

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 3336-24  
Bill No.: HCS for SS for SCS for SB 837, 866, 972, & 990  
Subject: Agriculture and Animals; Agriculture Dept.; Motor Fuel  
Type: Corrected #  
Date: May 14, 2002  
 # Corrected to reflect new fee on pesticides.

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**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON STATE FUNDS</b>			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
General Revenue	\$0	\$0	\$0
Marketing Development	\$369,367	\$492,489	\$492,489
Missouri Wine Marketing and Research Development	\$5,750	\$6,900	\$6,900
Pesticide Project Fund #	\$451,346	\$449,567	\$447,058
Missouri Qualified Biodiesel Producer Incentive *	\$0	\$0	\$0
<b>Total Estimated Net Effect on <u>All</u> State Funds**#</b>	<b>\$826,463</b>	<b>\$948,956</b>	<b>\$946,447</b>

\* offsetting transfers and expenditures.

**\*\*DOES NOT INCLUDE FUNDING FROM OTHER SOURCES AT A TOTAL OF \$4,500,000 TO BE SUBJECT TO APPROPRIATIONS.**

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.  
 This fiscal note contains 13 pages.

**FISCAL ANALYSIS**

**ASSUMPTION**

**Missouri Wine Marketing and Research**

In similar proposals, officials of the **Department of Revenue**, the **Department of Agriculture**, and the **Department of Public Safety - Division of Liquor Control** indicated that they would not request any additional resources due to this proposal.

Officials of the **Division of Liquor Control** stated that they collected taxes on 8,208,143 gallons of wine in FY 2001. An additional six cents per gallon would have raised \$492,489, assuming that the additional tax would not have influenced sales of wine. They reported that 2,300 tons of grapes were harvested in FY 2001. An additional \$3.00 per ton would have raised \$6,900.

**Pesticide Project Fund**

In similar proposals, officials from the **Office of the State Treasurer**, and **Department of Natural Resources** stated the proposed legislation would not fiscally affect their agencies.

ASSUMPTION (continued)

In similar proposals, officials from the **Department of Agriculture (AGR)** stated the proposed legislation will require one Program Coordinator to administer this program, i.e., to account for all money and solicit, review and fund grant proposals. It would require the Program Coordinator to visit all funded projects 2-4 times per year to make sure requirements of grant and/or Memorandum of Understanding are being fulfilled. One clerical person would be needed to handle all clerical work such as typing Memorandum of Understandings, financial accounting, filing and other clerical work. All personal services funding will come from the "Pesticide Project Fund" and \$15 of each label fee would go to the General Revenue Fund, thus there would be no effect on that fund.

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

ASSUMPTION (continued)

impact of this legislation in future years is unknown and depends upon the frequency and length of rules filed, amended, rescinded and withdrawn.  $[(12 \times \$27) + (18 \times \$23) = \$414]$

**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

ASSUMPTION (continued)

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.

**Oversight** assumes that a small number of insurance companies would claim the tax credits quarterly. INS could absorb costs related to this proposal by maintaining a manual or personal computer based system for these insurance companies that take the tax credits rather than reprogramming their system. Should more than a few insurance companies take the quarterly tax credit or should other existing premium tax credits be allowed to be taken quarterly, the INS could request additional funding through the appropriation process.

Officials with the **Missouri Department of Transportation (DHT)** assume this proposal would have no direct fiscal impact to their organization prior to FY 2006.

Officials of the **Department of Agriculture** stated that the proposal would not affect the Department, administratively. They noted that the future cost to the incentive program to make up for the lack of funding for ethanol grants during the last months of FY 2002 (and any future funding shortfalls). The additional costs would not be incurred until May of 2005 because the first ethanol plant's original sixty month eligibility period runs through April of 2005.

**Oversight** assumes that there could be additional payments made from the Missouri Qualified Fuel Ethanol Producer Incentive Fund compared to current law beginning in FY 2005. (Oversight notes that Fund appropriations for FY 2001 were \$5,635,741 and expenditures were \$4,524,990. Fund appropriations for FY 2002 were \$4,342,546. Expenditures for FY 2002 are not final. Oversight, given the size of the program, assumes that additional grants compared to current law could exceed \$100,000 in a given fiscal year.)

Continued funding during the extended period would be for the funding not claimed in previous years. Any additional amounts above would be requested through the appropriation process.

Contracts of Farm Equipment

In similar proposals, officials from the **Department of Agriculture** and **Secretary of State** assume the proposed legislation would have no fiscal impact on their agencies.

ASSUMPTION (continued)

Weights and Measures

In similar proposals, officials from the **Department of Agriculture** assume this proposal would eliminate the assessment of interest and penalty charges for nonpayment of scale inspection fees and replace those charges with an administrative hearing process, as well as update terminology used in model weights and measures law. The Department of Agriculture estimates the lost revenues at \$1,000 for FY 2003 and \$4,000 for FY 2004.

**Oversight** assumes this proposal would have minimal impact on the Department of Agriculture.

Wild or Feral Hogs

In similar legislation, officials from the **Office of the State Courts Administrator, Office of Prosecution Services** and **Department of Agriculture** assume this proposal would have no fiscal impact on their respective agencies.

In similar legislation, officials from the **Department of Conservation** assume this proposal does not appear to have fiscal impact upon their agency's funds.

In similar legislation, officials from the **Department of Corrections** (DOC) did not respond to the fiscal note request. However, in response to a similar proposal from the 2001 session (HB 323), officials from the DOC assume the proposed legislation would have \$0/minimal impact on their agency and can be absorbed with existing resources.

In similar legislation, officials from the **Office of State Public Defender** (SPD) did not respond to the fiscal note request. However, in response to a similar proposal from the 2001 session (HB323), SPD officials assume existing staff could provide representation for those one to five cases arising where indigent persons were charged with releasing pigs into the wild. However, passage of more than one similar bill would require the SPD System to request increased appropriations to cover cumulative costs or representing the indigent accused in the additional cases.

In similar legislation, officials from the **Department of Natural Resources** (DNR) did not respond to this fiscal note request. However, in response to a similar proposal from the 2001 session (HB 323), DNR officials assume at this point in time, feral hogs do not present a threat to Missouri's state parks. Therefore, this bill will not cause a fiscal impact to the DNR. If, in the future, feral hogs cause a problem, additional funds may be necessary to eradicate the problem.

ASSUMPTION (continued)

In addition, Section 270.400.3 allows any person to take or kill feral hogs on public land with the consent of the landowner. State park rules do not allow hunting in the parks, unless special controlled hunts are necessary to preserve deer populations. Therefore, anyone other than state park personnel will not be allowed to take or kill feral hogs on state park property.

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
<b>GENERAL REVENUE FUND</b>			
<u>Transfers</u> - to Missouri Qualified Biodiesel Producer Incentive Fund	<u>\$0</u>	<u>\$0*</u>	<u>\$0*</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>\$0</u></b>	<b><u>\$0*</u></b>	<b><u>\$0*</u></b>
<b>MISSOURI QUALIFIED BIODIESEL PRODUCER INCENTIVE FUND</b>			
<u>Transfers</u> - from General Revenue	\$0	\$0*	\$0*
<u>Cost</u> - Production Incentive Grants	<u>\$0</u>	<u>\$0*</u>	<u>\$0*</u>
<b>ESTIMATED NET EFFECT ON MISSOURI QUALIFIED BIODIESEL PRODUCER INCENTIVE FUND</b>	<b><u>\$0</u></b>	<b><u>\$0*</u></b>	<b><u>\$0*</u></b>
<b>*DOES NOT INCLUDE FUNDING FROM OTHER SOURCES AT A TOTAL OF \$4,500,000 TO BE SUBJECT TO APPROPRIATIONS.</b>			
<b>MARKETING DEVELOPMENT FUND</b>			
<u>Income</u> - Additional Charges on Wine Sales	\$369,367	\$492,489	\$492,489
<b>ESTIMATED NET EFFECT ON MARKETING DEVELOPMENT FUND</b>	<b><u>\$369,367</u></b>	<b><u>\$492,489</u></b>	<b><u>\$492,489</u></b>

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
<b>MISSOURI WINE MARKETING AND RESEARCH DEVELOPMENT FUND</b>			
<u>Income - Additional Charges on Grape Production</u>	\$5,750	\$6,900	\$6,900
<b>ESTIMATED NET EFFECT ON MISSOURI WINE MARKETING AND RESEARCH DEVELOPMENT FUND</b>			
	<b><u>\$5,750</u></b>	<b><u>\$6,900</u></b>	<b><u>\$6,900</u></b>
<b>PESTICIDE PROJECT FUND</b>			
<u>Income - Department of Agriculture</u> Pesticide Registration Fees	\$550,000	\$550,000	\$550,000
<u>Costs - Department of Agriculture</u> Personal Service Costs (2 FTE)	(\$60,034)	(\$73,842)	(\$75,688)
Fringe Benefits	(\$21,618)	(\$26,591)	(\$27,255)
Equipment and Expense	<u>(\$17,002)</u>	<u>\$0</u>	<u>\$0</u>
Total <u>Costs</u> - Department of Agriculture	<u>(\$98,654)</u>	<u>(\$100,433)</u>	<u>(\$102,942)</u>
<b>NET ESTIMATED EFFECT ON PESTICIDE PROJECT FUND #</b>			
	<b><u>\$451,346</u></b>	<b><u>\$449,567</u></b>	<b><u>\$447,058</u></b>
<u>FISCAL IMPACT - Local Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>



### FISCAL IMPACT - Small Business

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

Small business which sell (or buy) wine or produce grapes would be affected by this proposal.

Small businesses that would register a pesticide would be affected by this proposal.

### DESCRIPTION

#### Ethanol

This proposal would extend the period of time for which a Missouri qualified fuel ethanol producer would be eligible for monthly grants from the Missouri Qualified Fuel Ethanol Producer Incentive Fund from sixty months to up to eighty-four months if the producer had not received the full amount from the fund for which the producer was eligible. Eligibility would end when a producer had received the full amount of grants for which the producer had been eligible.

#### Missouri Wine Marketing and Research

This proposal would add an additional three dollar (\$3.00) charge per ton of grapes or one hundred and sixty gallons of grape juice processed by commercial producers.

This proposal would also add an additional six cent per gallon charge for the privilege of selling wine in Missouri. This additional charge would be deposited to the credit of a separate account in the Marketing Development Fund and would be appropriated annually to the Missouri Department of Agriculture's division which is concerned the research and advisement of grapes and grape products. Moneys could be used to employ experts in the fields of viticulture (the study of grapes) and enology (the study of wine and the making of wine).

#### Pesticide Project Fund

Currently, anyone who sells or commercially transports pesticides pays an annual \$15 registration fee for each product to the General Revenue Fund. This proposal would increase the annual fee to \$50. The increased fee would take effect in calendar 2003. Revenue would be split between the Pesticide Project and General Revenue Funds (\$15 to General Revenue and the balance to the Pesticide Project Fund). The maximum balance in the Pesticide Project Fund would be \$5 million. Excess funds would revert to general revenue.

### DESCRIPTION (continued)

The Pesticide Project Fund would be administered by the Plant Industries Division of the Department of Agriculture. Up to 20% of the fund could be used for administration. Beginning July 1, 2003, up to 80% of the fund may be used for designated projects, including pesticide and agriculture education, applicator training, pesticide and water quality monitoring, container disposal initiatives, integrated pest management, and incentives for value-added production and processing. An advisory committee will evaluate projects and recommend funding. The committee must include at least one member each from the agricultural pesticide industry, the consumer pesticide industry, farm advocacy groups, commodity groups, and the general public.

Allocation of project funds would require an executed memorandum of understanding between the department and the applicant. Before each fiscal year, applicants would submit proposals to the department by March 31. Successful applicants would submit a project report within 30 days after the end of the fiscal year. Project revenue that is not spent or obligated would revert to the fund 60 days after the project is completed. The department could require applicants that do not complete their projects as intended to make partial or full repayments. The department will provide an annual report to the General Assembly.

The bill also allows the department to deny, cancel, suspend, or revoke the registration of a pesticide if the product is found to be harmful to humans or the environment.

### 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 yearly 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.

## DESCRIPTION (continued)

### 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.

### Contracts of Farm Equipment

This bill repeals the law relating to the repurchase of industrial, maintenance and construction power equipment, and outdoor power equipment used for lawn, garden, golf course, landscaping, or grounds maintenance upon cancellation of contracts. Current law requires wholesalers, manufacturers, or distributors to repurchase the equipment from retailers at 90% of the net cost, with certain exceptions, and includes provisions for remedies to the retailer and penalties to the manufacturer, wholesaler, or distributor upon refusal to repurchase equipment. The bill replaces the term "farm implements" in the definition of inventory with the terms "equipment" and "implements" in the law relating to the repurchase of farm machinery inventory on the termination of a dealership. This law requires wholesalers, manufacturers, or distributors to repurchase equipment, implements, machinery, and attachments at 100% of the net cost and to repurchase repair parts at 95% of the current net price at the termination of a contract, with some exceptions.

### Weights and Measures

This proposal makes technical changes to statutes dealing with weighing and measuring devices including point-of-sale systems.

DESCRIPTION (continued)

Wild or Feral Hogs

This proposal makes it a class A misdemeanor to knowingly release swine to live in a wild or feral state on public or unfenced private land. Free-roaming hogs not conspicuously identified by ear tags or other forms of identification may be taken or killed without liability on public lands or on private lands with the permission of the landowner, although during the firearms deer and turkey hunting season the regulations of the Missouri Wildlife Code shall apply. No person may take or kill a feral hog with the use of an artificial light, except the landowner or landowner's agent of the property on which the feral hog is found.

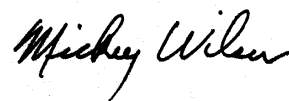
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Agriculture  
Department of Economic Development  
Department of Natural Resources  
Department of Revenue  
Secretary of State  
Department of Public Safety - Division of Liquor Control  
Department of State Courts Administrator  
Department of Conservation  
Office of Prosecution Services

NOT RESPONDING

Department of Corrections  
Office of State Public Defender  
Office of the Attorney General



Mickey Wilson, CPA  
Acting Director

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