

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0556H.04T
 Bill No.: Truly Agreed To and Finally Passed HS for HCS for SS for SB 138
 Subject: Agriculture; Appropriations; Department of Economic Development; Treasurer, State; Trees and Other Plants
 Type: Original
 Date: June 5, 2023

Bill Summary: This proposal modifies provisions related to agriculture.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
General Revenue Fund	(\$2,205,624) Up to (\$13,346,986)	(\$2,213,865) Up to (\$13,063,065)	(\$2,160,484) Up to (\$12,814,909)
Total Estimated Net Effect on General Revenue	(\$2,205,203) Up to (\$13,346,986)	(\$2,213,865) Up to (\$13,063,065)	(\$2,160,484) Up to (\$12,814,909)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Lottery Proceeds	Up to (\$240,000)	Up to (\$240,000)	Up to (\$240,000)
Agriculture Protection Fund (0970)	(\$57,850)	(\$57,850)	\$0
Missouri Hardwood Product Promotion*	\$0	\$0	\$0
Flood Resiliency Protection Fund**	\$0	\$0	\$0
Veterinary Student Loan Payment Fund (0803)***	\$0	\$0	\$0
Waterways and Ports Trust Fund****	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	Up to (\$297,850)	Up to (\$297,850)	Up to (\$240,000)

Numbers within parentheses: () indicate costs or losses.

*Transfer In (from Lottery Proceeds Fund) and additional expenditures net to zero.

** The Flood Resiliency Improvement Fund will net to zero.

***Missouri Hardwood Product Promotion Fund will net to zero.

**** Transfers in and out (Waterways and Ports Trust fund) will net to zero.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Total Estimated Net Effect on FTE	0	0	0

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Local Government	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown

FISCAL ANALYSIS

ASSUMPTION

Section(s) 60.401, 60.411, 60.431, 60.441, 60.471, 60.480, 60.496, 60.510 The Missouri State Plane Coordinate System

Officials from the **Department of Natural Resources, Missouri Department of Conservation, Missouri Department of Agriculture, Missouri Department of Transportation and Office of Administration** each assumed the proposal will have no fiscal impact on their respective organizations.

Oversight notes that the above mentioned agencies have stated the proposal would not have a direct fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, **Oversight** will reflect a zero impact on the fiscal note for these sections.

Section 68.080 Waterways and Ports Trust Fund

Officials from the **Office of Administration - Budget and Planning (B&P)** assume subsection 68.080.1 of the legislation establishes in the State Treasury the "Waterways and Ports Trust Fund", and provides that the fund shall consist of revenues appropriated to it by the General Assembly. This provision will presumably authorize the General Assembly to appropriate from the General Revenue Fund for transfer into the new fund, resulting in an unknown additional cost to the General Revenue Fund as early as Fiscal Year 2024. Subsection 3 of the legislation provides that the fund shall be a revolving trust fund exempt from the provisions of Section 33.080 relating to the transfer of unexpended balances by the State Treasurer to the General Revenue Fund of the state and that all interest earned upon the balance in the fund shall be deposited to the credit of the fund, resulting in an unknown loss of revenues to the General Revenue Fund as early as Fiscal Year 2024.

In addition, B&P notes this proposal duplicates the following:

The Missouri Department of Transportation (MoDOT) currently administers Fiscal Year 2023 appropriations that subsidize operations and capital improvements for the state's port authorities, pursuant to Section 4.555 of House Bill 3004 (2022), Sections 20.013 and 20.014 of House Bill 3020 (2022), and Section 68.035, RSMo.

Fiscal Year 2023 House Bill 3004 (2022) Section 4.555 appropriations include:

- \$11,620,577 General Revenue Fund and \$800,000 State Transportation Fund for grants to port authorities statewide for assistance in port planning, acquisition, or construction within the port districts; and

- \$25,000,000 Budget Stabilization Fund earmarked for the Jefferson County port authority for the same purposes.

Fiscal Year 2023 House Bill 3020 (2023) Section 20.013 and Section 20.014 appropriations include:

- \$25,000,000 Coronavirus State Fiscal Recovery Fund for grants to port authorities statewide; and

- \$5,000,000 Coronavirus State Fiscal Recovery Fund for grants to the New Madrid County port authority.

The Governor's recommendations for Fiscal Year 2024 House Bill 4 (2023) Section 4.555 appropriations include:

- \$12,270,577 General Revenue Fund and \$800,000 State Transportation Fund for grants to port authorities statewide for assistance in port planning, acquisition, or construction within the port districts; and

- \$25,000,000 Budget Stabilization Fund earmarked for the Jefferson County Port Authority for the same purposes.

The Governor's recommendations for Fiscal Year 2024 House Bill 20 (2023) Section 20.013 and Section 20.014 appropriations include:

- \$25,000,000 Coronavirus State Fiscal Recovery Fund for grants to port authorities statewide; and

- \$5,000,000 Coronavirus State Fiscal Recovery Fund for grants earmarked for the New Madrid County port authority.

Oversight does not have information to the contrary and therefore, Oversight will reflect a \$0 (the General Assembly does not appropriate funds to the new Waterways and Ports Trust Fund) to an “Unknown” cost to General Revenue (the General Assembly appropriates funds to the new fund). Oversight assumes the unknown fiscal impact could be greater than \$250,000. Oversight notes the proposed new fund will be dissolved on December 31, 2033 and any balance remaining will be transferred to the General Revenue Fund.

Officials from the **Missouri Department of Transportation**, the **Department of Revenue** and the **Missouri Highway Patrol** each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies for this section.

Section(s) 135.772, 135.775 & 135.778 Biodiesel Tax Credits

Section 135.772 Ethanol Tax Credit

Officials from the **Office of Administration (B&P)** assumed this proposal would allow taxpayers with a non-calendar year filing timeline to claim the tax credit for their tax year that starts in 2022, but ends in 2023. This provision does not change the amount of tax credits that can be authorized. Therefore, B&P estimates that this provision will not impact TSR.

Officials from the **Department of Revenue (DOR)** note HB 3 adopted in the special session of 2022, created this new tax credit for a retail dealer that sells ethanol fuel starting with tax year 2023. The tax credit was to be equal to five cents (\$0.05) per gallon.

This tax credit was to begin on January 1, 2023, with the first tax returns claiming the credit being filed starting January 2024 (FY 2024). The tax credit was established with a \$5 million cap annually.

This proposal adds language clarifying which taxpayers in calendar year 2023 would qualify for the credit. DOR does not estimate this will have any additional impact that was not already accounted for in HB 3's fiscal note.

At this time, the Department doesn't have any information on the number of retailers that may apply for this credit as the filing period has just opened.

Oversight notes DOR and B&P both assume this part of the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact, for this specific section, in the fiscal note.

Section 135.775 Biodiesel Retailers Tax Credit

Officials from the **Office of Administration – Budget & Planning (B&P)** assume HB 3 adopted in the special session of 2022, created this new tax credit for a retail dealer that sells biodiesel fuel starting with tax year 2023. To qualify as biodiesel fuel it must be a blend of diesel and biodiesel between 5% and 20% for on-road and off-road diesel-fuel vehicle use. Proof that that biodiesel meets ASTM International specifications will need to be provided to the **Department of Revenue (DOR)**. The tax credit was to be equal to two cents (\$0.02) per gallon on biodiesel blend of 5% but no more than 10% mix or five cents (\$0.05) per gallon sold on a biodiesel blend in excess of 10%.

This tax credit was to begin on January 1, 2023, with the first tax returns claiming the credit being filed starting January 2024 (FY 2024). The tax credit was established with a \$16 million cap annually. This credit was established with a specification that if the cap was reached the credit would be apportioned among all applicants. Additionally, there was a provision that allowed credits not distributed in a year to be rolled over to the biodiesel producers credit for use.

This proposal adds language clarifying which taxpayers in calendar year 2023 would qualify for the credit and removed the language sharing the credits with the Biodiesel Producers. It is estimated this will not have any additional impact that was not already accounted for in HB 3's

fiscal note. At this time, the Department doesn't have any information on the number of retailers that may apply for this credit as the filing period has just opened.

Oversight notes DOR and B&P both assume the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact, for this specific section, in the fiscal note.

Section 135.778. Biodiesel Producers Tax Credit

Officials from **Office of Administration – Budget & Planning (B&P)** stated this proposal would increase the authorization limit from \$4 million annually to \$5.5 million annually. This proposal would also allow taxpayers with a non-calendar year filing timeline to claim the tax credit for their tax year that start in 2022, but ends in 2023. This provision does not change the amount of tax credits that can be authorized.

B&P notes that this credit started for tax year 2023, and annual returns have not yet been filed. Therefore, B&P estimates that this provision may decrease TSR and GR by \$1.5 million annually starting in FY24.

Officials from the **Department of Revenue (DOR)** note:

HB 3 adopted in the special session of 2022, created this new tax credit for a producer of biodiesel fuel. Starting January 1, 2023 it would allow a credit against their state income tax liability in an amount of \$0.02 per gallon of biodiesel fuel produced by a Missouri biodiesel producer. The Department noted when the bill was being discussed there were currently 6 producers in the state.

When established the credit had a \$4 million annual cap. Additionally, the bill allowed that if the credit cap was reached then the credit would be apportioned among all applicants. It also contained a provision that if the \$4 million cap on this credit was not fully used, then the remaining portion of the cap could be distributed to the retailers on their credit.

This proposal adds language clarifying which taxpayers in calendar year 2023 would qualify for the credit. This change will not have any additional fiscal impact.

This proposal removes the \$4 million annual cap, the apportionment language in the credit and the provision that allows the credit to be shared with the retailer's credit. This proposal then increases the cap to \$5.5 million. This proposal could potentially expand the number of credits that can be issued annually by \$1.5 million. At this time, the Department doesn't have any information on the number of producers that may apply for this credit as the filing period has just opened. They assume this could result in an increase in the number of credits which would result in an additional \$1.5 million loss to general revenue.

These changes will require updates of the website and forms, and computer programming at a cost of \$7,193.

Oversight notes that this proposal, Section 135.778 3 removes the \$4 million maximum cap allowing for all applicants who are able to claim the credit and allows for up to \$5.5 million cap.

Oversight notes the officials from the DOR & B&P do not have any current information regarding the tax credit claimed under the HB 3 – 2022, which was passed by the general assembly, and signed by the Governor. Therefore, **Oversight** will reflect a range (reflecting the original \$4 million cap was not surpassed by the change in this proposal) up to negative \$1.5 million (\$5.5 million – \$4 million) in a possible additional credits claimed in the fiscal note.

Additionally, Oversight will assume DOR’s anticipated cost associated with the website updates, forms and computer programming as one time cost \$7,193 in FY 2024 could be absorbed within their current appropriations.

Officials from the **Department of Commerce and Insurance**, the **Department of Natural Resources**, and the **Missouri Department of Agriculture** each assumed the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in this section of the fiscal note for these agencies.

Section 143.022 Business Income Deduction

Officials from the **Department of Revenue (DOR)** and from the **Office of Administration (OA)** both assume this proposal attempts to add the income of farmers as reported on two specific IRS forms to the business exemption. Those forms are the Schedule F and Form 4835. It should be noted the income reported on Form 4835 is reported onto the Schedule E which is already exempt per statutes.

The Department used its internal Income Tax Model that contains confidential taxpayer data to calculate the fiscal impact. SB 3 adopted in 2022, lowered the individual income tax rate to 4.95% starting January 1, 2023 and additionally is projected to lower the current tax rate down to 4.5% over a period of years based on revenue growth. DOR will show the impact through the implementation period. The Department notes that this income is reported at the time of filing of the return and is will result in a loss to general revenue:

Tax Year (Fiscal Year)	Amount
2023 (FY 2024)	(\$2,160,600)
2024 (FY 2025)	(\$2,155,065)
2025 (FY 2026)	(\$2,102,909)
2026 (FY 2027)	(\$2,055,404)
2027 (FY 2028)	(\$2,014,848)

This proposal will require modification to the MO-A form and to the MO-1040 form. Additionally they will need to modify their website and the individual income tax computer system. These changes are estimated to cost \$7,193.

Section 143.121 MAGI Subtractions

Officials from the **Department of Revenue (DOR)** and from the **Office of Administration (B&P)** both assume this proposal in Section 143.121.10 creates new subtractions from MAGI of the capital gains, rental income and crop-share agreements income reported in a qualified taxpayer's federal adjusted gross income. These subtractions would be available to a farm owner who sells their whole/part of their property to a beginning farmer, rents to a beginning farmer or enters into a crop-share agreement with a beginning farmer. A qualified taxpayer may claim a percentage based on the amount of the first capital gains received:

For the first \$2 million – 100%	(\$2,000,000)
For the next \$1 million – 80%	(\$800,000)
For the next \$1 million - 60%	(\$600,000)
For the next \$1 million - 40%	(\$400,000)
For the next \$1 million – 20%	<u>(\$200,000)</u>
	(\$4,000,000)

The maximum amount a taxpayer could receive in a subtraction is \$4 million. Farmers who enter into lease or crop-share agreements may subtract related income from their MAGI, up to \$25,000 per year.

To be consider a beginning farmer under this proposal, the farmer must be approved for a loan from the USDA Farm Service Agency and have filed at least one but less than 10 IRS Schedule F returns. The USDA Farm Service Agency reports there are 493 beginning farmers with a loan in MO. Since the farmer must have filed less than 10 IRS annual returns DOR will assume there are 49 new farmers annually.

The Department is unable to determine the amount of capital gains realized by taxpayers who sell their farmland or the amount of income received from lease/crop-share agreements. Therefore DOR will show the estimates based on the limits in the proposal. If all farmers entered into a leasing or crop-sharing agreement, this would exempt \$1,225,000 (49 beginning farmers * \$25,000 limit) annually. If all those farmers decided to sell their property and reached the maximum subtraction it would exempt up to \$196,000,000 (49 beginning farmers * \$4,000,000 capital gains limit).

Subtractions do not reduce revenue on a dollar for dollar basis but based on the top income rate applied. SB 3 (2022) has set the individual income tax rate at 4.95% for tax year 2023 and is expected to reduce the rate to 4.5% over a series of years based on certain revenue triggers. They show the loss to general revenue based on the variable future tax rates.

Revenue Loss by Year

Tax Rate	Tax Year (Fiscal Year)					
	2023 (FY24)		2024 (FY25)		2025 (FY26)	
	Low	High	Low	High	Low	High
4.95%	(\$60,638)	(\$9,702,000)	(\$60,638)	(\$9,702,000)	(\$60,638)	(\$9,702,000)
4.80%			(\$58,800)	(\$9,408,000)	(\$58,800)	(\$9,408,000)
4.70%					(\$57,575)	(\$9,212,000)
4.60%						
4.50%						

Revenue Loss by Year

Tax Rate	Tax Year (Fiscal Year)			
	2026 (FY27)		2027 (FY 28)	
	Low	High	Low	High
4.95%	(\$60,638)	(\$9,702,000)	(\$60,638)	(\$9,702,000)
4.80%	(\$58,800)	(\$9,408,000)	(\$58,800)	(\$9,408,000)
4.70%	(\$57,575)	(\$9,212,000)	(\$57,575)	(\$9,212,000)
4.60%	(\$56,350)	(\$9,016,000)	(\$56,350)	(\$9,016,000)
4.50%			(\$55,125)	(\$8,820,000)

This proposal will require DOR to add a new line on the MO-1040, the MO-1120 and the MO-PTE. DOR would also need to update their website and individual income tax computer systems. This would result in costs of \$7,193.

Additionally, while the Department of Agriculture is tasked with establishing a process to verify if the beginning farmer meets the qualification stated in this proposal, and providing that farmer with confirmation of that qualification, DOR assumes it will have to create the confirmation form. DOR’s tax returns and all schedules and attachments are designed to go through the electronic tax computer system. Setting up this confirmation form will result in additional costs of \$10,000.

Oversight will show the cost of system, forms, and website modifications for all sections in this proposal estimated at \$17,193 by DOR as a one-time cost in FY 2024. **Oversight** notes officials from B&P and DOR both assume the proposal will have a negative fiscal impact on general revenue. Oversight will show B&P and DOR’s projected fiscal estimated impacts of this proposal throughout the implementation of the tax rate reductions from SB 3 (2022) to show the maximum low and high impact of the proposal. The fiscal note reflects the assumptions that the SB 3 (2022) reductions are triggered consecutively.

Oversight notes Section 143.121.10 (1) (b) and (c) provides change in language for a “qualified family member”, as an individual who is related to a farm owner within the fourth degree by blood, marriage, or adoption and who is purchasing or leasing or is in a crop-share arrangement for land from all or a portion of the farm owner’s farming operation.

Oversight will show the cost of system, forms, and website modifications for all sections in this proposal estimated at \$17,193 by DOR as a one-time cost in FY 2024. **Oversight** notes officials from B&P and DOR both assume the proposal will have a negative fiscal impact on general revenue. Oversight will show B&P and DOR’s projected fiscal estimated impacts of this proposal throughout the implementation of the tax rate reductions from SB 3 (2022) to show the maximum low and high impact of the proposal. The fiscal note reflects the assumptions that the SB 3 (2022) reductions are triggered consecutively.

Section(s) 196.311, 196.316, 323.100, & 413.225 changes duties of the Division of Weights, Measures and Consumer Protection – Modification of Fee Structures

Officials from the **Missouri Department of Agriculture (MDA)** assume these changes will have no fiscal impact on their organization. MDA notes the provisions in this proposal will allow MDA to collect the same amount of revenue as it currently does.

Oversight notes that the above mentioned agency has stated the proposal would not have a direct fiscal impact on the organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note for these sections.

Oversight notes this proposal removes existing fee structures and gives MDA the authority to determine fees to offset program costs. Oversight notes the MDA assumed the changes in the proposal would allow the department to collect the same amount of revenue as they are currently. Therefore, Oversight will assume no fiscal impact from this bill.

Oversight notes the proposal sets the following annual fee limits:

Dealer’s licence for eggs	\$100
Retailer’s license for eggs	\$175
Processor’s license for eggs	\$250
Testing of meters for liquefied petroleum gas	\$400
Calibrations testing	\$500 per calibration

Oversight notes the new fee limits become effective January, 2025 and allow the MDA additional flexibility in setting the annual fees. Oversight assumes there will be no direct additional fiscal impact to the MDA as a result of the proposal.

Section 256.800 – Flood Resiliency Act and Flood Resiliency Improvement Fund

Officials from the **Department of Natural Resources (DNR)** assume the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for DNR.

Officials from the **City of Kansas City** and **City of Springfield** each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

Oversight only reflects the responses received from state agencies and political subdivisions; however, other cities were requested to respond to this proposed legislation but did not. A listing of political subdivisions included in the MOLIS database is available upon request.

Oversight notes a new fund has been established, the “Flood Resiliency Improvement Fund” as a result of this proposal. This fund could issue grants or offer financial assistance to entities for the development, construction or renovation of a flood resiliency project. The DNR could also develop its own plans with the funds.

Oversight notes this fund is subject to appropriation by the General Assembly; therefore, Oversight will range the impact from “\$0” (the General Assembly does not appropriate funds to the new program) to an “Unknown” amount (the General Assembly appropriates funds to the new program). Oversight will also reflect an “Unknown” amount of costs in the form of grants/financial assistance. Oversight will assume the appropriation could be from the General Revenue Fund.

Section 262.911 – Department of Economic Development to promote Missouri hardwood forest products

Officials from the **Department of Economic Development**, the **Missouri Department of Agriculture**, the **Department of Natural Resources**, and the **Missouri Department of Conservation** each assume the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies for this section.

Oversight notes the Section 262.911 2 creates "Missouri Hardwood Forest Product Promotion Fund" which shall consist of any grants, gifts, devises, bequests, and moneys appropriated by the general assembly to the fund. Oversight notes the moneys in this fund shall be used solely to promote and educate about Missouri hardwood forest products. Therefore, **Oversight** will note range of zero (General Assembly does not appropriate a transfer of funds) to unknown negative amount (General Assembly appropriates money for the program) from general revenue into the Missouri Hardwood Forest Product Promotion Fund in the fiscal note.

Oversight notes the proposal allows the State Treasurer invest, disburse, and credit the fund with the interest on money made on the investments in the fund.

In response to the similar proposal, SB 1159 – 2022, officials from the **Office of the State Treasurer** assumed the proposal will have no fiscal impact on their organization. **Oversight**

does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for this office.

Section 281.102 - The proposal changes the effective date of new provisions regulating pesticide certification and training to January 1, 2025

In response to the similar proposal, HB 1022 – 2023, officials from the **Missouri Department of Agriculture (MDA)** assume there could be increased costs since the original program was enacted in SB 26 (2021) due to economic conditions; however, MDA assumes the same fiscal impact from SB 26 (2021).

Oversight notes this proposal changes the effective date of the pesticide certification program from January 1, 2024 to January 1, 2025; therefore, Oversight will shift the costs and revenue that were reflected on the fiscal note for SB 26 (2021) from FY 2024 (six months) to FY 2025. Oversight notes the fiscal impact after January 1, 2025 will assumed to be the same as was reflected on the fiscal note for SB 26.

Section 304.180 Log Truck

Oversight notes Section 304.180, subsection 14, proposes that local log trucks and local log truck tractors may have a total weight of up to one hundred nine thousand six hundred pounds (from previous one hundred five thousand pounds). Provided however, when operating on the national system of interstate and defense highways.

Oversight notes that in further conversation with the **Missouri Department of Transportation (MoDOT)**, via e-mail, the officials assume the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, **Oversight** will reflect a zero impact in the fiscal note for this section.

Sections 340.341, 340.345, 340.381, 340.384, 340.387 large animal veterinary medicine loan repayment program.

Officials from the **Missouri Department of Agriculture (MDA)** assume the proposal will have no fiscal impact on their organization. MDA notes six students have been awarded \$20,000 each (per academic year) for the past three years.

Oversight notes this proposal increases the number of students awarded from six to 12 per academic year. In addition, the proposal increases the amount of award from \$20,000 per academic year to \$30,000 per academic year, not to exceed \$120,000 total (per student). Oversight assumes MDA may award the maximum number of students allowed; therefore, Oversight will reflect an increased cost to MDA of \$240,000 ((6 new x \$30,000) + (6 existing x (\$30,000 - \$20,000))) per year.

Oversight notes this proposal allows MDA to award more than 12 applicants if additional moneys from private grants, gifts, donations, devises, or bequests of moneys, funds, real or personal property, or other assets are deposited in the Veterinary Student Loan Payment Fund; therefore, Oversight will reflect the increase as “Could exceed \$240,000”.

Oversight notes there was a \$32.03 balance in the Veterinary Student Loan Payment Fund (0803) as of May 31, 2023.

Oversight notes actual expenditures for this program over the past three years have been:

	Expenditures	Applicants	Recipients
FY 2021	\$116,400	13	6
FY 2020	\$116,348	11	6
FY 2019	\$116,318	12	6

Oversight notes this program has a transfer from the Lottery Proceeds Fund to fund the program. With the small balance of the Veterinary Student Loan Payment Fund, Oversight will assume the additional proceeds needed for a program expansion will be transferred in from the Lottery Proceeds Fund (0291).

Section(s) 195.203 to 195.773 - Repeal of industrial hemp regulatory program

Officials from the **Missouri Department of Agriculture (MDA)** and **Missouri Highway Patrol** each assume the proposal will have no fiscal impact on their respective organizations.

In response to the pervious version of the bill, **MDA** notes in FY 2023 the registrations of industrial hemp producers are predicted to decline significantly, thus leading MDA to turn this program back to USDA. If MDA were to continue to operate this program in FY 2023, this would cost the State of Missouri General Revenue in the amount of approximately \$40,000 (the projected deficit above revenue collections for FY 2023). Turning the program over to USDA, in accordance with HB 202 has no impact, as MDA will no longer be collecting the registration fees, which were previously supporting the industrial hemp program.

MDA notes the beginning balance of the Industrial Hemp Fund (0476) was \$82,349 as of July 1, 2022 (FY 2023). As of February 28, 2023, the balance was \$26,645. Revenue is mostly made up of registration fees to the program.

MDA also notes, there are five FTE being reduced in the 2024 Governor’s recommended budget in coordination with the removal of the Industrial Hemp program from MDA, along with a corresponding core cut of the appropriation authority for the program. MDA only filled two of the originally appropriated five FTE. The two FTE are now vacant.

Oversight does not have information to the contrary and therefore, Oversight will reflect a savings of approximately \$40,000 to the General Revenue fund as indicated by MDA. Oversight

will reflect the savings in FY 2024 as Oversight assumes the program will no longer exist under MDA in further fiscal years.

Overall Bill:

Officials from the **Attorney General’s Office**, the **Department of Commerce and Insurance**, the **Department of Economic Development**, the **Department of Natural Resources**, the **Department of Corrections**, the **Department of Labor and Industrial Relations**, the **Department of Public Safety – Highway Patrol**, the **Missouri Department of Conservation**, the **Office of Administration** each assume the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

Rule Promulgation

Officials from the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

Officials from the **Office of the Secretary of State (SOS)** note 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 \$5,000. 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 its 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.

<u>FISCAL IMPACT – State Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
GENERAL REVENUE FUND			
<u>Transfer Out – Section 68.080 to the Waterways and Ports Trust Fund for grants to local port authorities (p.4)</u>	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
<u>Reduction in Revenue – Section 135.778. 3 – changed cap from \$4 million to \$5.5 million (p.7)</u>	\$0 Up to (\$1,500,000)	\$0 Up to (\$1,500,000)	\$0 Up to (\$1,500,000)

<u>Revenue Reduction</u> – Section 143.022 – Business Income Deduction (p.7)	(\$2,160,600)	(\$2,155,065)	(\$2,102,909)
<u>Revenue Reduction</u> – Section 143.121 Beginning farmer subtraction p. (8-10)	(\$60,638 to \$9,702,000)	(\$58,800 to \$9,408,000)	(\$57,575 to \$9,212,000)
<u>Costs</u> – DOR – Section 143.121 Form and Computer Upgrades p. (9)	(\$24,386)	\$0	\$0
<u>Transfer Out</u> – \$256.800 - to the Flood Resiliency Improvement Fund (p.10-11)	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
<u>Transfer Out</u> – Section 262.911 - to the newly established fund for the promotion of Missouri hardwood products (p.11)	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
<u>Revenue Savings</u> – MDA – Section(s) 195.03 to 195.773 - returning Industrial Hemp program to the federal government (p.13)	\$40,000	\$0	\$0
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>(\$2,205,624)</u> <u>Up to (\$13,346,986)</u>	<u>(\$2,213,865)</u> <u>Up to (\$13,063,065)</u>	<u>(\$2,160,484)</u> <u>Up to (\$12,814,909)</u>
WATERWAYS AND PORTS TRUST FUND			
<u>Transfer In</u> – from the General Revenue fund 68.080	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
<u>Cost</u> – MoDOT – disbursement of grants to local port authorities	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
ESTIMATED NET EFFECT ON THE WATERWAYS AND PORTS TRUST FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FLOOD RESILIENCY IMPROVEMENT FUND			
<u>Transfer In</u> – Section 256.800 - from General Revenue	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
<u>Cost</u> – DNR – Section 256.800 - grants and/or financial assistance for flood resiliency plans	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
ESTIMATED NET EFFECT ON THE FLOOD RESILIENCY IMPROVEMENT FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
MISSOURI HARDWOOD FOREST PRODUCT PROMOTION FUND			
<u>Transfer In</u> – §262.911 - from the General Revenue for administration of the program	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
<u>Cost</u> – DED – §262.911 - Administration of the program	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON THE MISSOURI HARDWOOD FOREST PRODUCT PROMOTION FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
AGRICULTURE PROTECTION FUND (0970)*			
<u>Loss of Revenue</u> –(delayed 1 year) MDA – increase in number of commercial NRUP license fees §281.102 (p. 12)	(\$91,630)	(\$91,630)	\$0

<u>Loss of Revenue</u> – (delayed 1 year) MDA – increase in number of non-commercial NRUP license fees §281.102 (p.12)	(\$16,083)	(\$16,083)	\$0
<u>Savings of Costs</u> (delayed 1 year) – MDA (§281.035 and 281.037)			
Personal Services	\$16,016	\$16,016	\$0
Fringe Benefits	\$11,079	\$11,079	\$0
Computer network	\$20,000	\$20,000	\$0
Equipment and expense	\$2,743	\$2,743	\$0
<u>Total costs</u> – MDA	<u>\$49,838</u>	<u>\$49,838</u>	<u>\$0</u>
FTE Change – MDA	0 FTE	0 FTE	0 FTE
ESTIMATED NET EFFECT ON THE AGRICULTURE PROTECTION FUND*	<u>(\$57,875)</u>	<u>(\$57,875)</u>	<u>\$0</u>
LOTTERY PROCEEDS FUND (0291)			
<u>Transfer Out</u> – Section(s) 340.341 to 340.387 - to the Veterinary Student Loan Payment Fund for expansion of the program (p.12-13)	Up to <u>(\$240,000)</u>	Up to <u>(\$240,000)</u>	Up to <u>(\$240,000)</u>
ESTIMATED NET EFFECT TO THE LOTTERY PROCEEDS FUND	<u>Up to (\$240,000)</u>	<u>Up to (\$240,000)</u>	<u>Up to (\$240,000)</u>
VETERINARY STUDENT LOAN PAYMENT FUND (0803)			
<u>Transfer In</u> – Section(s) 340.341 to 340.387 - from the Lottery Proceeds fund (p.12-13)	Up to <u>(\$240,000)</u>	Up to <u>(\$240,000)</u>	Up to <u>(\$240,000)</u>
<u>Income</u> – MDA – Section(s) 340.341 to 340.387 - private grants, gifts, donations, devises or bequests (p.12-13)	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown

<u>Cost – MDA – Section(s) 340.341 to 340.387 - increase in number and amount of awards for veterinary students (p.12-13)</u>	Could exceed (\$240,000)	Could exceed (\$240,000)	Could exceed (\$240,000)
ESTIMATED NET EFFECT ON THE VETERINARY STUDENT LOAN PAYMENT FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

*Oversight notes the revenue and costs have been shifted from January 1, 2024 to January 1, 2025 per the proposal’s new effective date. The fiscal note for SB 26 (2021) reflected a net positive fiscal impact to the Agriculture Protection Fund and the University of Missouri. With the delayed implementation, Oversight will assume the state and the University will no longer realize that net positive fiscal impact in FY 2024 and half of FY 2025, which is reflected as a negative impact in FY’s 2024 & 2025.

<u>FISCAL IMPACT – Local Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
LOCAL PORT AUTHORITIES			
<u>Transfer In – from the state (68.080) (p.4)</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>
ESTIMATED NET EFFECT ON LOCAL PORT AUTHORITIES	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>

FISCAL IMPACT – Small Business

A direct fiscal impact to small agricultural businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

STATE COORDINATE SYSTEM

This act repeals provisions relating to the "Missouri Coordinate System of 1927" and the "Missouri Coordinate System of 1983" and creates the "Missouri State Plane Coordinate System". The system may have one or more projection zone layers. Each layer shall:

- Be covered by geodetically reference mapping projections adopted and supported by the Nation Geodetic Survey;
- Be identified by the geodetic datum; and

- Remain uniquely and consistently defined throughout its implementation within a particular layer.

This act modifies provisions relating to coordinate distances and measurement values as provided in the act. This act shall not be construed to prohibit the appropriate use of other geodetic reference networks. (Sections 60.401 to 60.510)

This provision is identical to provisions SS/HB 202 (2023), SB 403 (2023), SB 1026 (2022) and to provisions in HB 2364 (2022), similar to provisions in HCS/HB 47 & 638 (2023).

WATERWAYS AND PORTS TRUST FUND

This act establishes the "Waterways and Ports Trust Fund". The fund shall consist of moneys appropriated to it by the General Assembly, and may also receive money from federal, private, or other sources.

Moneys in the fund shall be withdrawn only upon appropriation by the General Assembly, to be administered by the Highways and Transportation Commission and the Department of Transportation, for the purposes of developing a statewide plan for waterborne commerce and reviewing plans of local or regional port authorities for major public capital improvements to encourage coordination with the statewide plan.

The act specifies eligibility requirements for a project to be eligible to receive an appropriation from the fund.

This act shall terminate on August 28, 2033, pending the discharge of moneys from the fund. The fund shall be dissolved on December 31, 2033, with the unencumbered balance being transferred to the General Revenue Fund. (Section 68.080)

TAX CREDIT FOR ETHANOL BLEND AND BIODIESEL FUEL

Current law authorizes a tax credit for all tax years beginning on or after January 1, 2023, for the sale of higher ethanol blend fuel and biodiesel fuel and for the production of biodiesel fuel. This act provides that any taxpayer with a tax year beginning prior to January 1, 2023, but ending during the 2023 calendar year shall be allowed a tax credit for the amount of fuel sold or produced during the portion of such tax year that occurs during the 2023 calendar year.

Additionally, current law authorizing a tax credit for the production of biodiesel fuel limits the maximum amount of tax credits that may be authorized in a fiscal year to \$4 million. This act increases such annual limit to \$5.5 million and removes a provision requiring the Department of Revenue to apportion tax credits among biodiesel producers applying for such tax credits.

Finally, a provision of current law authorizing any unused amounts of tax credits for the production of biodiesel fuel to be authorized as tax credits for the sale of biodiesel blend, and vice versa, is repealed. (Sections 135.772, 135.775, 135.778)

BUSINESS INCOME DEDUCTION

Current law authorizes an income tax deduction for a percentage of a taxpayer's business deduction from certain combined sources. This act adds the total combined profit as reported on an IRS Schedule F form and Form 4835. (Section 143.022)

TAX CREDIT FOR CERTAIN FARMERS

This act authorizes an income tax deduction for farm owners who sell, lease, or participate in a crop-share arrangement with a beginning farmer, as such terms are defined in the act.

The amount of the deduction shall be equal to 1) the portion of capital gains received from the sale of farmland to a beginning farmer, as described in the act; 2) the portion of cash rent income received from the lease or rental of farmland to a beginning farmer, not to exceed \$25,000 in a tax year; and 3) the portion of income received from the crop-share arrangement with a beginning farmer, not to exceed \$25,000 in a tax year. (Section 143.121)

DUTIES OF THE DEPARTMENT OF AGRICULTURE, INCLUDING MODIFICATION OF FEE STRUCTURES

The act repeals certain provisions related to egg sales and licensing, metrology, and propane fees.

This act repeals the current annual licensing fees of eggs within the Department of Agriculture and creates provisions regarding the fee amounts of certain licenses relating to the sale of eggs. The Director of the Department of Agriculture shall have the authority to assess egg licensing fees as described in the act. (Sections 196.311 and 196.316)

Under the act, the testing fee of liquefied petroleum meters shall not exceed \$400, instead of \$75. The act repeals a provision relating to such testing fees. The total expenses related to metrology calibrations shall not exceed \$500 per calibration, instead of \$125. (Sections 323.100, 413.225)

FLOOD RESILIENCY ACT

This act creates "Flood Resiliency Act" and the "Flood Resiliency Program" for the purpose of increasing flood resiliency along the Missouri and Mississippi rivers and their tributaries and improving statewide flood forecasting and monitoring ability.

The state of Missouri may participate with a political subdivision in the development, construction, or renovation of a flood resiliency project, as defined in the act, if the political subdivision has a plan for such project which has been submitted to and approved by the Director of the Department of Natural Resources. Alternatively, the state may promote such project or initiate its own plan for such project. Such plan shall include a description of the flood resiliency project, as described in the act, and the Director shall approve such a project subject to certain conditions as described in the act. Political subdivisions with approved flood resiliency projects and their partners may receive funds from public and private sources, including the newly created Flood Resiliency Improvement Fund, for the purpose of implementing such projects under the act. (Section 256.800)

MISSOURI HARDWOOD PRODUCT PROMOTION FUND

This act requires the Department of Economic Development to promote Missouri hardwood forest products and educate the public on the value and benefit of such products.

This act creates the "Missouri Hardwood Forest Product Promotion Fund". Money in the fund shall be used to promote and educate about Missouri hardwood forest products.

This act shall automatically sunset six years after the effective date of the act unless reauthorized by the General Assembly. (Section 262.911)

PESTICIDE CERTIFICATION AND TRAINING

This act modifies the effective date of the enactment, repeal, and re-enactment of certain provisions relating to pesticide certification and training from January 1, 2024 to January 1, 2025. (Section 281.102)

LOG TRUCK REQUIREMENTS

This act modifies the requirements of log trucks to have a total weight of up to 109,600 lbs., instead of 105,000 lbs. (Section 304.180)

VETERINARY STUDENT LOAN REPAYMENT PROGRAM

This act modifies provisions relating to the Large Animal Veterinary Medicine Loan Repayment Program.

Under the act, the Missouri Department of Agriculture shall not grant repayment for more than twelve veterinarians each year, instead of six.

The act renames the "Dr. Merrill Townley Large Animal Veterinary Student Loan Program" to the "Dr. Merrill Townley and Dr. Dan Brown Large Animal Veterinary Student Loan Program".

The act expands the sources of funding for the Program to include any private grant, gift, donation, device, or bequest of moneys, funds, real or personal property, or other assets.

Under the act, a qualified applicant may receive financial assistance under the Program up to thirty thousand dollars for each academic year, instead of twenty thousand dollars, provided that the cumulative total shall not exceed one hundred twenty thousand dollars per qualified applicant, instead of eighty thousand dollars.

The act provides that up to twelve, instead of six, qualified applicants per academic year may be awarded loans under the Program. The Department may increase the number of qualified applicants above twelve that may be awarded such loans per academic year if the amount of any additional moneys received from private contributions or other assets deposited in the Veterinary Student Loan Payment Fund allows the full funding of such increase in the number of applicants.

Finally, under the act, for each year of qualified employment that each individual contracts to serve in an area of defined need, the Department shall forgive up to thirty thousand dollars with accrued interest, instead of twenty thousand dollars, as provided under the act. (Sections 340.341, 340.345, 340.381, 340.384, 340.387)

REPEALS CERTAIN PROVISIONS RELATING TO HEMP

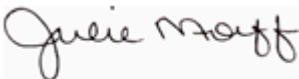
This act repeals provisions relating to regulation of industrial hemp. (Sections 195.203 to 195.773)

Additionally, this act repeals current law authorizing the cultivation, possession, and use of hemp extract for treatment of intractable epilepsy. (Section 261.265)


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

Attorney General's Office
Office of Administration – Budget & Planning
Department of Commerce and Insurance
Department of Economic Development
Department of Natural Resources
Department of Labor and Industrial Relations
Department of Revenue
Department of Corrections
Department of Public Safety – Missouri Highway Patrol
Missouri Department of Agriculture
Missouri Department of Conservation
Missouri Office of Prosecution Services
Joint Committee on Administrative Rules
Office of the Secretary of State
City of Kansas City
City of Urich



Julie Morff
Director
June 5, 2023



Ross Strobe
Assistant Director
June 5, 2023