

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5430-01
Bill No.: HB 1874
Subject: Tax Credits; Motor Fuel; Agriculture
Type: Original
Date: January 4, 2016

Bill Summary: This proposal extends the expiration date for the Missouri Qualified Fuel Ethanol Producer Incentive Fund.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
General Revenue	\$0	\$0 to (\$4,790,895)	\$0 to (\$4,790,895)
Total Estimated Net Effect on General Revenue	\$0	\$0 to (\$4,790,895)	\$0 to (\$4,790,895)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Qualified Fuel Ethanol Product Incentive *	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

*Transfers In and Costs net to zero.

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on FTE	0	0	0

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 2017	FY 2018	FY 2019
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Oversight notes that under current statutes, a qualified ethanol producer is eligible for a total grant in any calendar year equal to 20 cents per gallon from the first 12.5 million gallons of qualified fuel ethanol produced plus five cents per gallon for the next 12.5 gallons of qualified ethanol produced from Missouri agricultural products in the fiscal year. A Missouri qualified ethanol producer is eligible to receive grants for a total of 60 months.

The following plants currently receive incentives: Macon - NEMO Grain Process, Craig - Golden Triangle Energy, Malta Bend - Mid-MO Energy, Laddonia - MO Ethanol, St. Joseph - Lifeline Foods, and Carrollton - Show Me Ethanol.

Officials at the **Office of Administration's Division of Budget and Planning (BAP)** assume the proposed legislation would postpone the sunset for the Missouri Qualified Producer Incentive Program. Under this program, the maximum allowable subsidy amount per year per producer is \$3,125,000. The last payment to a qualified ethanol producer occurred in FY2013. No current production is eligible for these subsidies. A new facility would have to begin qualifying production to be subsidy-eligible. It is unknown how many new ethanol production facilities might be established as qualified ethanol producers in the future. A general revenue transfer to the Missouri Qualified Fuel Ethanol Producer Incentive Fund is used to pay for these incentives. This proposed legislation would cost general revenue an unknown amount, depending on the number of qualified producers and the amount of qualified production.

Officials at the **Department of Agriculture (AGR)** assume the fiscal impact of this legislation is \$0 to unknown. The Department is not aware of any plans for new construction of either traditional corn or biomass-based ethanol plants in Missouri. However, removal of the sunset date does allow for the possibility of additional ethanol incentives at some time in the future.

Officials at the **Department of Revenue, Department of Transportation and Department of Economic Development** each assume no fiscal impact from this proposal to their respective organizations.

ASSUMPTION (continued)

AGR provided the following total Missouri Ethanol Production and Payment information from FY00 - FY13.

<u>Fiscal Year</u>	<u>Production</u>	<u>Payments</u>
00	1,810,801	\$364,259
01	22,523,273	\$4,524,989
02	40,011,740	\$4,905,706
03	43,464,260	\$3,093,748
04	59,793,540	\$3,576,485
05	79,436,946	\$5,340,834
06	110,834,572	\$8,102,393
07	154,485,337	\$13,687,990
08	187,820,705	\$9,191,905
09	222,019,498	\$12,500,000
10	254,072,540	\$13,366,382
11	260,167,086	\$9,375,000
12	254,044,088	\$8,802,378
13	257,623,905	\$4,790,895
14		\$ 0
15		\$ 0
Total		\$101,622,967

Due to the time needed for the start-up of a new plant, **Oversight** will assume \$0 impact in FY 2017 and then range the impact from \$0 (no new plants built) to a cost up to \$4,790,895, the most recent ethanol incentive payment paid from general revenue in FY13, if new construction occurs and incentives are passed.

<u>FISCAL IMPACT - State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
GENERAL REVENUE			
<u>Transfer Out - to Qualified Fuel Ethanol Producer Incentive Fund</u>	\$0	\$0 to <u>(\$4,790,895)</u>	\$0 to <u>(\$4,790,895)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	\$0	\$0 to <u>(\$4,790,895)</u>	\$0 to <u>(\$4,790,895)</u>

<u>FISCAL IMPACT - State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
QUALIFIED FUEL ETHANOL PRODUCER INCENTIVE FUND			
<u>Transfer In</u> - from General Revenue	\$0	\$0 to \$4,790,895	\$0 to \$4,790,895
<u>Costs</u> - incentives provided to ethanol producing facilities	<u>\$0</u>	\$0 to <u>(\$4,790,895)</u>	\$0 to <u>(\$4,790,895)</u>
ESTIMATED NET EFFECT ON QUALIFIED FUEL ETHANOL PRODUCER INCENTIVE FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small businesses that qualify for the incentive could be impacted by this proposal.

FISCAL DESCRIPTION

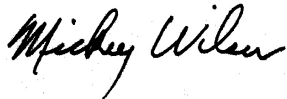
This proposal extends the expiration date for the Missouri Qualified Fuel Ethanol Producer Incentive Fund from December 31, 2015 to December 31, 2020.

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

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SOURCES OF INFORMATION

Office of Administration's Division of Budget and Planning
Department of Revenue
Department of Agriculture
Department of Economic Development
Department of Transportation



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January 4, 2016

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January 4, 2016