COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3336-09
Bill No.: SCS for SB 837, 866, 972, & 990
Subject: Agriculture and Animals; Agriculture Dept.; Motor Fuel
Type: #Corrected
Date: February 20, 2002
#corrected omission of costs to Department of Insurance.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
General Revenue	$0	($4,500,000)	($4,500,000)
#Insurance Dedicated	($202,500)	$0	$0
Missouri Qualified Biodiesel Producer Incentive *	$0	$0	$0
#Total Estimated Net Effect on All State Funds	**($202,500)**	**($4,500,000)**	**($4,500,000)**

* offsetting transfers and expenditures.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Local Government			

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 6 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Natural Resources** assume this proposal would have no direct fiscal impact on their organization.

Officials from the **Department of Economic Development** and the **Department of Revenue** assume this proposal would have no fiscal impact on their organization.

Biodiesel Program

Officials from the **Department of Agriculture** assume the Department would administer the program. This would include writing regulations, licensing producers, and making payments to qualified biodiesel producers. It is assumed that there will be no biodiesel production in FY 2003 since it would likely take at least 18 months for the production of biodiesel eligible for grants under this bill. It is also assumed that only one plant will produce biodiesel in FY 2004 and 2005.

The Department of Agriculture provided an estimate of costs based on one qualified plant producing 15 million gallons of biodiesel fuel in 2004 and 2005, resulting in payments of $4.5 million in 2004 and in 2005.

Oversight assumes any administrative costs for the Department of Agriculture would be minimal and
could be provided from existing resources. Oversight also assumes the transfers to the Missouri Qualified Biodiesel Producer Incentive Fund would be paid from the state General Revenue Fund.

In response to a similar proposal, officials of the **Office of the Secretary of State** (SOS) assume this bill would create the Missouri Qualified Biodiesel Producer Incentive Fund which provides grants for producers of biodiesel products. This could create new rules or amendments by the Department of Agriculture and the Department of Revenue which could result in our division publishing rules in the Missouri Register and the Code of State Regulations. This action could require as many as approximately 12 pages in the Code of State Regulations. For any given rule, roughly half again as many pages are published in the Missouri Register as in the Code because cost statements, fiscal notes and the like are not repeated in Code. These costs are estimated. The estimated cost of a page in the Missouri Register is $23. The estimated cost of a page in the Code of State Regulations is $27. The actual costs could be more or less than the numbers give. The impact of this legislation in future years is unknown and depends upon the frequency and length of rules filed, amended, rescinded and withdrawn. [(12x$27)+(18x$23)=$414]

ASSUMPTION (continued)

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Ethanol Labeling

Officials from the **Department of Agriculture** (AGR) assume this proposal would not require the AGR to enforce notification at motor fuel pumps where ethanol is used as an oxygenate. AGR will not have to provide, at no cost to the sellers, labels that identify ethanol. AGR officials assume the department will save the annual costs of issuing the labels to fuel stations with ethanol pumps. AGR estimates there are 8,000 ethanol pumps that currently require annual labeling and the cost of one label is $.25, resulting in an annual savings of $2000 (8,000 pumps x $.25 per label = $2000).

Oversight assumes this impact is minimal.

New Generation Processing Entities

Officials from the Department of Agriculture assume a combined annual total of $6 million is available as either New Generation Cooperative tax credits or Agricultural Product Utilization tax credits. With more types of businesses (L.L.C. etc.) qualifying for the New Generation Cooperative tax credits, demand for these credits is likely to increase. This will cause an offsetting reduction in the availability of Ag Product Tax Credits which will mean fewer grants to value-added enterprises.

Oversight assumes this provision has no net impact on the state since the proposal does not increase or reduce the amount of tax credits available.

#In response to a similar proposal, officials from the **Department of Insurance (INS)** stated that language in the proposal creates a cash equivalent that could be applied in multiple ways and/or times by the contributor. Currently, tax credits are only applied by INS to annual tax due. INS assumes that extensive contract computer programming would be required to modify the tax credit database to allow application of the tax credit to quarterly payments. INS estimated the cost for a contract computer programmer proficient in Mark IV language at $125 per hour. INS also estimated that 1,620 hours of programming would be needed to modify the current tax credit system for a cost of $202,500 ($125 x 1,620 hours) to the Insurance Dedicated Fund.

FISCAL IMPACT - State Government	FY 2003 (10 Mo.)	FY 2004	FY 2005
GENERAL REVENUE FUND			
Transfers - to Missouri Qualified Biodiesel Producer Incentive Fund	$0	($4,500,000)	($4,500,000)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	**$0**	**($4,500,000)**	**($4,500,000)**
#INSURANCE DEDICATED FUND			
#Costs - Department of Insurance Programming expenses	($202,500)	$0	$0
#ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND	**($202,500)**	**$0**	**$0**
MISSOURI QUALIFIED BIODIESEL PRODUCER INCENTIVE FUND			
Transfers - from General Revenue	$0	$4,500,000	$4,500,000
Cost - Production Incentive Grants	$0	($4,500,000)	($4,500,000)
ESTIMATED NET EFFECT ON MISSOURI QUALIFIED BIODIESEL PRODUCER INCENTIVE FUND	**$0**	**$0**	**$0**

FISCAL IMPACT - Local Government	FY 2003 (10 Mo.)	FY 2004	FY 2005
	$0	**$0**	**$0**

FISCAL IMPACT - Small Business

This proposal would have direct fiscal impact to small businesses involved in farming, fuel production, and fuel transportation.

DESCRIPTION

Biodiesel Program

This proposal would create the "Missouri Qualified Biodiesel Producer Incentive Fund" to promote the production of Biodiesel fuel. The Director of The Missouri Department of Agriculture would administer the fund, which would be used to provide quarterly per-gallon production incentive grants to qualified agricultural producer owned biodiesel production facilities. The grants would amount to thirty cents per gallon per year for up to fifteen million gallons of qualified biodiesel fuel produced. A production facility would only be eligible for incentive grants in its first twenty quarters of operation.

Ethanol Labeling

This proposal would exempt ethanol from fuel pump oxygenate labeling requirements.

New Generation Processing Entities

This proposal would expand available agricultural tax credits to include "eligible new generation fuel processing entities". This proposal would also allow tax credits from the Agricultural Product Utilization Contributor Tax Credit or the New Generation Cooperative Incentive Tax Credit to be claimed either as a credit against the tax or the estimated quarterly tax. Beginning January 1, 2003, in order to claim the New Generation Cooperative Incentive Tax Credit the member must be domiciled in the state of Missouri or must own land in Missouri which produces a commodity in certain amounts.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Agriculture
Department of Economic Development
Department of Natural Resources
Department of Revenue

NOT RESPONDING

Secretary of State
Office of the Attorney General

Mickey Wilson

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Acting Director
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