

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1871-04
Bill No.: HCS for HB 709
Subject: Agriculture and Animals; Agriculture Dept.; Conservation Dept.; Energy; Motor Fuel
Type: Original
Date: April 2, 2007

Bill Summary: Includes the production of qualified biomass in the Missouri Qualified Fuel Ethanol Producer Incentive Fund subsidies.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
General Revenue	\$2,500,000	\$5,625,000	\$5,541,667
Total Estimated Net Effect on General Revenue Fund	\$2,500,000	\$5,625,000	\$5,541,667

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 4 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Total Estimated Net Effect on FTE	0	0	0

☒ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Conservation** and **Department of Revenue** assume no fiscal impact to their agencies.

Officials from the **Department of Agriculture (MDA)** will not be able to pay ethanol producer incentives once this legislation becomes effective (August 28, 2007). The department will be able to restart ethanol producer payments in January 2008 but will be able to pay a maximum of \$10,000,000 per year.

Qualified fuel ethanol producers will continue to earn incentive payments “until they have received the maximum amount for which they are eligible during the original sixty-month time period.” Therefore, MDA will still need to track and audit all eligible production that occurs during the original sixty-month time period and carry forward the amount earned but not paid. It should be noted that the department received an FY 2007 Supplemental appropriation of \$5,095,191 to pay these accumulated “deferred payments”.

Under current law, MDA expects to pay ethanol incentives totaling \$15,000,000 in FY 2008, \$15,625,000 in FY 2009, and \$15,541,667 in FY 2010. However, this bill limits annual funding to a maximum of \$10,000,000.

Oversight assume that half of the \$10 million cap would be used in FY08.

<u>FISCAL IMPACT - State Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
GENERAL REVENUE			
<u>Savings</u> - Department of Agriculture Reduced Incentive Payment	<u>\$2,500,000</u>	<u>\$5,625,000</u>	<u>\$5,541,667</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$2,500,000</u>	<u>\$5,625,000</u>	<u>\$5,541,667</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Possibly. If ethanol incentives are reduced, there may be less economic growth in rural Missouri.

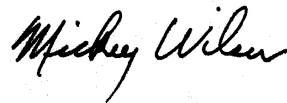
FISCAL DESCRIPTION

The proposed legislation allows fuel ethanol produced from qualified biomass to be eligible for certain fuel ethanol production subsidies. This proposal limits annual funding to a maximum of \$10,000,000.

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 Conservation
Department of Revenue



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Director
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