	<b>(More than \$82,763)</b>	<b>(More than \$83,701)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Parks and Soils Sales Tax Fund	(Unknown)	(Unknown)	(Unknown)
Conservation Commission	(Unknown)	(Unknown)	(Unknown)
School District Trust	(Unknown)	(Unknown)	(Unknown)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>(Unknown)</b>	<b>(Unknown)</b>	<b>(Unknown)</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 8 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</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 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>
Department of Health and Senior Services	1 FTE	1 FTE	1 FTE
<b>Total Estimated Net Effect on FTE</b>	<b>1 FTE</b>	<b>1 FTE</b>	<b>1 FTE</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 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>
<b>Local Government</b>	<b>(Unknown)</b>	<b>(Unknown)</b>	<b>(Unknown)</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials at the **Department of Health and Senior Services (DHSS)** assume this proposal would have a negative fiscal impact to their organization. In order to carry out the provisions of this proposed legislation, DHSS would be required to promulgate additional rules for the inspection process of cervid meat facilities since cervid meat facilities are currently not under the jurisdiction of DHSS as they currently fall to Missouri Department of Agriculture (AGR).

The current number of facilities which process deer is unknown, but it is estimated to be around 70 facilities (2014 estimate). It is therefore estimated that one Environmental Public Health Specialist IV (A27, \$44,352, Step G) would be required to perform inspections of these meat processing facilities.

DHSS assumes the total cost of approximately \$84,000 annually for this FTE with related fringe benefits and additional equipment and office expense.

Officials at the **Office of Administration - Budget and Planning (OA-B&P)** assume this proposal could have an unknown negative impact on general revenue, if a sales tax exemption occurs as a result of the revised definition of livestock in Section 144.010. (DOR reports that captive cervids are currently not distinguished as livestock for tax purposes.)

The revised definition of livestock in Section 262.900 relating to Urban Agriculture Zones could redirect some local sales taxes and limit growth in property tax revenues for the Blind Pension Fund and local governments, including school districts, if levies are not otherwise adjusted.

Officials at the **Department of Revenue** assume there will be an impact to sales tax revenue but couldn't estimate an amount.

**Oversight** will show a negative fiscal impact of Unknown to General Revenue from the loss of sales tax revenue. The unknown negative fiscal impact shown by Oversight is based on the assumptions provided by DOR, OA-B&P and the following information.

A report generated by Texas A & M University entitled, Economic Impact of the United States Cervid Farming Industry and dated August 2007, states "*The total impact of the industry, combining the farming and hunting components is \$3.0 billion annually.*" Based on Figure 1 on page 7 of this report, the State of Missouri is ranked 9<sup>th</sup>, based on the number of cervid farms per state (Missouri has 294) within the nation.

According to an article entitled "*Deer farming in Missouri is jumping*", dated March 17, 2016 published in Vox Magazine there are 250 farms in Missouri that raise deer commercially.

ASSUMPTION (continued)

Per an article entitled “*Deer-breeding businesses are in it for the bucks*”, dated January 26, 2014 published in the Southeast Missourian, “*A total of 47 big-game hunting operations exist in the state, along with 253 captive cervid, or deer, breeders who raise deer either to be purchased by hunting preserves or for their owner’s personal enjoyment, according to Tom Draper, deputy director with the department.*” Tom Draper was the Deputy Director of Conservation on the date of the article.

Obtained from the University of California, Small Farm Program website, “*U.S. restaurants import from 500 to 1,000 tons of venison annually, mostly from New Zealand, which has about 3,000 deer farms that mainly produce red deer and North American elk or wapiti, plus hybrids of those breeds.*”

Per the Penn State Extension website, “*American produces 20 percent of the venison needed to supply the domestic market and this market has grown 25 to 30 percent annually. More than 200,000 red, fallow, axis, sika, elk, and white-tailed deer are raised commercially on game preserves, farms and ranches.*”

Also, provided on the Penn State Extension website, “*Red deer are either slaughtered between 14 and 20 months of age at a weight of about 200 pounds, or at 24 to 30 months of age at a weight of 240 to 300 pounds. The meat is sold as various cuts, in quarters, and as whole carcasses. Some large producers have their own on-site USDA slaughter facilities. For smaller operations without on-site facilities, USDA has a voluntary inspection program that for a fee offers live inspection on the farm and a postmortem inspection at a USDA-inspected slaughtering facility.*”

According to a report dated January 2010 and prepared by Shepstone Management Company a survey of producers conducted for this report projected, “*Ohio’s deer and elk farms expect to reach \$52.4 million in direct sales by 2013.*” Also, in the report it noted, “*Ohio’s deer farms turn out a broad array of products and services, ranging from venison meat to deer watching.*”

Officials at the **Department of Natural Resources (DNR)** state no impact. However, in response to a similar proposal from the 2015 session (SB178), officials from the DNR assumed the proposal would add captive cervids to the definition of livestock. This proposal would allow the sale of captive cervids to be exempt from sales tax.

DNR’s Parks and Soils Sales Tax Funds are derived from one-tenth of one percent sales and use tax pursuant to Article IV Section 47(a) of the Missouri Constitution. Therefore, any additional sales and use tax exemption would be a loss to the Parks and Soils Sales Tax Funds.

ASSUMPTION (continued)

DNR assumed providing state and local sales and use tax exemptions as stated in this proposal decreases the amount of funding available in the Parks and Soils Sales Tax Funds. These funds have been used for the acquisition and development, maintenance and operation of state parks and historic sites and to assist agricultural landowners through voluntary programs.

DNR assumed the Department of Revenue and Office of Administration - Division of Budget and Planning would provide a more detailed account of the fiscal impact that would result from this proposal.

**Oversight** will show a negative fiscal impact of an Unknown amount to the state sales tax funds as well as local political subdivisions.

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.

Officials at the **Attorney General's Office** assume that any potential costs arising from this proposal can be absorbed with existing resources.

Officials at the **Department of Agriculture, Department of Conservation, Department of Social Services, and Joint Committee on Administrative Rules** each assume this proposal will not have a fiscal impact on their respective organizations.

<u>FISCAL IMPACT - State Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
<b>GENERAL REVENUE</b>			
<u>Loss</u> - Sales Tax Revenue - Captive Cervid Sales Tax Exemption	(Unknown)	(Unknown)	(Unknown)
<u>Costs</u> - DHSS			
Salaries - 1 EPHS IV	(\$36,960)	(\$44,796)	(\$45,243)
Fringe Benefits	(\$18,165)	(\$23,648)	(\$23,781)
Equipment	(\$7,728)	\$0	\$0
Expenses	(\$11,642)	(\$14,319)	(\$14,677)
Total Costs - DHSS	<u>(\$74,495)</u>	<u>(\$82,763)</u>	<u>(\$83,701)</u>
FTE Change - DHSS	1 FTE	1 FTE	1 FTE
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b>(More than <u>\$74,495</u>)</b>	<b>(More than <u>\$82,763</u>)</b>	<b>(More than <u>\$83,701</u>)</b>
Estimated Net FTE effect on General Revenue	1 FTE	1 FTE	1 FTE
<b>PARKS AND SOIL SALES TAX FUND</b>			
<u>Loss</u> - Sales Tax Revenue - Captive Cervid Sales Tax Exemption	(Unknown)	(Unknown)	(Unknown)
<b>ESTIMATED NET EFFECT ON PARKS AND SOILS SALES TAX FUND</b>	<b>(Unknown)</b>	<b>(Unknown)</b>	<b>(Unknown)</b>
<b>CONSERVATION COMMISSION</b>			
<u>Loss</u> - Sales Tax Revenue - Captive Cervid Sales Tax Exemption	(Unknown)	(Unknown)	(Unknown)
<b>ESTIMATED NET EFFECT ON CONSERVATION COMMISSION</b>	<b>(Unknown)</b>	<b>(Unknown)</b>	<b>(Unknown)</b>

<u>FISCAL IMPACT - State Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
<b>SCHOOL DISTRICT TRUST</b>			
<u>Loss - Sales Tax Revenue - Captive Cervid Sales Tax Exemption</u>	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<b>ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST</b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>

<u>FISCAL IMPACT - Local Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
<b>LOCAL GOVERNMENT</b>			
<u>Loss - Sales Tax Revenue - Captive Cervid Sales Tax Exemption</u>	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<b>ESTIMATED NET EFFECT ON LOCAL GOVERNMENT</b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>

FISCAL IMPACT - Small Business

This proposal could have a fiscal impact by exempting some small businesses from paying or charging for state and local taxes associated with purchase, possession, or sale of captive cervids.

FISCAL DESCRIPTION

This act adds captive cervids to the definition of livestock. This act allows the sale of captive cervids to be exempt from sales tax, allows captive cervids to be considered livestock for the purposes of urban agricultural zones, subjects captive cervids to the Missouri Livestock Disease Control and Eradication Law, the Missouri Livestock Marketing Law, and regulation and marketing of agricultural products.

Currently, captive wildlife is defined to include captive white-tailed deer and captive elk. This act specifies that the term captive wildlife only include captive cervids and captive elk classified as wildlife and not as livestock.

This act allows captive cervid meat to be sold so long as the captive cervids are commercially raised for food, are inspected by the Department of Health and Senior Services and the Department of Agriculture, and are inspected by the U.S. Department of Agriculture in accordance with federal regulations. The meat shall also be labeled accordingly.

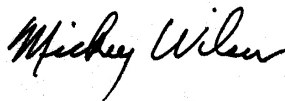
FISCAL DESCRIPTION (continued)

This act requires that commercial plants that slaughter captive cervids to keep certain records, including the cervid's official federal identification tag. If the captive cervid does not have an official federal identification tag, the commercial plant shall not slaughter the animal and shall notify the Department of 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

Department of Health and Senior Services  
Office of Administration - Budget and Planning  
Office of Secretary of State  
Department of Agriculture  
Department of Conservation  
Department of Social Services  
Department of Agriculture  
Department of Natural Resources  
Department of Revenue  
Joint Committee on Administrative Rules



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