

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3277-01
Bill No.: HB 829
Subject: Agriculture and Animals; Agriculture Dept.
Type: Original
Date: January 12, 2004

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Genetically Engineered Seed Fund	\$994,689	\$999,558	\$997,207
Total Estimated Net Effect on Other State Funds	\$994,689	\$997,614	\$995,263

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Revenue** and the **State Treasurer's Office** assume this proposal would have no fiscal impact on their agency.

Officials from the **Department of Agriculture** assume this proposal would require the Department to register farmers who plant patented seed and want to retain enough seed from the harvest to replant, on the farmers property, the following planting season. The Department would collect a seven dollar (\$7) per bushel fee for the retention of such seed. Six dollars (\$6) of the seven dollar (\$7) fee would be paid quarterly to the person or persons holding the patent for the seed. One dollar would be used by the Department for administrative costs.

There were 5,050,000 acres of soybeans planted in Missouri in 2002. Seventy-two percent of seed planted is genetically modified; therefore, seventy-two percent would be patented seed or 3,636,000 acres planted with patented seed. Approximately 50 lbs. of seed is planted per acre ($3,636,000 \times 50 = 181,800,000$ lbs.). One bushel of soybeans weighs 60 lbs., therefore, there are 3,030,000 bushels of seed planted in Missouri ($181,800,000$ divided by $60 = 3,030,000$). Approximately seventy-two percent is patented seed so 2,181,600 bushels of patented seed is planted in Missouri annually ($3,030,000 \times .72 = 2,181,600$). Assuming 50 percent of the farmers using patented seed would want to retain seed for replanting the next year, retained seed would

ASSUMPTION (continued)

amount to 1,090,800 bushels from patented seed planted. If you multiply that result by the \$7 per bushel fee, it would generate \$7,635,600 in fees. One dollar is kept for administrative purposes and \$6 goes to the patent owner. This is only one crop. It is the main crop using patented seed; however, there will probably be some cotton, wheat, and other crops with patented seed that would be affected by this legislation.

The Department estimated salary cost of \$30,804 per year plus benefits at 41.4% with an annual increase at 5% for one Accountant 1 position and \$29,080 per year plus benefits at 41.4% with an annual increase at 5% for one Feed & Seed Inspector II, and equipment and expenses of \$23,783 for FY 2005.

Oversight has reduced the estimated FY 2003 equipment expenditure by \$550 since system furniture would incorporate a cabinet. Oversight assumes the Department could absorb the office space cost and any other expense and equipment cost from existing resources. Oversight has assumed that all revenues and expenditures would be processed through the Genetically Engineered Seed Fund.

<u>FISCAL IMPACT - State Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
GENETICALLY ENGINEERED SEED FUND			
<u>Revenue</u> - Department of Agriculture Seed Retention fees	\$7,635,600	\$7,635,600	\$7,635,600
<u>Expenditure</u> - Department of Agriculture Payments to patent holders	<u>(\$6,544,800)</u>	<u>(\$6,544,800)</u>	<u>(\$6,544,800)</u>
<u>Cost</u> - Department of Agriculture Personal Service (2 FTE)	(\$51,151)	(\$62,916)	(\$64,489)
Fringe Benefits	(\$21,177)	(\$26,047)	(\$26,698)
Expense and Equipment	<u>(\$23,783)</u>	<u>(\$4,223)</u>	<u>(\$4,350)</u>
Total expenditures, cost, and payments	<u>(\$96,111)</u>	<u>(\$93,186)</u>	<u>(\$95,537)</u>
ESTIMATED NET EFFECT ON GENETICALLY ENGINEERED SEED FUND	<u>\$994,689</u>	<u>\$997,614</u>	<u>\$997,263</u>
 <u>FISCAL IMPACT - Local Government</u>	 FY 2004 (10 Mo.)	 FY 2005	 FY 2006
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

This proposal would have an impact to small businesses engaged in farming or seed production.

DESCRIPTION

This bill is to be known as the Missouri Seed Availability and Competition Act. The bill requires farmers who plant patented seed and want to retain seed from their harvest for next season's planting to register with the Department of Agriculture and pay a fee of \$7 for each bushel of seed retained. The fees are to be deposited in the Genetically Engineered Seed Fund, created by

DESCRIPTION (Continued)

the bill. Six dollars per bushel collected are to be remitted to the patent holder of the genetically engineered seed on a quarterly basis. One dollar is to be retained for actual administrative costs of the fund, with any excess moneys to be appropriated from a subaccount of the Genetically Engineered Seed Fund to the University of Missouri for agricultural research and development.

Under the bill, a farmer will only be liable if he or she intentionally or negligently fails to follow the patent holder's or manufacturer's instructions and guidelines regarding the use of the seed.

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
Office of State Treasurer
Department of Revenue

A handwritten signature in black ink, appearing to read "Mickey Wilson".

Mickey Wilson, CPA
Director
January 12, 2004