

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0339-01
Bill No.: HB 140
Subject: Agriculture and Animals; Agriculture Department; Higher Education
Type: Original
Date: February 11, 2015

Bill Summary: This proposal establishes the Missouri Dairy and Agriculture Education Act.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	Up to (\$1,611,364 - \$3,874,013)	Up to (\$1,385,906 - \$3,648,555)	Up to (\$1,387,102 - \$3,649,751)
Total Estimated Net Effect on General Revenue	Up to (\$1,611,364 - \$3,874,013)	Up to (\$1,385,906 - \$3,648,555)	Up to (\$1,387,102 - \$3,649,751)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 11 pages.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Agriculture Education Scholarship Program*	\$0	\$0	\$0
Colleges & Universities**	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

*Transfers in from General Revenue equal transfers out

**Revenues and expenditures net to zero

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on FTE	0	0	0

☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Community Colleges*	\$0	\$0	\$0

*Revenues and expenditures net to zero

FISCAL ANALYSIS

ASSUMPTION

§ 261.270 - Dairy Producer Margin Insurance Program:

Officials from the **Department of Agriculture (AGR)** assume that operational cost of the program will be covered by application fees. If not, MASBDA would need \$20,000 for expense and equipment to administer the program.

AGR assumes current staffing would be able to handle any additional workload from this provision.

AGR assumes the continued operation of dairies in Missouri will have a positive impact on revenues generated for the program and there will be adequate revenue from the sale of dairy products as defined in Section 196.525 and 196.931, RSMo.

AGR assumes Dairy Margin Insurance Program Reimbursement costs would be \$938,084, however maximum participation costs could reach \$3,200,733.

AGR assumes program costs are based on the following criteria.

- 2013 Missouri Milk production totaled 13,294,482 cwt (over 13.2 billion lbs.)
- 75% of the milk produced comes from herds producing less than 4 million lbs.
- 25% of the milk produced comes from herds producing more than 4 million lbs.
- 90% of production will be insured by Missouri dairy farmers.
- A margin of \$6.50 for the cost of premiums.
- Less than 4 million lbs of milk, the premium is \$0.09/cwt at \$6.50 margin.
- More than 4 million lbs of milk, the premium is \$0.29/cwt at \$6.50 margin.
- 80% of Missouri dairies will participate in the program.

AGR has provided the following formula as a basis for program costs at \$6.50 margin.

$13,294,482 \text{ cwt} \times 75\% \times .90\% \times (\$0.09 \times 70\%) \$0.063 + (13,294,482 \times 25\% \times .90\% \times (\$.29 \times 70\%) \$.2030) = \$1,172,605.06 \times 80\% \text{ participation} = \$938,084$

ASSUMPTION (continued)

AGR has provided the following formula as a basis for program costs at \$8.00 margin.

- Less than 4 million lbs of milk, the premium is \$0.475/cwt at \$8.00 margin.
- More than 4 million lbs of milk, the premium is \$1.36/cwt at \$8.00 margin.
- 80% of Missouri dairies will participate in the program.

$13,294,482 \text{ cwt} \times 75\% \times .90\% \times (\$0.475 \times 70\%) \$0.3325) + (13,294,482 \times 25\% \times .90\% \times (\$1.36 \text{ maximum reimbursement}) = \$4,000,917 \times 80\% \text{ participation} = \$3,200,733$

Oversight assumes this provision will provide additional assistance to Missouri dairy farmers enrolled in the Federal Dairy Margin Insurance Program. The state will pay additional dairy margin insurance premiums of dairy farmers for the purpose of guaranteeing certain income margins for milk produced.

Oversight assumes state premium payments will be paid based on the number of dairy farmers who enroll in the insurance program and at what level of insurance they enroll.

Oversight will show a cost to General Revenue, transferred to the Missouri Dairy Industry Revitalization fund, between \$938,084 and \$3,200,733 dependent upon program participation.

For the purpose of the fiscal note, **Oversight** will assume any expense and equipment costs to AGR could be absorbed by the department if it is not permitted to collect an application fee.

§ 261.275 - Missouri Dairy Scholars Program:

Officials from the **Department of Agriculture (AGR)** assumes 80 - \$5,000 annual scholarships would be awarded.

AGR has not included any provision for payback of scholarship funds if the student does not work in Missouri for the required number of years.

Oversight assumes funding will be made available by AGR to award 80 - \$5,000 scholarships to assist with tuition and fees at two or four year universities, within Missouri, for eligible students.

Oversight assumes it is unknown how many students will apply and meet eligibility requirements for the scholarship program.

ASSUMPTION (continued)

Oversight will show a cost to General Revenue, transferred to the Missouri Agriculture Education Scholarship Program Fund, up to \$400,000. If all scholarships are used (80 x \$5,000) = \$400,000

Officials from the **University of Central Missouri (UCM)** estimate this provision could have a positive fiscal impact on the University in the form of encouraging increased enrollment in UCM's agriculture programs.

Officials from **Missouri State University** assume this provision may have a positive fiscal impact on the University, however the specific amount cannot be determined and quantified.

Oversight assumes any increase in enrollment at 2 year and 4 year Missouri colleges and universities from this provision would be an indirect impact and will not be reflected in the fiscal note.

Bill as a Whole:

Officials from the **Department of Revenue (DOR)** state dairy products are sold at a reduced sales tax rate of 1.225% unless the dairy product is sold at a restaurant which is taxed at the higher state sales tax rate of 4.225%. DOR states sales tax revenues from the sale of dairy products at the reduced sales tax rate of 1.225% from grocery and convenience stores is dedicated to the following funds.

Dairy Sales Tax Distribution:

School District Trust Fund:	1%
Conservation Fund:	0.125%
<u>Soil, Parks, and Water Fund:</u>	<u>0.100%</u>
Total	1.225%

DOR stated the following total dairy sales reported by Standard Industry Classification Codes (SIC) in 2013.

Dairy Farms	\$113,895
Dairy Products	\$10,493,680
Dairy Product Stores	\$64,477,720

ASSUMPTION (continued)

Oversight assumes all programs in this proposal would be paid from General Revenue. Funds for Agriculture Education Scholarships would be transferred from General Revenue to the Agriculture Education Scholarship Education Program Fund in FY16.

Officials from the **Department of Agriculture (AGR)** assume every new IT project for this proposal will be bid out because current ITSD resources are at full capacity.

AGR assumes this proposal would require web development processes for two public applications, customer portal, internal workflow processes, and back office solution of low to moderate complexity to assist in the monitoring and awarding of grants and scholarships. Costs for implementation of these changes from the General Revenue Fund are estimated to be \$273,280 in FY16, \$47,822 in FY17, and \$49,018 in FY18.

Officials from the **Department of Revenue, Department of Higher Education, and State Treasurer's Office** each assume the proposal would not fiscally impact their respective agencies.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
GENERAL REVENUE FUND			
<u>Costs - AGR</u>			
§ 261.270 - Margin Insurance Program	(\$938,084 - \$3,200,733)	(\$938,084 - \$3,200,733)	(\$938,084 - \$3,200,733)
<u>Transfer Out - to Agriculture Education Scholarship Program Fund</u>			
§ 261.275 - Scholarships	Up to (\$400,000)	Up to (\$400,000)	Up to (\$400,000)
<u>Costs - AGR</u>			
§§ 261.270, 261.275 - ITSD	<u>(\$273,280)</u>	<u>(\$47,822)</u>	<u>(\$49,018)</u>
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	Up to (\$1,611,364 - <u>\$3,874,013</u>)	Up to (\$1,385,906 - <u>\$3,648,555</u>)	Up to (\$1,387,102 - <u>\$3,649,751</u>)
AGRICULTURE EDUCATION SCHOLARSHIP PROGRAM FUND			
<u>Transfer In - from General Revenue</u>			
§ 261.275 - Scholarships	Up to \$400,000	Up to \$400,000	Up to \$400,000
<u>Costs - AGR</u>			
§ 261.275 - Scholarships	Up to (\$400,000)	Up to (\$400,000)	Up to (\$400,000)
ESTIMATED NET EFFECT TO THE AGRICULTURE EDUCATION SCHOLARSHIP PROGRAM FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2016 (10 Mo.)	FY 2017	FY 2018
COLLEGES & UNIVERSITIES			

Revenue - from Agriculture Education
 Scholarship Fund

§ 261.275 - Agriculture Scholarships	Up to \$400,000	Up to \$400,000	Up to \$400,000
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Costs - Eligible Students

§ 261.275 - Agriculture Scholarships	(Up to \$400,000)	(Up to \$400,000)	(Up to \$400,000)
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ESTIMATED NET EFFECT ON COLLEGES & UNIVERSITIES	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
COMMUNITY COLLEGES			

Revenue - from Missouri Dairy Industry
 Revitalization Fund

§ 261.275 - Agriculture Scholarships	Up to \$400,000	Up to \$400,000	Up to \$400,000
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Costs - Eligible Students

§ 261.275 - Agriculture Scholarships	(Up to <u>\$400,000</u>)	(Up to <u>\$400,000</u>)	(Up to <u>\$400,000</u>)
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ESTIMATED NET EFFECT ON COMMUNITY COLLEGES	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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FISCAL IMPACT - Small Business

§ 261.270 - Dairy Producer Margin Insurance Program:

Direct fiscal impact to small business dairy farmers by ensuring some amount of margin on production costs would be expected as a result of this provision.

FISCAL DESCRIPTION

§ 261.270 - Dairy Producer Margin Insurance Program:

This proposal establishes the Missouri Dairy and Agriculture Education Act that requires the Department of Agriculture to administer, through the Missouri Agricultural and Small Business Development Authority, a dairy producer margin insurance program for the purpose of protecting dairy producer income by paying participating dairy producers margin insurance payments when actual dairy producer margins are less than the threshold levels for payments.

All dairy producers in the state must be eligible to participate in the program, and any participating dairy producer may annually purchase margin insurance.

§ 261.275 - Missouri Agriculture Education Scholarship Program:

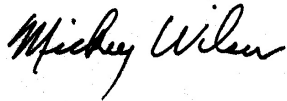
This proposal establishes upon appropriation, scholarships for eligible students who enter an agriculture education program and make a commitment to work in the agriculture industry in Missouri as a condition of receiving the scholarship.

Subject to appropriation, each year the department must make available up to 100 two-year or four-year Missouri agriculture education scholarships in an amount set by the department to assist with the cost of tuition and fees at a two-year or four-year Missouri college or university.

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 Higher Education
State Treasurer's Office
University of Missouri
Missouri State University
University of Central Missouri



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Director
February 11, 2015

Ross Strobe
Assistant Director
February 11, 2015