COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1937-03
Bill No.: SCS for HCS for HB 882
Subject: Agriculture and Animals; Agriculture Department; Counties; Economic Development Dept.; Fees; Motor Fuels; Natural Resources Department; Saint Louis; Tax Credits; Weights and Measures
Type: Original
Date: April 24, 2015

Bill Summary: This proposal modifies provisions relating to agriculture.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
FUND AFFECTED	FY 2016	FY 2017	FY 2018	Fully Implemented (FY 2022)
General Revenue*	($435,925 to $1,435,925)	($205,759 to $1,205,759)	($209,095 to $1,209,095)	($221,409 to $1,221,409)
Total Estimated Net Effect on General Revenue	**($435,925 to $1,435,925)**	**($205,759 to $1,205,759)**	**($209,095 to $1,209,095)**	**($221,409 to $1,221,409)**

***The tax credit created in this proposal shares a $1,000,000 annual cap with the Alternative Fuel Infrastructure tax credit implemented in 2014 from SB 729.**

Note: The fiscal note does not reflect the possibility that some of the tax credits could be utilized by insurance companies against insurance premium taxes. If this occurs, the loss in tax revenue would be split between the General Revenue Fund and the County Foreign Insurance Fund, which ultimately goes to local school districts.

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 16 pages.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2016	FY 2017	FY 2018	Fully Implemented (FY 2022)
Petroleum Inspection Fund	Up to $698,182	Up to $1,375,418	Up to $1,354,787	Up to $2,125,518
Road Fund	(Over $100,000)	(Over $100,000)	(Over $100,000)	(Over $100,000)
Total Estimated Net Effect on Other State Funds	**Less than $598,182**	**Less than $1,275,418**	**Less than $1,254,787**	**Less than $2,025,518**

ESTIMATED NET EFFECT ON FEDERAL FUNDS				
FUND AFFECTED	FY 2016	FY 2017	FY 2018	Fully Implemented (FY 2022)
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)				
FUND AFFECTED	FY 2016	FY 2017	FY 2018	Fully Implemented (FY 2022)
General Revenue	2 FTE	2 FTE	2 FTE	2 FTE
Total Estimated Net Effect on FTE	**2 FTE**	**2 FTE**	**2 FTE**	**2 FTE**

☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed $100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS				
FUND AFFECTED	FY 2016	FY 2017	FY 2018	Fully Implemented (FY 2022)
Local Government	**$0**	**$0**	**$0**	**$0**

FISCAL ANALYSIS

ASSUMPTION

§§ 135.710, 135.711 - Alternative Fuel Vehicle Income Tax Credits:

In response to similar legislation from 2015 (HB 1005), officials at the **Department of Revenue (DOR)** assumed beginning January 1, 2015, the legislation allows a taxpayer a tax credit for purchasing a new qualified alternative fuel vehicle or converting a pre-owned vehicle to a qualified alternative fuel vehicle. This proposal allows tax credits based on three different categories of vehicle weight. Subsection 4 of this bill establishes an aggregate amount not to exceed one million dollars in a fiscal year.

DOR requires 335.88 hours of form and programming changes to the Individual Tax System at $75 per hour for a total estimated cost of $25,191 and 503.28 hours of form and programming changes to the Banking and Utilities Tax System, at $75 per hour for a total estimated cost of $37,746 (each) for a grand total of $100,683.

Personal Tax requires one (1) Revenue Processing Technicians I for tax credit redemption and tax credit transfers and Corporate Tax requires three (3) Revenue Processing Technicians I for tax credits redeemed, error correction, and additional correspondence. DOR's total estimated FTE cost is approximately $100,000 per year.

Oversight assumes the responsibilities of this proposal can be handled by one additional FTE. Should DOR see an increase in tax credit redemptions, DOR can seek additional resources through the appropriation process.

Oversight has, for fiscal note purposes only, changed the starting salary for the one Revenue Processing Technician I ($25,884) to correspond to the second step above minimum for comparable positions in the state's merit system pay grid. This decision reflects a study of actual starting salaries for new state employees over the last six months and policy of the Oversight Subcommittee of the Joint Committee on Legislative Research.

In response to similar legislation from 2015 (HB 1005), officials at the **Office of Administration's Division of Budget and Planning (BAP)** assumed this proposal would create a tax credit for taxpayers that purchase a new qualified alternative fuel vehicle or convert a previously purchased vehicle into a qualified alternative fuel vehicle, beginning January 1, 2015. These tax credits and those in §135.710 RSMo. are capped at an aggregate of $1,000,000 per calendar year. These tax credits are subject to appropriation. This proposal could therefore reduce General and Total State Revenues by up to this amount annually.

ASSUMPTION (continued)

In response to similar legislation from 2015 (HB 1005), officials at the **Department of Insurance, Financial Institutions, and Professional Registration (DIFP)** assumed an unknown reduction of premium tax revenue as a result of the authorization of the qualified alternative fuel vehicles tax credit is possible. Premium tax revenue is split 50/50 between General Revenue and County Foreign Insurance Fund except for domestic Stock Property and Casualty Companies who pay premium tax to the County Stock Fund. The County Foreign Insurance Fund is later distributed to school districts throughout the state. County Stock Funds are later distributed to the school district and county treasurer of the county in which the principal office of the insurer is located. It is unknown how each of these funds may be impacted by tax credits each year. DIFP also assumes 56 hours of computer programming at a cost of $75 per hour for a total of $4,212 to the Premium Tax Credit System.

Oversight assumes DIFP is provided with core funding to handle a certain amount of computer programming activity each year. Oversight assumes DIFP could absorb the programming costs related to this proposal.

Oversight notes the tax credit created in this proposal shares a $1,000,000 cap with the Alternative Fuel Infrastructure tax credit created in 2014 from SB 729. SB 729 reauthorized the Alternative Fuel Infrastructure tax credit for calendar years 2015 to 2017 and allows persons installing and operating an alternative fuel refueling property to be eligible for an income tax credit. A cap of one million dollars per year was set for the tax credit. Under this proposal, the cumulative amount of tax credit which may be claimed by eligible applicants claiming all credits authorized under §135.710 (Alternative Fuel Infrastructure tax credit) and §135.711 shall not exceed $1,000,000.

Oversight notes the cumulative amount of tax credits which may be claimed by eligible applicants claiming all credits authorized in this proposal shall not exceed $1,000,000 in any calendar year. Therefore, Oversight will show the impact as $0 (no credits claimed) to the maximum $1,000,000.

§ 261.235 - AgriMissouri Trademark Fee:

In response to similar legislation from 2015 (SB 361), officials from the **Department of Agriculture (AGR)** stated AGR does not receive any revenue from the use of the AgriMissouri trademark because there is no way for AGR to determine the gross annual sales of products carrying the trademark.

ASSUMPTION (continued)

AGR assumed the commission is authorized to establish a new fee structure under this proposal as long as the fees established and collected do not exceed the costs of the program. However, there is no way to determine what fee structure will be established by the commission or the number of businesses that will utilize the trademark and pay the fees once the new fee structure is established. Therefore the additional revenues from this proposal are unknown.

AGR notes current AgriMissouri administrative costs are 5.00 FTE and related E&E for a total of $480,126.

AGR assumed the new fee structure if effective in generating revenues, the revenue generated from the fees could not exceed that level under this proposal.

	AgriMissouri
PS	= $252,066 (5.00 FTE)
Fringe benefits	= $111,019
EE	= $117,041
Total costs	= $480,126

Oversight notes an AgriMissouri trademark fee is not currently assessed by the AgriMissouri Advisory Commission. The AgriMissouri program currently receives fund appropriations from the Agriculture Protection Fund.

Oversight assumes should a fee be established by the AgriMissouri Advisory Commission that does not yield revenues greater than the administration of the program, funds collected or appropriated for AgriMissouri, would be paid from the AgriMissouri Fund.

Oversight assumes this proposal will have no direct fiscal impact on the Agriculture Protection Fund and the AgriMissouri Fund since no AgriMissouri trademark fee has been established.

§ 261.320 - Agri-Ready County Designation Program:

In response to similar legislation from 2015 (HCS for HB 882), officials from the **Department of Agriculture (AGR)** assumed this proposal will require AGR to develop an application and review procedures for the Agri-Ready County Designation program.

AGR would need to verify requirements of the program for each county in the initial application and annually thereafter.

ASSUMPTION (continued)

AGR assumed this proposal will require AGR to work with counties on the application process and develop a logo, signs, website, and on-line forms for the Agri-Ready County Designation program.

AGR assumed the following estimated costs to implement and coordinate this program.

One Agriculture Manager Band 2 with an annual salary of ($50,000)
Signs (approximately 5 per county) - ($15,000)
Logo Development and Messaging - ($5,000)
In-State Travel - ($10,000)
Supplies - ($10,000)
Professional Development - ($5,000)
Communication Services - ($1,810)
Office Equipment - ($6,124)

AGR estimated ITSD costs of ($186,907) in FY16 to implement the program. Ongoing ITSD costs would be ($40,151) in FY17 and ($41,097) in FY18.

In response to similar legislation from 2015 (HCS for HB 882), officials from the **Department of Natural Resources (DNR)** assumed when a loss of agri-ready designation occurs during a grant period, the proposal appears to result in grantees previously eligible under the designation to be responsible for repayment of grant funding received while the designation was in effect. The potential exists then for entities, including small businesses such as family farms, not directly responsible for actions that might result in loss of designation to be required to repay grant funding being used as agreed to in their grant agreements.

§304.180 - Weight Limitations on certain vehicles:

In response to similar legislation from 2015 (HCS for SS for SCS for SB 12), officials from the **Department of Transportation (MoDOT)** assumed an unknown negative impact to the Road Fund from the increased cost of additional wear and tear to the highways and bridges from this provision.

Oversight will estimate a cost to the Road Fund of “(Over $100,000)”, since MoDOT has no way to quantify the dollar amount of additional wear and tear to the highways and bridges for additional maintenance.

ASSUMPTION (continued)

§ 414.082 - Per Barrel Fee for Inspection of Motor Fuels:

In response to similar legislation from 2015 (SB 520), officials from the **Department of Agriculture (AGR)** assumed this proposal allows the petroleum inspection fee to be adjusted, if needed, by the Department of Revenue so that revenues from the inspection fee equal the costs of the petroleum inspection program.

AGR notes revenues have been declining by an average of 1.5% annually for the last several years due to decreasing gasoline consumption as a result of increasing fuel economy of newer vehicles. The program would be unable to inspect fueling stations twice a year as required by state statute. Retailers and consumers could lose an estimated ($3,000,000) per year from inaccurate dispensers if inspections are not maintained.

AGR assumed that there will continue to be a one month lag between the fees assessed and the Department of Revenue's actual collection and deposit of revenues into the petroleum inspection fund (e.g. fees assessed in January 2016 are not deposited into the inspection fee fund until February 2016). AGR estimated a 3.5 cent per 50-gallon barrel inspection fee may be necessary (effective 1-1-16) in order to maintain the current level of services provided by the program.

AGR assumed if the adjustment allowed by this proposal is needed, the revenue estimates would be as follows: See Table 1 for current fee revenue and Table 2 for fee revenue from this proposal.

Table 1: Current Per Barrel Fees for Inspection of Motor Fuels

Current	FY15 Revenue	Projected FY16 Revenue	Projected FY17 Revenue	Projected FY18 Revenue
Annual	$2,362,714	$2,327,273	$2,292,364	$2,257,978
Per Month	$196,893	$193,939	$191,030	$188,165

Source: Department of Agriculture

Table 2: Per Barrel Fees for Inspection of Motor Fuels from SCS for SB 520 - Effective 01/01/16

Under SCS for SB 520	FY15 Revenue	Projected FY16 Revenue	Projected FY17 Revenue	Projected FY18 Revenue
Annual	Not applicable	Not applicable	$2,674,425	$3,161,170
Difference	Not applicable	Not applicable	$382,061	$903,191

ASSUMPTION (continued)

Oversight assumes currently, the fee for the inspection of certain motor fuels for the Department of Agriculture is used for expenses to administer the program. The fee cannot be less than 1.5 cents per barrel and cannot exceed 2.5 cents per barrel. The Department of Revenue (DOR) sets the per barrel fee, after receiving an expense report from AGR, for the ensuing calendar year. DOR sets the fee to not yield revenue greater than the costs of administering the program.

Oversight notes, according to the State Treasurer's Office, the balance of the Petroleum Inspection Fund (0662) was $1,359,777.62 on March 31, 2015. March receipts to the fund totaled $203,620.67 and disbursements totaled ($133,622.36).

Utilizing AGR's estimate of 1.5% reduction in utilization, **Oversight** assumes the following potential impact of the proposal:

Year	Projected Revenue at current 2.5 cents rate	Projected Barrels (assuming 1.5% decline)	Maximum Charge per barrel allowed in the proposal	Potential new revenue estimates	Projected possible additional Revenue
FY 2015	$2,362,714	94,508,550	.025		
FY 2016	$2,327,273	93,090,922	.04 (at 1/1/2016)	$3,723,637	$698,182
FY 2017	$2,292,364	91,694,558	.04	$3,667,782	$1,375,418
FY 2018	$2,257,978	90,319,139	.04	$3,612,766	$1,354,787
FY 2019	$2,224,109	88,964,352	.04	$3,558,574	$1,334,465
FY 2020	$2,190,747	87,629,887	.04	$3,505,195	$1,314,448
FY 2021	$2,157,886	86,315,439	.05 (at 1/1/2021)	$3,884,195	$1,726,309
FY 2022	$2,125,518	85,020,707	.05	$4,251,035	$2,125,518

Oversight will range the fiscal impact of this proposal as "Up To" the amounts reflected above. The Department of Revenue has the ability to charge a fee up to the new maximums.

Oversight will reflect 6 months of potential impact in FY 2016, or $698,182 ($1,396,364 * 6/12).

ASSUMPTION (continued)

In response to similar legislation from 2015 (SB 520), officials from the **Department of Revenue (DOR)** assumed this proposal allows the rate charged to be adjusted annually, requiring updates to forms, rate notification to approximately 490 licensed suppliers and distributors, and minor programming changes to the motor fuel tax system.

DOR assumed the rate charged for inspections until December 31, 2015 is two and one-half cent ($0.025) per barrel. Between January 1, 2015 and December 31, 2020, the rate charged for the inspection of gasoline, blended fuels, kerosene, etc., cannot exceed four cents ($0.04) per barrel. The maximum amount after that is set at five cents per barrel.

DOR assumed this proposal would require 80 IT contractor hours for system updates at a cost of ($5,994). Mailings for each rate adjustment will cost ($272).

DOR assumed a total cost of ($6,266) to implement this proposal.

Oversight assumes DOR is provided with core funding to handle a certain amount of activity each year. Oversight assumes DOR could absorb the costs related to this proposal.

In response to similar legislation from 2015 (SB 520), officials from the **Office of Administration - Division of Budget and Planning (B&P)** assumed this proposal will affect both Total State Revenue and the 18e tax and fee calculations by changing the current statutory limits on petroleum inspection fees. B&P defers to the Department of Agriculture for an estimate of the potential fiscal impact of this proposal.

Bill as a Whole:

Officials from the **Department of Natural Resources**, **Department of Economic Development**, **Joint Committee on Administrative Rules**, **Office of the Attorney General**, **State Treasurer's Office**, **City of Independence Health Department**, **City of Columbia**, and the **Boone County Department of Public Health and Human Services** each assume the proposal would not fiscally impact their respective agencies.

FISCAL IMPACT - State Government	FY 2016 (10 Mo.)	FY 2017	FY 2018	Fully Implemented (FY 2022)
GENERAL REVENUE FUND				
Revenue Reduction - §135.711 - Creation of tax credit*	$0 to ($1,000,000)	$0 to ($1,000,000)	$0 to ($1,000,000)	$0 to ($1,000,000)
Cost - DOR § 135.711 - Administration of tax credit				
ITSD Programming	($100,683)	$0	$0	$0
Personal Service	($21,570)	($26,143)	($26,404)	($27,476)
Fringe Benefits	($11,217)	($13,596)	($13,731)	($14,289)
Equipment and Expenses	($7,080)	($1,126)	($1,153)	($1,248)
Total Cost - DOR	($140,550)	($40,865)	($41,288)	($43,013)
FTE Change - DOR	1 FTE	1 FTE	1 FTE	1 FTE
Costs - AGR § 261.320 - Agri-Ready County Designation Program				
ITSD programming	($186,907)	($40,151)	($41,097)	($44,485)
Personal Service	($41,667)	($50,500)	($51,005)	($53,076)
Fringe Benefits	($21,669)	($26,263)	($26,525)	($27,602)
Expense and Equipment	($45,132)	($47,980)	($49,180)	($53,234)
Total Costs - AGR	($295,375)	($164,894)	($167,807)	($178,397)
FTE Change - AGR	1 FTE	1 FTE	1 FTE	1 FTE
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	**($435,925 to ($1,435,925)**	**($205,759 to $1,205,759)**	**($209,095 to $1,209,095)**	**($221,409 to $1,221,409)**
Estimated Net FTE Change for the General Revenue Fund	2 FTE	2 FTE	2 FTE	2 FTE

***The tax credit created in this proposal shares a $1,000,000 annual cap with the Alternative Fuel Infrastructure tax credit implemented in 2014 from SB 729.**

FISCAL IMPACT - State Government (continued)	FY 2016 (10 Mo.)	FY 2017	FY 2018	Fully Implemented (FY 2022)
ROAD FUND				
Costs - MoDOT § 304.180 - Increased Maintenance	(Over $100,000)	(Over $100,000)	(Over $100,000)	(Over $100,000)
ESTIMATED NET EFFECT TO THE ROAD FUND	**(Over $100,000)**	**(Over $100,000)**	**(Over $100,000)**	**(Over $100,000)**
PETROLEUM INSPECTION FUND				
Income - AGR §414.082 - Increase in maximum per barrel fees for motor fuel inspections	Up to $698,182	Up to $1,375,418	Up to $1,354,787	Up to $2,125,518
ESTIMATED NET EFFECT TO PETROLEUM INSPECTION FUND	**Up to $698,182**	**Up to $1,375,418**	**Up to $1,354,787**	**Up to $2,125,518**

Note: The fiscal note does not reflect the possibility that some of the tax credits could be utilized by insurance companies against insurance premium taxes. If this occurs, the loss in tax revenue would be split between the General Revenue Fund and the County Foreign Insurance Fund, which ultimately goes to local school districts.

FISCAL IMPACT - Local Government	FY 2016 (10 Mo.)	FY 2017	FY 2018	Fully Implemented (FY 2022)
	$0	**$0**	**$0**	**$0**

FISCAL IMPACT - Small Business

§§ 135.710, 135.711 - Alternative Fuel Vehicle Income Tax Credits:

Small businesses that qualify for the new tax credit could be positively impacted by this proposal.

§ 261.235 - AgriMissouri Trademark Fee:

Small business sellers using the AgriMissouri trademark, could expect to pay a fee that does not yield total revenue greater than the administration of the AgriMissouri program as a result of this proposal.

§ 261.320 - Agri-Ready County Designation Program:

Small businesses in counties where an Agri-Ready County Designation is obtained may experience a positive economic impact from this proposal.

§304.180 - Weight Limitations on Vehicles Hauling Milk & Livestock:

Small businesses that haul large loads of livestock and/or agriculture products could be impacted by this provision.

§ 414.082 - Per Barrel Fee for Inspection of Motor Fuels:

Small business suppliers and distributors engaged in the sale of certain motor fuels could be impacted annually by an update of the per barrel fee for the inspection of certain motor fuels from this proposal.

FISCAL DESCRIPTION

§§ 135.710, 135.711 - Alternative Fuel Vehicle Income Tax Credits:

Beginning January 1, 2015, this proposal authorizes a tax credit for the purchase of a new qualified alternative fuel vehicle or for converting a previously-purchased motor vehicle to a qualified fuel vehicle in the following amounts: $5,000 for each vehicle with a gross vehicle weight (GVW) of greater than 2,000 pounds but less than 10,000 pounds, $7,000 for a heavy-duty vehicle with a GVW of at least 10,000 pounds but less than 26,000 pounds, and $20,000 for vehicles with a GVW of at least 26,000 pounds. The credit cannot be refunded, transferred, sold, or assigned, but may be carried forward for up to 10 subsequent taxable years.

FISCAL DESCRIPTION (continued)

The tax credit is added to the $1 million per year cumulative cap set for tax credits for electric vehicle recharging properties and alternative fuel refueling properties in Section 135.710, RSMo, and is subject to appropriations. A taxpayer cannot receive more than $100,000 in tax credits before March 31 per year. Beginning April 1, all unused, appropriated credits can be issued to any taxpayer for any qualified alternative fuel vehicle and not be subject to the $100,000 cap.

The proposal allows any alternative fuel vehicle to exceed the maximum GVW limit and axle weight limit for such vehicle under Section 304.180 by 2,000 pounds.

The provisions of the bill will expire December 31 six years from the effective date.

§ 261.320 - Agri-Ready County Designation Program:

This proposal creates the "Agri-Ready County Designation Program" within the Department of Agriculture. The program is a voluntary program by which a county or the City of St. Louis may apply to become designated as an Agri-Ready county.

To qualify as an agri-ready county, the county must meet certain requirements that show the county encourages agricultural operations to locate in the county. By March 31, 2016, the Department of Agriculture (AGR) must establish application requirements and review procedures for the program. Any county that receives an agri-ready designation must submit a report annually to the department. The report may not be longer than one page and AGR must allow on-line submission of the report. If AGR determines a county no longer meets the requirements of the program, it may withdraw the designation.

AGR must develop an Agri-Ready County logo and any county designated as an agri-ready county may use the logo on any sign, brochure, website, or other marketing material. Any agri-ready county may request the Department of Transportation erect and maintain signs designating it as agri-ready, with the cost to be paid for by the county. AGR must publish and maintain a list of agri-ready counties on its website.

In evaluating any grant proposal based on a point system, the Departments of Agriculture, Natural Resources, and Economic Development must increase the total number of points awarded by 5% to any agri-ready county, any political subdivision within an agri-ready county, or any agricultural operation located within or proposing to locate within an agri-ready county. If an agri-ready county loses its designation at any point during the grant period, the county is responsible for repaying any grant funding received.

FISCAL DESCRIPTION (continued)

§304.180 - Weight Limitations on Vehicles Hauling Milk & Livestock:

This provision adds grain, grain co-products, and livestock to the current milk exemption for weight limitations on highways, and applies such exemption to all highways with the exception of Interstates.

§ 414.082 - Per Barrel Fee for Inspection of Motor Fuels:

Currently, the fee for the inspection of certain motor fuels shall not be less than 1.5 cents per barrel and shall not exceed 2.5 cents per barrel. Under this proposal, the per barrel fee shall not exceed 4 cents from 2016 to 2020, and shall not exceed 5 cents from 2021 and thereafter.

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 Revenue
Office of Administration - Division of Budget and Planning
Department of Insurance, Financial Institutions and Professional Registration
Department of Natural Resources
Department of Transportation
State Treasurer's Office
Department of Economic Development
Joint Committee on Administrative Rules
Office of the Attorney General
City of Independence Health Department
City of Columbia
Boone County Department of Public Health and Human Services

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April 24, 2015	April 24, 2015