

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5338-02
Bill No.: HB 2138
Subject: Agriculture and Animals; Merchandising Practices; Health Department;
Agriculture Department
Type: Original
Date: April 2, 2014

Bill Summary: This proposal permits farm-direct goods to be sold directly to the consumer without state or local regulation.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	(Could exceed \$100,000)	(Could exceed \$100,000)	(Could exceed \$100,000)
Total Estimated Net Effect on General Revenue Fund	(Could exceed \$100,000)	(Could exceed \$100,000)	(Could exceed \$100,000)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 10 pages.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Conservation Commission	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)
Parks, Soil and Water	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)
School District Trust	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)
Total Estimated Net Effect on <u>Other</u> State Funds	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
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 2015	FY 2016	FY 2017
Local Government	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)

FISCAL ANALYSIS

ASSUMPTION

§ 262.293 - Farm Direct Goods:

Officials from the **Department of Agriculture (AGR)** assume this proposal allows any seller of farm-direct goods to choose not to be subject to state regulations.

AGR assumes there would be a loss in license and inspection revenues associated with food safety and consumer protection regulations.

AGR assumes there could also be a significant reduction in wine tax revenues. The total amount of the revenue reductions is unknown but would likely exceed \$100,000 in state revenue.

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** assume this proposal would allow a seller of "farm-direct goods" to determine whether they are subject to regulation by the state, any political subdivision of the state, or any state or local regulatory agency.

BAP assumes this may include exemption from payment of fees and or taxes related to the sale of such products. Such an exemption would reduce revenues deposited to general revenue and other funds by an unknown amount.

BAP assumes this would also decrease the state's total state revenue and impact the Article X, Section 18(e) calculation.

ASSUMPTION (continued)

Oversight assumptions

For fiscal note purposes, **Oversight** will include an unknown revenue reduction that could exceed \$100,000 to AGR from the General Revenue Fund since a loss in license and inspection revenues associated with food safety and consumer protection regulations would be expected.

For fiscal note purposes, **Oversight** will assume this proposal could exempt farm-direct goods to be sold directly to the consumer, without state or local regulation, including state and local sales tax.

Oversight assumes sales of food are subject only to the 1.225% sales tax; none of that 1.225% tax is deposited into the General Revenue Fund.

In response to a proposal from 2014 (HB 1435), the **Department of Revenue (DOR)** provided potential revenue reductions which exempt farm products sold at Missouri farmers markets from state and local sales tax.

Oversight notes the following revenue reductions as provided by DOR in HB 1435 (2014).

Oversight assumes the fiscal impact of this proposal based on \$14.5 million annual farm direct sales could be calculated as follows to the School District Trust Fund, Conservation Commission Fund, Parks, Soil, and Water Fund, and Local Government sales tax funds.

<u>Fund or entity</u>	<u>Sales Tax Rate</u>	<u>Revenue Reduction</u>	
		<u>Annual</u>	<u>Ten Months</u>
School District Trust	1.000%	\$145,000	\$120,833
Conservation Commission	0.125%	\$18,125	\$15,104
Parks, Soil and Water	0.100%	\$14,500	\$12,083
Local Governments *	3.700%	\$536,500	\$447,083

* The 3.7% average rate for local governments was computed by Oversight based on collections reported by the Department of Revenue.

ASSUMPTION (continued)

Oversight will include a revenue reduction less than \$100,000 per year for the Conservation Commission Fund and the Parks, Soil, and Water Fund.

Oversight notes that the revenue reduction for the School District Trust Fund would result in reduced transfers to local school districts in addition to the direct revenue reduction greater than \$100,000 per year for local governments, but will not include those transfers in this fiscal note.

Officials from the **Department of Health and Senior Services**, the **Department of Revenue**, the **Office of State Courts Administrator**, **City of Kansas City**, **City of Jefferson**, **St. Louis County**, and **Boone County** each assume the proposal would not fiscally impact their respective agencies.

Officials from the Office of the Attorney General did not respond to **Oversight's** request for fiscal impact

Officials from Callaway County, Camden County, Cass County, Clay County, Cole County, Greene County, Jackson County, Jefferson County, Platte County, Pettis County did not respond to **Oversight's** request for fiscal impact

Officials from the Audrain County Health Unit, Henry County Health Center, Jefferson County Health Department, Linn County Health Department, Madison County Health Department, McDonald County Health Department, Miller County Health Center, Morgan County Health Center, Nodaway County Health Center, Platte County Health Department, Randolph County Health Department, Reynolds County Health Center, Ripley County Health Center, Shelby County Health Department, St. Francois County Health Department did not respond to **Oversight's** request for fiscal impact

Officials from the City of Columbia, City of Joplin, City of Maryland Heights, City of Raytown, City of Rolla, City of Springfield, St. Charles City, City of St. Joseph, St. Louis City, City of Warrensburg, and the City of St. Francois did not respond to **Oversight's** request for fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
GENERAL REVENUE FUND			
<u>Revenue Reduction</u> - AGR	(Could exceed	(Could exceed	(Could exceed
§ 262.293 - Loss of license and inspection fees	<u>\$100,000)</u>	<u>\$100,000)</u>	<u>\$100,000)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	(Could exceed <u>\$100,000)</u>	(Could exceed <u>\$100,000)</u>	(Could exceed <u>\$100,000)</u>
CONSERVATION COMMISSION FUND			
<u>Revenue Reduction</u> - DOR	(Less than	(Less than	(Less than
§ 262.293 - Sales Tax Exemption	<u>\$100,000)</u>	<u>\$100,000)</u>	<u>\$100,000)</u>
ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND	(Less than <u>\$100,000)</u>	(Less than <u>\$100,000)</u>	(Less than <u>\$100,000)</u>
PARKS, AND SOIL AND WATER FUND			
<u>Revenue Reduction</u> - DOR	(Less than	(Less than	(Less than
§ 262.293 - Sales Tax Exemption	<u>\$100,000)</u>	<u>\$100,000)</u>	<u>\$100,000)</u>
ESTIMATED NET EFFECT ON PARKS, AND SOIL AND WATER FUND	(Less than <u>\$100,000)</u>	(Less than <u>\$100,000)</u>	(Less than <u>\$100,000)</u>

<u>FISCAL IMPACT - State Government</u> (Continued)	FY 2015 (10 Mo.)	FY 2016	FY 2017
SCHOOL DISTRICT TRUST FUND			
<u>Revenue Reduction</u> - DOR	(More than	(More than	(More than
§ 262.293 - Sales Tax Exemption	<u>\$100,000)</u>	<u>\$100,000)</u>	<u>\$100,000)</u>
ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>
 <u>FISCAL IMPACT - Local Government</u>	 FY 2015 (10 Mo.)	 FY 2016	 FY 2017
LOCAL GOVERNMENTS			
<u>Revenue Reduction</u> - Cities & Counties	(More than	(More than	(More than
§ 262.293 - Sales Tax Exemption	<u>\$100,000)</u>	<u>\$100,000)</u>	<u>\$100,000)</u>
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>

FISCAL IMPACT - Small Business

§ 262.293 - Farm Direct Goods:

There would be some positive financial impact on small businesses who sell farm direct goods if they choose not to be subject to state regulations as they would no longer be required to pay license fees, inspection fees, purchase a surety bond, etc.

Elimination of the food safety and consumer protections provided by AGR regulations could have a negative fiscal impact on many of the state's agricultural producers.

FISCAL DESCRIPTION

§ 262.293 - Farm Direct Goods:

This proposal specifies that Missouri residents must have the right to sell directly to a buyer or purchase directly from a seller any farm-direct goods produced within this state. The seller of farm-direct goods must retain the right to choose whether or not the farm-direct goods and the sale of those goods must be subject to regulation by the state, any political subdivision of the state, or any state or local regulatory agency. Any seller of farm-direct goods not subject to regulation must, at the time of the direct sale, declare to the buyer via a sign, label on the package, or verbally that the farm-direct goods are not subject to regulation. The buyer of farm-direct goods must retain the responsibility to ensure the process of production of the farm-direct goods purchased meets the buyer's approval.

The state, any political subdivision of this state, and any state or local regulatory agency must not interfere or otherwise attempt to regulate the sale and purchase of farm-direct goods not subject to regulation under these provisions. However, nothing in these provisions can be construed to provide any civil or criminal immunity from liability for an intentional act or an act of gross negligence by a seller or buyer under these provisions which constitute a violation of any civil or criminal laws of this state.

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 Health and Senior Services
Department of Revenue
Office of Administration - Division of Budget and Planning
Office of State Courts Administrator
City of Kansas City
City of Jefferson
St. Louis County
Boone County

Not Responding:

Office of the Attorney General
Numerous Counties
Numerous Cities
Numerous Local Health Department's

Mickey Wilson, CPA
Director
April 2, 2014



Ross Strobe
Assistant Director
April 2, 2014