

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 2131-03  
Bill No.: HCS for HB 853  
Subject: Agriculture Dept.; Energy; Taxation and Revenue - General  
Type: Original  
Date: April 12, 2005

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**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
General Revenue*	\$0 to (\$1,042,314)	\$0 to (\$1,084,007)	(\$7,127,367)
<b>Total Estimated Net Effect on General Revenue Fund*</b>	<b>\$0 to (\$1,042,314)</b>	<b>\$0 to (\$1,084,007)</b>	<b>(\$7,127,367)</b>

**\*Subject to Appropriations**

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Missouri Qualified Biodiesel Producer Incentive *	\$0	\$0	\$0
State School Moneys	\$0	\$0	\$0
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**\*Offsetting revenues and expenditures of \$6,000,000 in FY 2008.**

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
<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 2006	FY 2007	FY 2008
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

#### FISCAL ANALYSIS

##### ASSUMPTION

Officials from the **Department of Revenue, Department of Natural Resources, Department of Health and Senior Services, Office of State Courts Administrator, University of Missouri - Columbia, Department of Economic Development and State Treasurer's Office** assume no fiscal impact to their agency.

Officials from the **Department of Agriculture** assume based on information available at this time, the earliest anticipated date for biodiesel production is the summer of 2007. Therefore, this fiscal estimate assumes:

- that no eligible biodiesel fuel will be produced in the state until July 2007.
- that only one eligible biodiesel plant will begin production at that time.
- that the plant will produce 30 million gallons of eligible biodiesel annually.

These assumptions lead to the following cost estimates:

- FY 2007 = \$0
- FY 2008 = 15.0 million gallons \* \$0.30 / gallon = \$4,500,000  
 15.0 million gallons \* \$0.10 / gallon = \$1,500,000

Total FY 2008 Cost           = \$6,000,000

ASSUMPTION (continued)

The fiscal analysis also assumes these costs will be paid from General Revenue using a transfer from the General Revenue Fund to the Missouri Qualified Biodiesel Producer Incentive Fund.

Officials from the **Department of Elementary and Secondary Education (DESE)** assume the school districts will utilize the maximum amount allowed under the original bill (HB 453 - 2001). Based on seven-tenths of a percent of the 1998-1999 school year entitlement authorized by Section 163.161, RSMo (State aid for transportation) which was \$132,373,402 and a 4 percent growth for three years, the maximum effect of the original proposal was:

2002-03	$\$132,373,402 \times .007 = \$ 926,614$
2003-04	$\$ 926,614 \times 1.04 = \$ 963,678$
2004-05	$\$ 963,678 \times 1.04 = \$1,002,225$
2005-06	$\$ 1,022,225 \times 1.04 = \$1,042,314$

Extending the sunset to the 2011-12 school year would calculate to the following maximum amount:

2006-07	$\$1,042,314 \times 1.04 = \$1,084,007$
2007-08	$\$1,084,007 \times 1.04 = \$1,127,367$
2008-09	$\$1,127,367 \times 1.04 = \$1,172,462$
2009-10	$\$1,172,462 \times 1.04 = \$1,219,360$
2010-11	$\$1,219,360 \times 1.04 = \$1,268,135$
2011-12	$\$1,268,135 \times 1.04 = \$1,318,860$

<u>FISCAL IMPACT - State Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
<b>GENERAL REVENUE</b>			
<u>Transfers Out</u> - Missouri Qualified Biodiesel Producer Incentive Fund*	\$0	\$0	(\$6,000,000)
<u>Costs</u> - Transfers to State School Moneys Fund*	\$0 to <u>(\$1,042,314)</u>	\$0 to <u>(\$1,084,007)</u>	\$0 to <u>(\$1,127,367)</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND*</b>	<b>\$0 to <u>(\$1,042,314)</u></b>	<b>\$0 to <u>(\$1,084,007)</u></b>	<b><u>(\$7,127,367)</u></b>
<b>*Subject to Appropriations</b>			
<b>MISSOURI QUALIFIED BIODIESEL PRODUCER INCENTIVE FUND</b>			
<u>Transfers In</u> - General Revenue Fund	\$0	\$0	\$6,000,000
<u>Cost</u> - Incentive Grants for Production	<u>\$0</u>	<u>\$0</u>	<u>(\$6,000,000)</u>
<b>ESTIMATED NET EFFECT ON MISSOURI QUALIFIED BIODIESEL PRODUCER FUND</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
<b>STATE SCHOOL MONEYS FUND</b>			
<u>Income</u> - Transfers from General Revenue Fund	\$0 to \$1,042,314	\$0 to \$1,084,007	\$0 to \$1,127,367
<u>Cost</u> - Distributions to School Districts	\$0 to <u>(\$1,042,314)</u>	\$0 to <u>(\$1,084,007)</u>	\$0 to <u>(\$1,127,367)</u>
<b>ESTIMATED NET EFFECT ON STATE SCHOOL MONEYS FUND</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

<u>FISCAL IMPACT - Local Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
<b>SCHOOL DISTRICTS</b>			
<u>Income</u> - Increased state aid	\$0 to \$1,042,314	\$0 to \$1,084,007	\$0 to \$1,127,367
<u>Costs</u> - Difference between market price of diesel and cost of biodiesel	\$0 to <u>(\$1,042,314)</u>	\$0 to <u>(\$1,084,007)</u>	\$0 to <u>(\$1,127,367)</u>
<b>ESTIMATED NET EFFECT ON SCHOOL DISTRICTS</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

FISCAL IMPACT - Small Business

Small businesses which are biodiesel fuel distributors, manufacturers or retailers and new generation cooperatives could be affected by this proposal.

Section 142.031(2) defines “qualified biodiesel producer” as a facility that is at least fifty-one percent owned by agricultural producers (i.e. farmers). This legislation is expected to have a positive economic impact on the farmers that become investor-owners of the plant. In addition, soybean farmers that are not investor-owners will benefit from higher soybean prices that will occur as a result of the increased demand for soybeans due to a biodiesel plant. Small businesses in the biodiesel plant’s community will also benefit from the increased economic activity generated by the biodiesel facility.

DESCRIPTION

The Fuel Ethanol Producer Incentive Fund was created to provide economic incentives for the production of ethanol in Missouri. Qualified ethanol producers receive a monthly incentive grant for 60 consecutive months in an amount determined by the number of gallons of ethanol produced. This bill extends the current expiration date of the producer incentives from December 31, 2007, to December 31, 2015.

Legislation pertaining to the Missouri qualified biodiesel producer incentive fund.

The changes made included additional language that clarifies the eligibility of producers for grants available from the fund. Current law states that producers are eligible for a total of sixty months - the new language states that the producer may still be eligible for an additional twenty-

DESCRIPTION (continued)

four months, or until the full amount of funding is received, if the original appropriation was not fully met.

Other new language adds to the grant amount producers are eligible for - with this act, an additional ten cents per gallon for the next fifteen million gallons of qualified biodiesel produced from Missouri agricultural products is available for eligible producers. The limit of biodiesel produced that cannot be applied to the computation of a grant has also been raised here, the current law has it standing at in excess of fifteen gallons, we've changed that to thirty million gallons.

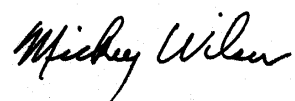
This act removes language that subjects the fund to "appropriations with funds other than general revenue funds". With this draft, the fund is simply "subject to appropriation".

This proposal extends the expiration date of the Biodiesel for Schools Program from the 2005-2006 school year to the 2011-2012 school year. The program allows school districts to establish contracts with nonprofit, farmer-owned new generation cooperatives to supply bus fuel containing at least 20% biodiesel.

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  
Department of Natural Resources  
Department of Health and Senior Services  
Office of State Courts Administrator  
University of Missouri - Columbia  
Department of Economic Development  
Department of Elementary and Secondary Education  
State Treasurer's Office



Mickey Wilson, CPA

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