

## HCS SCS SB 156 -- AGRICULTURE

SPONSOR: Engler (Quinn, 7)

COMMITTEE ACTION: Voted "do pass" by the Committee on Agriculture Policy by a vote of 10 to 0.

This substitute changes the laws regarding agriculture.

### LARGE ANIMAL VETERINARY STUDENT LOAN ASSISTANCE

The administration of the Large Animal Veterinary Medicine Loan Repayment Program is transferred from the Missouri Veterinary Medical Board to the Department of Agriculture. The maximum number of veterinarians to whom loan repayments can be granted each year is increased from five to six, the required number of years of service in an area of defined need to satisfy the loan repayment requirement is reduced from five to four, and the maximum service loan repayment amount per year is increased from \$10,000 to \$20,000.

The Large Animal Veterinary Student Loan Program is established to provide up to six loans yearly to veterinary students attending the College of Veterinary Medicine at the University of Missouri-Columbia. No student can receive more than \$80,000 in loans. Veterinary students agreeing to locate their practice in department-identified, under-served areas of the state will have certain amounts of their loan principal and interest forgiven.

The department director will appoint an advisory panel to make recommendations regarding the administration of the programs. The panel will consist of three licensed veterinarians, the Dean of the College of Veterinary Medicine, and a public member representing agricultural interests.

The Large Animal Veterinary Student Loan Payment Fund is created consisting of appropriations from general revenue and donations. Moneys in the fund will be used for student loans and administrative expenses incurred by the department.

### AGRICULTURAL TAX CREDITS

The definition of "agricultural tax credits" administered by the Missouri Agriculture and Small Business Development Authority is revised to include family farm breeding livestock loan tax credits created under the Tax Credit Accountability Act of 2004, and certain types of agricultural production facilities must be located in Missouri to qualify its producer member for agricultural tax credits.

## AGRIMISSOURI MARKETING PROGRAM

The substitute renames the Marketing Division within the Department of Agriculture as the Agriculture Business Development Division, the Marketing Development Fund as the Agriculture Business Development Fund, the Missouri Agricultural Products Marketing Development Fund as the AgriMissouri Fund, and the Citizens' Advisory Commission as the AgriMissouri Advisory Commission.

## QUALIFIED BIO-MASS

Qualified bio-mass is added to the list of Missouri agricultural products that can be used in the production of fuel ethanol by Missouri qualified fuel ethanol producers. Beginning January 1, 2008, through December 31, 2018, Missouri qualified fuel ethanol producers producing fuel ethanol from qualified bio-mass will be eligible to receive grants from the department. The total amount of the grants is not to exceed \$10 million per year.

## STATE AND LOCAL SALES AND USE TAX EXEMPTION FOR AGRICULTURAL FENCING, TRAILERS MANUFACTURED IN MISSOURI, AND MOTOR FUEL

A state and local sales and use tax exemption is authorized for fencing materials, trailers manufactured in Missouri, and motor fuel used for agricultural purposes.

## STATE FAIR ESCROW FUND

The State Fair Escrow Fund, which will be maintained by the State Fair Commission, is created. All ticket sales from the Missouri State Fair and any off-season event will be deposited into the fund as well as gifts, grants, contributions, and funds or benefits from any other source. Moneys in the fund may be used for the costs associated with the fair or any off-season event and may include expenses and equipment.

The fund will be under the direct control of the State Fair Director and the State Fair Commission. Moneys in the fund will be used for the purposes specified in the substitute and will not revert or be transferred to general revenue.

## NOXIOUS WEEDS

The substitute adds spotted knapweed and sericea lespedeza to the definition of "noxious weed" and specifies that the noxious weed control laws are applicable to both varieties of weeds.

## MISSOURI ALTERNATIVE FUELS COMMISSION

The substitute renames the Missouri Ethanol and Other Renewable Fuel Sources Commission to the Missouri Alternative Fuels Commission and expands its membership from seven to nine. The two additional members will be appointed by the Governor. The five Governor-appointed members must be engaged in the production and sale of alternative fuels. The commission will:

- (1) Make recommendations on legislation to facilitate the sale and distribution of alternative fuels and alternative fuel vehicles;
- (2) Promote the production and use of alternative fuels;
- (3) Promote the development and use of alternative fuel vehicles and other related technology;
- (4) Educate consumers about alternative fuels;
- (5) Develop a long-range plan to reduce petroleum fuel use; and
- (6) Report annually to the Governor and General Assembly.

#### MANAGED ENVIRONMENT LIVESTOCK OPERATION TAX CREDITS

The Missouri Agriculture and Small Business Development Authority is authorized to issue tax credits to owners of livestock operations to partially offset certain expenses incurred for implementing odor abatement best management practices and systems. The maximum tax credit amount for implementing a system necessary to achieve managed environment livestock operation (MELO) accreditation and/or improving basic infrastructure to increase the setback from the property line will be the lessor of 50% of the eligible expenses or \$50,000. The maximum tax credit amount for implementing a system necessary to meet preferred environmental practices and/or improving basic infrastructure to increase the setback from the property line will be the lessor of 75% of the eligible expenses or \$75,000. The yearly maximum amount of tax credits issued by the authority for odor abatement will be \$3 million. The tax credits may be carried back three years, forward five years, assigned, transferred, or sold and may be taken against the estimated quarterly tax or quarterly taxes.

The authority is required to establish rules for tax credit eligibility based on odor abatement impact, the owner's prospective use and funding of proven technologies, and other factors that the authority considers necessary. Ninety percent of the tax credits issued in any one year will go to livestock operation owners for the implementation of best management practices and systems necessary to achieve MELO accreditation. Ten percent and any remaining MELO tax credits will be issued to

livestock operation owners for the implementation of preferred environmental practices. Any unissued tax credits will not carry over to the succeeding year. The authority will impose an application fee of .25% of the tax credit amount issued.

#### MISSOURI AGRICULTURE AND SMALL BUSINESS DEVELOPMENT AUTHORITY

Currently, agricultural tax credits are not to exceed \$6 million in any fiscal year. The substitute increases the amount to \$12 million.

The Missouri Agriculture and Small Business Development Authority is allowed to issue up to \$1 million in agricultural product utilization tax credits in any fiscal year to individuals contributing cash funds to the authority. The funds are to be used for financial or technical assistance to rural agricultural business concepts approved by the authority.

Subject to appropriations, the authority must pay the first year of charged interest payments on all linked deposit loans used for the acquisition of dairy cows. The authority is authorized to charge a service fee, not to exceed \$50, to defray the administrative costs of processing a loan.

The authority is required to develop and implement dairy business planning grants. The total amount of the grants will not exceed \$50,000; and no single grant can exceed \$5,000. An application fee may be charged, not to exceed \$50 per grant application, to defray the administrative costs of administering the grant.

The applicant's dairy operation must be located in Missouri and at least 51% owned by Missouri residents. The grant proceeds must be used solely to contract with a dairy business planning professional approved by the authority. The authority is required to establish rules on eligibility and award criteria including improved profitability, modernization, and expansion of the dairy operation. The experience, education, and relevant dairy experience of both the grant applicant and the dairy business planning professional are required to be part of the respective selection criteria.

#### MISSOURI QUALIFIED BIODIESEL PRODUCERS

Currently, a biodiesel producer incentive grant is calculated based on the estimated number of gallons of biodiesel produced from Missouri agricultural products. The substitute removes the instate or Missouri agricultural product origin requirement of at least 51% Missouri producer owned for a renewable fuel production facility to be eligible for the grant.

## LIQUOR AND WINE TASTING

Wineries, distillers, manufacturers, wholesalers, or brewers are allowed to provide samples for customer tasting purposes at retail licensed premises that have a special permit or a by-the-drink-for-consumption-on-the-premises-where-sold retail license. The winery, distiller, manufacturer, wholesaler, or brewer cannot give money or anything of value to the retailer for the opportunity to conduct the tasting. Tastings may be conducted off of retail licensed premises if no sales transactions take place, but solicitations for later sales via promotional materials are allowed.

## FAMILY FARM LIVESTOCK LOAN PROGRAM

The substitute increases from \$150,000 to \$1 million the maximum amount of tax credits that the Missouri Agricultural and Small Business Development Authority is authorized to issue annually to eligible lenders participating in the Family Farm Livestock Loan Program.

## RICE CERTIFICATION ACT

The Rice Certification Act is established which prohibits the production, transporting, or handling of certain rice varieties except as provided by the department.

The Rice Certification Committee is established which will consist of nine members including the department director; two members appointed by the department director to represent rice handlers and end rice users; and six members recommended by the Missouri Rice Research and Merchandising Council representing rice producers, university scientists, rice mills operators, and rice seed dealers. The committee must:

- (1) Identify rice varieties with characteristics of commercial impact;
- (2) Develop rules to be established by the department regarding the production and handling of rice varieties with characteristics of commercial impact;
- (3) Review rice identity preservation programs;
- (4) Review at least every two years or upon receipt of a petition from the supplier of the rice each rice variety having characteristics of commercial impact;
- (5) Review, approve, and make recommendations on any rules and policies developed by the department relating to rice; and

(6) Make recommendations to the department director on all matters regarding the enforcement of the act.

The department is required to establish rules:

- (1) Preventing the contamination of rice that has not been identified as having characteristics of commercial impact;
- (2) Requiring certain notifications for producers, transporters, and receivers of rice with characteristics of commercial impact;
- (3) Enforcing restrictions on rice with characteristics of commercial impact;
- (4) Investigating alleged violations, issuing written notices of violation, and imposing penalties for violations; and
- (5) Encouraging research and development of new types of rice.

Any violation of these provisions will be subject to a fine of at least \$10,000 but not more than \$100,000 per day per violation.

The provisions of the substitute regarding the managed environment livestock operation tax credit will expire June 30, 2012.

The provisions regarding the Rice Certification Act become effective 180 days after the effective date of the substitute.

The provisions of the substitute regarding the state and local sales and use tax exemption on fencing materials contain an emergency clause.

FISCAL NOTE: Estimated Effect on General Revenue Fund of an income of \$1,783,293 to a cost of \$7,266,707 in FY 2008, an income of \$3,944,541 to a cost of \$5,105,459 in FY 2009, and an income of \$3,836,294 to a cost of \$5,213,706 in FY 2010. No impact on Other State Funds in FY 2008, FY 2009, and FY 2010.

PROPOSERS: Supporters say that the changes to and renaming of the Missouri Alternative Fuels Commission was recommended by the Missouri Energy Task Force. The expansion of the commission allows representation from suppliers and distributors of energy.

Testifying for the bill were Senator Engler; and Missouri Petroleum Marketers and Convenience Store Association.

OPPOSERS: There was no opposition voiced to the committee.