

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4090-02
Bill No.: SCS for HB 1588
Subject: Agriculture and Animals; Agriculture, Department of; Corporations
Type: Original
Date: April 28, 2016

Bill Summary: This proposal modifies provisions relating to agriculture.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
General Revenue	(\$10,763)	(\$12,915)	(\$12,915)
Total Estimated Net Effect on General Revenue	(\$10,763)	(\$12,915)	(\$12,915)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Secretary of State's Technology Fund	(\$32,869)	(\$3,443)	(\$3,443)
Total Estimated Net Effect on <u>Other</u> State Funds	(\$32,869)	(\$3,443)	(\$3,443)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
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 2017	FY 2018	FY 2019
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

§ 351.120 - Farming Corporation Registration Report Requirements:

Officials from the **Office of Secretary of State (SOS)** assume there are approximately 765 Authorized Farm Corporations in Missouri that must file an annual or biennial report. Annual reports are \$40 for paper filings, and \$15 if filed online. In addition, there is an additional \$5 fee that is paid to the Secretary of State's Technology Trust Fund Account (authorized by §28.160 RSMo) for annual reports and a \$10 fee for biennial reports. Our division does not have precise numbers for what percentage of these qualifying corporations file online versus traditional paper filings. However, corporations traditionally file 85% of these filings online. SOS assumed the percentage filed by all corporations holds for Authorized Farm Corporations.

The calculations are:

- Online filings are \$15. There are 765 total Authorized Farm filings. SOS estimated 85% of those are online. Thus, 765 multiplied by 0.85 multiplied by \$15 equals a total of \$9,750.
- Paper filings are \$40. There are 765 total Authorized Farm filings. SOS estimated 15% of those are by paper. Thus, 765 multiplied by 0.15 multiplied by \$40 equals a total of \$4,600.
- Tech Fund fees are \$5. There are 765 total Authorized Farm filings and 100% of those pay a Tech Fund fee. Thus, 765 multiplied by 1.0 multiplied by \$5 equals a total of \$3,825.

SOS did not, however, anticipate that all 765 eligible corporations will stop filing annual reports. First, the legislation still requires reports be filed if registration information changes. Second, there may be corporations unaware of the program. SOS anticipated that 75% of those companies will not file an annual or biennial report the first year with subsequent participation reaching 90%.

Therefore, the calculations are:

FY2017

- Online and paper filings combined from the above calculations is \$14,350 (\$9,750 + \$4,600) and multiplying that number by 0.75 for FY2017 equals \$10,763.
- Tech Fund filings from the above calculations are \$3,825 and multiplied by 0.75 for FY2016 equals \$2,869. This number is added to the expected cost to make changes to our software (\$30,000) to total \$32,869

ASSUMPTION (continued)

FY2018 and beyond

- Online and paper filings combined from the above calculations is \$14,350 (\$9,750 + \$4,600) and multiplying that number by 0.9 for FY2018 and beyond equals \$12,915.
- Tech Fund filings from the above calculations are \$3,825 and multiplied by 0.9 for FY2017 and beyond equals \$3,443

Also, officials from the **Office of the Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with the core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

Officials from the **Department of Agriculture**, the **Department of Natural Resources**, the **Department of Conservation**, and the **Department of Health and Senior and Services** each assume the provision would not fiscally impact their respective agencies.

§640.703 - Concentrated Animal Feeding Operations. With "no fiscal impact" responses from the Department of Natural Resources and the Department of Agriculture for this Senate Committee Substitute, **Oversight** will assume this section will not create a fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
GENERAL REVENUE			
<u>Loss - SOS § 351.120 - Annual Registration Report exemption for Authorized Farm Corporations and Family Farm Corporations</u>	<u>(\$10,763)</u>	<u>(\$12,915)</u>	<u>(\$12,915)</u>
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	<u>(\$10,763)</u>	<u>(\$12,915)</u>	<u>(\$12,915)</u>

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2017 (10 Mo.)	FY 2018	FY 2019
SECRETARY OF STATE'S TECHNOLOGY TRUST FUND			
<u>Loss</u> - SOS - § 351.120 - Annual Registration Report exemption for Authorized Farm Corporations and Family Farm Corporations	(\$2,869)	(\$3,443)	(\$3,443)
<u>Costs</u> - SOS			
§ 351.120 - Business Software Changes	<u>(\$30,000)</u>	<u>\$0</u>	<u>\$0</u>
TOTAL NET EFFECT TO THE SECRETARY OF STATE'S TECHNOLOGY TRUST FUND	<u>(\$32,869)</u>	<u>(\$3,443)</u>	<u>(\$3,443)</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

§ 351.120 - Farming Corporation Registration Report Requirements:

Small business authorized farm corporations and family farm corporations will annually save \$45 if no annual registration report is required to be filed.

FISCAL DESCRIPTION

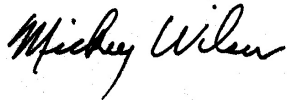
§351.120 - This bill waives the corporate registration report requirement for specified farming corporations and family farm corporations if the corporate name, the name and Missouri physical address of its registered agent, the name and business or residence of its officers and directors, and the mailing address of the corporation's principal place of business or corporate headquarters have not changed since the corporation's original articles of incorporation or its most recent report was filed, whichever is applicable.

FISCAL DESCRIPTION (continued)

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 Natural Resources
Department of Conservation
Department of Health and Senior Services
Office of Secretary of State



Mickey Wilson, CPA
Director
April 28, 2016

Ross Strobe
Assistant Director
April 28, 2016