COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0933S.04F
Bill No.: SS for HB 202
Subject: Agriculture; Civil Penalties; Highway Patrol; Trees and Other Plants; Drugs and Controlled Substances; Department of Agriculture; Department of Health and Senior Services; Health Care
Type: Original
Date: May 10, 2023

Bill Summary: This proposal modifies and repeals certain provisions relating to environmental regulation.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
General Revenue	Could exceed ($2,308,775 to $13,450,137)	Could exceed ($2,221,956 to $13,071,156)	Could exceed ($2,216,423 to $12,870,848)
Total Estimated Net Effect on General Revenue	**Could exceed ($2,308,775 to $13,450,137)**	**Could exceed ($2,221,956 to $13,071,156)**	**Could exceed ($2,216,423 to $12,870,848)**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Flood Resiliency Improvement Fund*	$0	$0	$0
Lottery Proceeds Fund (0291)	Up to ($240,000)	Up to ($240,000)	Up to ($240,000)
Missouri Hardwood Forest Product Promotion Fund*	$0	$0	$0
Waterways and Ports Trust Fund*	$0	$0	$0
Veterinary Student Loan Payment Fund (0803)*	$0	$0	$0
Total Estimated Net Effect on Other State Funds	**Up to ($240,000)**	**Up to ($240,000)**	**Up to ($240,000)**

*Transfers in and out net to zero.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Total Estimated Net Effect on All 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**	**$0**	**$0**

FISCAL ANALYSIS

ASSUMPTION

Due to time constraints, **Oversight** was unable to receive some agency responses in a timely manner and performed limited analysis. Oversight has presented this fiscal note on the best current information that we have or on information regarding a similar bill(s). Upon the receipt of agency responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval to publish a new fiscal note.

§§60.401, 60.410, 60.421, 60.431, 60.441, 60.451, 60.471, 60.480, 60.491 & 60.510 – Missouri State Plane Coordinate System

In response to a similar proposal from 2023 (SB 403), 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 would 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.

§68.080 – Waterways and Ports Trust Fund

In response to a similar proposal from 2023 (Perfected SS for SB 265), officials from the **Office of Administration - Budget and Planning (B&P)** assumed subsection 68.080.1 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 68.080.3 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.

In response to a similar proposal from 2023 (Perfected SS for SB 265), officials from the **Missouri Department of Transportation**, **Department of Revenue** and **Missouri Highway Patrol** each assumed the proposal would 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.

§§135.775 & 135.778 – Tax Credit for Biodiesel Fuel Producers

In response to a similar proposal from 2023 (SCS for SB 519), officials from **Office of Administration – Budget & Planning (B&P)** assumed this proposal would remove language allowing this credit and the Biodiesel Producer Tax Credit (Section 135.778) to share their annual authorization caps. Currently the two programs have separate caps; however, if the maximum amount is authorized under one program, but not the other, the maxed out program can utilize the remaining amount of authorizations under the non-maxed out program.

B&P notes that this proposal does not change the $16 million authorization limit for this credit program. Therefore, B&P estimates that this section will not impact TSR or GR.

In response to a similar proposal from 2023 (SCS for SB 519), officials from the **Department of Revenue (DOR)** assumed the following regarding this proposal:

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. 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 that allowed the cap if 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. DOR does not estimate this change 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 assumed the proposal would have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact, for section 135.775, in the fiscal note.

Section 135.778.2 Biodiesel Producers Tax Credit

In response to a similar proposal from 2023 (SCS for SB 519), officials from **Office of Administration – Budget & Planning (B&P)** stated this proposal would increase the authorization limit from $4 million annually to $5.5million 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.

In response to a similar proposal from 2023 (SCS for SB 519), officials from the **Department of Revenue (DOR)** assumed the following regarding this proposal:

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. DOR 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 updating the website, forms and computer programming at a cost of $7,193.

Oversight notes that 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 officials from DOR & B&P do not have any current information regarding the tax credit claimed under HB 3 (2022), which was passed by the General Assembly, and signed by the Governor. Therefore, **Oversight** will reflect a range from $0 (reflecting the original $4 million cap was not surpassed by the change in this proposal) to a negative $1.5 million ($5.5 million – $4 million) in possible additional credits claimed.

Additionally, Oversight will assume DOR's anticipated costs 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.

In response to a similar proposal from 2023 (SCS for SB 519), officials from the **Department of Commerce and Insurance**, the **Department of Natural Resources**, and the **Missouri Department of Agriculture** each assumed the proposal would 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.

<u>§143.022 & 143.121 – Agriculture Related Tax Deductions</u>

<u>*Section 143.022 HA 2 - Business Income Exemption*</u>

In response to a similar proposal from 2023 (Perfected HCS for HB 1023), officials from the **Department of Revenue (DOR)** noted 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 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, DOR will need to modify their website and their individual income tax computer system. These changes are estimated to cost $7,193.

Oversight assumes the Department of Revenue is provided with core funding to handle a certain amount of activity each year. Oversight assumes the DOR could absorb the administrative costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, DOR could request funding through the appropriation process.

In response to a similar proposal from 2023 (Perfected HCS for HB 1023), officials from the **Office of Administration - Budget and Planning (B&P)** noted this proposal would add Schedule F (farm income) and Form 4835 to the list of income types included within the business income exemption. B&P notes that Form 4835 is for farm rental income, which is included within Schedule E and is therefore already included within the existing exemption. Therefore, this proposal will only add Schedule F to the business income exemption.

B&P further noted that the business income exemption was fully implemented for tax year 2023, with a total exemption allowance of 20%. In addition, this proposal will start on August 28, 2023. Therefore, B&P assumes that the exemption would apply to tax year 2023 income.

Using tax year 2020 data, the most recent and complete year available, and accounting for SB 3 (2022), B&P estimates that this provision may reduce TSR and GR by $2,263,751 in FY24. Once SB 3 (2022) has fully implemented, B&P estimates that this provision could reduce TSR and GR by $2,024,840 annually. Table 1 shows the estimated impact by year.

Table 1: Estimated Impact by Year

Tax Year	Fiscal Year	GR Loss
2023	2024	($2,263,751)
2024	2025	($2,163,156)
2025	2026	($2,158,848)
2026	2027	($2,111,498)
2027	2028	($2,067,217)
2028	2029	($2,024,840)

<u>*Section 143.121 Farm Owner Gross Income Subtractions*</u>

In response to a similar proposal from 2023 (Perfected HCS for HB 1023), officials from the **Office of Administration - Budget and Planning (B&P)** noted this proposal would grant an income tax subtraction to farm owners that sell, lease, or enter crop-sharing agreements with beginning farmers or qualified family members. B&P notes that this proposal would become effective August 28, 2023, which is in the middle of tax year 2023. Therefore, B&P assumes that this subtraction would be available for tax year 2023 income tax returns.

This proposal would allow farmers who sell land to a beginning farmer or qualified family member to subtract the realized capital gains from their Missouri Adjusted Gross Income (MAGI) up to $4,000,000 per year. Farmers who enter into lease or crop-share agreements may subtract related income from their MAGI, up to $25,000 per year.

Beginning farmers are defined as individuals who have filed up to ten Schedule F returns since turning 18 and have been approved for a beginning farmer loan through the USDA. Beginning farmers is also defined to include qualified family members, regardless of how long such individual has operated a farm.

According to the USDA, there were 493 beginning farmers with loans through one of their beginning farmer loan programs. B&P notes that beginning farmers are those who have operated a farm for one to ten years. For the purpose of this fiscal note, B&P will assumes that 1/10 of the 493 began operations each year. Therefore, B&P assumes that approximately 49 new sale/lease/crop-share agreements may occur each year. B&P notes that additional individuals may qualify under this proposal as a qualified family member. B&P is unable to estimate the number of qualified family members.

B&P does not know much capital gains are realized each year or the income associated with lease/crop-share agreements. Therefore, B&P will estimate the total potential impact using the limits allowed in this proposal. This proposal would allow a percent of the capital gains to be subtracted, based on the amount of capital gains realized. For total capital gains of up to $6 million, a qualifying taxpayer may subtract up to $4 million. Table 1 shows the allowable subtraction by capital gain amount.

Table 1: Allowable Capital Gains Subtraction

Capital Gains	Subtraction %	Allowable Subtraction
First $2 million	100%	up to $2,000,000
Next $1 million	80%	up to $800,000
Next $1 million	60%	up to $600,000
Next $1 million	40%	up to $400,000
Next $1 million	20%	up to $200,000
Up to $6 million		up to $4,000,000

Assuming all farmers enter into leasing or crop-sharing agreements, B&P estimates that this proposal could exempt up to $1,225,000 (49 agreements x $25,000 limit) in income annually. If all farmers were to sell land to beginning farmers, this proposal could exempt up to $196,000,000 ($4,000,000 x 49 sales) in income each year. However, subtractions do not reduce revenues on a dollar for dollar basis, rather in proportion to the top tax rate applied. Therefore, B&P will show the estimated impacts throughout the implementation of SB 3 (2022).

Table 1: Revenue Loss by Year

	Tax Year (Fiscal Year)					
Tax Rate	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%						

Table 1: Revenue Loss by Year

	Tax Year (Fiscal Year)			
Tax Rate	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)

Therefore, B&P estimates that this proposal could reduce TSR and GR by up to $60,638 to $9,702,000 in FY24. Once SB 3 (2022) has fully implemented, this proposal may reduce TSR and GR by up to $55,125 to $8,820,000 annually.

In response to a similar proposal from 2023 (Perfected HCS for HB 1023), officials from the **Department of Revenue (DOR)** noted 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%	($200,000)
	($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. DOR will show the loss to general revenue based on the variable future tax rates.

Revenue Loss by Year

	Tax Year (Fiscal Year)					
Tax Rate	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 Year (Fiscal Year)			
Tax Rate	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 famer with confirmation of that qualification, DOR assumes they will have to create the confirmation form. DOR's tax returns and all schedules and attachments are designed to go through their 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 **$24,386** by DOR as a one-time cost in FY 2024.

Oversight notes officials from B&P and DOR both assumed the proposal would 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

<u>§§195.203, 195.207, 195.740, 195.743, 195.746, 195.749, 195.752, 195.756, 195.758, 195.764, 195.767, 195.773 & 261.265 – Department of Agriculture</u>

In response to a previous version, officials from the **Missouri Department of Agriculture (MDA)** and **Missouri Highway Patrol** each assumed the proposal would have no fiscal impact on their respective organizations.

MDA also noted, 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 April 30, 2023, the balance was $25,775. 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.

<u>§§196.311, 196.316, 323.100 & 413.225 – Missouri Department of Agriculture Fees</u>

In response to a similar proposal from 2023 (SCS for HCS for HB 779), officials from the **Missouri Department of Agriculture (MDA)** assumed the proposal would 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 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.

<u>§256.800 – Flood Resiliency Improvement Fund</u>

In response to a similar proposal from 2023 (HB 1242), officials from the **Department of Natural Resources (DNR)** assumed the proposal would 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.

In response to a similar proposal from 2023 (HB 1242), officials from the **City of Kansas City** and **City of Springfield** each assumed the proposal would 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.

<u>§262.911 – Missouri Hardwood Forest Product Promotion Fund</u>

In response to a similar proposal from 2023 (SB 138), officials from the **Department of Economic Development**, **Missouri Department of Agriculture**, **Department of Natural Resources** and **Missouri Department of Conservation** each assumed the proposal would 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.

Oversight notes 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 Missouri hardwood forest products. Therefore, **Oversight** will range the fiscal impact from $0 (the General Assembly does not appropriate funds) to an "Unknown" amount (General Assembly appropriates money for the program) from General Revenue into the Missouri Hardwood Forest Product Promotion Fund.

Oversight does not expect the total revenue transfer will exceed the $250,000 threshold.

Oversight notes the proposal allow 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 from 2022 (SB 1159), officials from the **Office of the State Treasurer** assumed the proposal would have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a <u>zero</u> impact in the fiscal note for this office.

<u>§304.180 – Local Log Trucks</u>

Oversight notes Section 304.180.14 proposes that local log trucks and local log truck tractors may have a total weight of up to 109,600 pounds (from 105,000 pounds) when operating on the national system of interstate and defense highways.

In response to a similar proposal from 2023 (HS for HCS for SS for SB 138), officials from the **Missouri Department of Transportation** assumed the proposal would 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.

§§340.341, 340.345, 340.381, 340.384 & 340.387 – Dr. Merrill Townley and Dr. Dan Brown Large Animal Veterinary Student Loan Program

In response to a similar proposal from 2023 (SB 529), officials from the **Missouri Department of Agriculture (MDA)** assumed the proposal would 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 $14 balance in the Veterinary Student Loan Payment Fund (0803) as of February 28, 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).

§413.225 – Department of Agriculture Fees

In response to a similar proposal from 2023 (HB 467), officials from the **Missouri Department of Agriculture (MDA)** assumed the proposal would have no fiscal impact on their organization. MDA notes the provisions in this proposal would 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 their organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note for this section.

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.

FISCAL IMPACT – State Government	FY 2024 (10 Mo.)	FY 2025	FY 2026
GENERAL REVENUE FUND			
Savings – MDA – returning Industrial Hemp program to the federal government (§§195.207 – 261.265) p. 12-13	$40,000	$0	$0
Transfer Out –to the Waterways and Ports Trust Fund for grants to local port authorities (§68.080) p. 3-4	$0 or (Unknown)	$0 or (Unknown)	$0 or (Unknown)
Revenue Reduction –changed cap from $4 million to $5.5 million (§135.778) p. 6-7	$0 or Up to ($1,500,000)	$0 or Up to ($1,500,000)	$0 or Up to ($1,500,000)
Revenue Reduction - Business Exemption (§143.022) p. 7-8	($2,263,751)	($2,163,156)	($2,158,848)

FISCAL IMPACT – State Government (continued)	FY 2024 (10 Mo.)	FY 2025	FY 2026
Revenue Reduction - Beginning farmer subtraction (§143.121) p. 8-12	($60,638 to $9,702,000)	($58,800 to $9,408,000)	($57,575 to $9,212,000)
Costs – DOR - Form and Computer Upgrades (§143.121) p. 12	($24,386)	$0	$0
Transfer Out – to the Flood Resiliency Improvement Fund (§256.800) p. 13-14	$0 or (Unknown)	$0 or (Unknown)	$0 or (Unknown)
Transfer Out – Section 262.911 - to the newly established fund for the promotion of Missouri hardwood products (§262.911) p. 14	$0 or (Unknown)	$0 or (Unknown)	$0 or (Unknown)
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	**Could exceed ($2,308,775 to $13,450,137)**	**Could exceed ($2,221,956 to $13,071,156)**	**Could exceed ($2,216,423 to $12,870,848)**
FLOOD RESILIENCY IMPROVEMENT FUND			
Transfer In – from General Revenue (§256.800) p. 13-14	$0 or Unknown	$0 or Unknown	$0 or Unknown
Cost – DNR – grants and/or financial assistance for flood resiliency plans (§256.800) p. 13-14	$0 or (Unknown)	$0 or (Unknown)	$0 or (Unknown)
ESTIMATED NET EFFECT ON THE FLOOD RESILIENCY IMPROVEMENT FUND	**$0**	**$0**	**$0**

FISCAL IMPACT – State Government (continued)	FY 2024 (10 Mo.)	FY 2025	FY 2026
LOTTERY PROCEEDS FUND (0291)			
Transfer Out – to the Veterinary Student Loan Payment Fund for expansion of the program (§§340.341 – 340.387) p. 15	Up to ($240,000)	Up to ($240,000)	Up to ($240,000)
ESTIMATED NET EFFECT TO THE LOTTERY PROCEEDS FUND	**Up to ($240,000)**	**Up to ($240,000)**	**Up to ($240,000)**
MISSOURI HARDWOOD FOREST PRODUCT PROMOTION FUND			
Transfer In – from General Revenue for administration of the program (§262.911) p. 14	$0 or Unknown	$0 or Unknown	$0 or Unknown
Cost – DED – Administration of the program (§262.911) p. 14	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON THE MISSOURI HARDWOOD FOREST PRODUCT PROMOTION FUND	**$0**	**$0**	**$0**
WATERWAYS AND PORTS TRUST FUND			
Transfer In –from the General Revenue fund (§68.080) p. 3-4	$0 or Unknown	$0 or Unknown	$0 or Unknown
Cost –MoDOT – disbursement of grants to local port authorities (§68.080) p. 3-4	$0 or (Unknown)	$0 or (Unknown)	$0 or (Unknown)
ESTIMATED NET EFFECT ON THE WATERWAYS AND PORTS TRUST FUND	**$0**	**$0**	**$0**

<u>FISCAL IMPACT – State Government</u> (continued)	FY 2024 (10 Mo.)	FY 2025	FY 2026
VETERINARY STUDENT LOAN PAYMENT FUND (0803)			
<u>Transfer In</u> – from the Lottery Proceeds fund (§§340.341 – 340.387) p. 15	Up to ($240,000)	Up to ($240,000)	Up to ($240,000)
<u>Income</u> – MDA – private grants, gifts, donations, devises or bequests (§§340.341 – 340.387) p. 15	$0 or Unknown	$0 or Unknown	$0 or Unknown
<u>Cost</u> – MDA – increase in number and amount of awards for veterinary students (§§340.341 – 340.387) p. 15	Could exceed <u>($240,000)</u>	Could exceed <u>($240,000)</u>	Could exceed <u>($240,000)</u>
ESTIMATED NET EFFECT ON THE VETERINARY STUDENT LOAN PAYMENT FUND	**<u>$0</u>**	**<u>$0</u>**	**<u>$0</u>**

<u>FISCAL IMPACT – Local Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
	<u>$0</u>	**<u>$0</u>**	**<u>$0</u>**

<u>FISCAL IMPACT – Small Business</u>

Small business could be positively impacted by improvements to waterways and ports as a result of this proposal.

Small businesses that produce biodiesel fuel could be impacted by this proposal.

Small agriculture businesses could be positively impacted by this proposal.

<u>FISCAL DESCRIPTION</u>

This proposal modifies and repeals certain provisions relating to environmental regulation.

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

Missouri Department of Agriculture
Missouri Highway Patrol
Department of Natural Resources
Missouri Department of Conservation
Missouri Department of Transportation
Office of Administration
Office of Administration - Budget and Planning
Department of Revenue
Office of the Secretary of State
Joint Committee on Administrative Rules
Department of Economic Development
Department of Commerce and Insurance
City of Kansas City
City of Springfield

Julie Morff
Director
May 10, 2023

Ross Strope
Assistant Director
May 10, 2023