

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 6694-02
Bill No.: HCB 16
Subject: Agriculture; Department of Agriculture; Motor Fuel; Motor Vehicles; Taxation and Revenue - Property; Property, Real and Personal; Water Resources and Water Districts; Department of Natural Resources; Food; Animals
Type: Original
Date: March 26, 2018

Bill Summary: This proposal modifies provisions relating to agriculture.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
	\$0	\$0	\$0
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
State Road Fund	(Could Exceed \$100,000)	(Could Exceed \$100,000)	(Could Exceed \$100,000)
Total Estimated Net Effect on <u>Other</u> State Funds	(Could Exceed \$100,000)	(Could Exceed \$100,000)	(Could Exceed \$100,000)

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
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 2019	FY 2020	FY 2021
Local Government	(Could Exceed \$25,000)	(Could Exceed \$25,000)	(Could Exceed \$25,000)

FISCAL ANALYSIS

ASSUMPTION

§§64.002, 65.702 & 89.020

Officials from the **State Tax Commission** assume that the changes to sawmills and planing mills contained in 64.002 will have no fiscal impact as these enterprises are assessed in the Agricultural classification in the status quo.

Officials from the **Wellsville-Middletown R-1 School District** assume this proposal changes the assessment classification of sawmills and planing mills from business to agriculture. This may have a negative fiscal impact by reducing the local property tax burden on the above mentioned mills; therefore, reducing the potential local property tax revenues.

Oversight notes that §137.016 states that “agricultural and horticultural property shall also include any sawmill or planing mill ...”. Since they are already included for property assessments purposes, it appears this proposal would have no fiscal impact.

§137.021

Officials at the **State Tax Commission (TAX)** assume that this proposal has an unknown fiscal impact. Since 1994 Agricultural land values have increased by 5% as the Missouri Legislature has the authority to disapprove the recommendation of the State Tax Commission. This recommendation is required by statute and reviewed every two years. In current law, Assessors have the authority to lower agricultural land valuations if affected by natural disasters.

Oversight notes that the State Tax Commission is required to promulgate regulations that publish the value base on productive capability for each of the several grades of agricultural and horticultural land. These rules are to be adopted by December 31st of each odd-numbered year. The General Assembly has the ability to disapprove of the rules before they take affect. This proposal would allow the State Tax Commission to continue to promulgate their rules but limits the total amount they could increase the land values each time they meet.

Since the General Assembly is allowed to review and set limits on the State Tax Commission’s rules, this proposal would not have a fiscal impact.

As an example, **Oversight** notes, HCR 58 was adopted in 2016 effectively disapproving the State Tax Commission recommendations. TAX stated the next time such an increase could be promulgated would be in December 2019.

ASSUMPTION (continued)

According to the State Tax Commission's 2016 annual report, Missouri's "agricultural" values for "rural land" totaled \$1.77 billion.

Officials from the **City of Kansas City** assume Section 137.021.04 of this legislation could have a negative fiscal impact on the City of Kansas City, Missouri, in an indeterminate amount. Properties in a natural disaster area would be exempt from an increase, perhaps resulting in long periods of static assessed values if there are repeated events affecting a county. This could, for example, create a scenario in which farms along a river are flooded out whereas some inland un-flooded farms enjoy the same tax treatment as the flooded farms. The other provisions have no fiscal impact on Kansas City.

§144.025

Officials at the **Department of Revenue (DOR)** assume this permits the purchaser of a motor vehicle or trailer used for agricultural use, to be allowed to use any grain, fruit, vegetables, cotton or livestock produced or raised by the purchaser as a tax credit towards the purchase of the vehicle or trailer. This expands from the current provisions of §144.025.5, from allowing only grain and livestock produced or raised by the purchaser to grain, fruit, vegetables, cotton or livestock produced or raised by the purchaser. The Department anticipates a minimal increase in telephone calls, emails, and correspondence received. If the increase is more significant than anticipated, additional FTE will be requested through the appropriations process. The Department website, forms, and procedures would have to be updated, but we anticipate to be able to absorb the costs associated with these updates.

The proposed language would allow any grain, fruit, vegetables, cotton or livestock produced or raised by the purchaser of a motor vehicle or trailer for agricultural use to qualify for a tax credit to use towards the sales or use tax liability. This expands from the current provisions of §144.025.5 from allowing only grain and livestock produced or raised by the purchaser to all grain, fruit, vegetables, cotton or livestock produced or raised by the purchaser. The Department anticipates an increase in sales tax credits allowed due to this change, which would reduce revenue that goes to the Motor Fuel Tax Fund potentially in excess of \$100,000.

State tax on the purchase of Motor Vehicles is split 75% Highways 15% Cities 10% Counties.

Oversight notes the Motor Fuel Tax Fund (0673) is distributed 12% to counties, 15% to cities and the remaining 73% to the State Road Fund.

ASSUMPTION (continued)

Officials from the **Office of Administration - Budget and Planning (B&P)** assume this proposal may reduce TSR by an unknown amount. This proposal may impact the calculation under Article X, Section 18(e).

Section 144.025.5 expands the agriculture motor vehicle sales tax exemption for motor vehicles used in agriculture from just those used for grain and livestock to all motor vehicles also used to produce fruits, vegetables, and cotton. B&P estimates that this expansion may decrease TSR by an unknown amount, if new motor vehicles qualify under the expanded definition.

§273.450

Officials from the **Department of Agriculture (AGR)** state the time and cost of one full time Veterinarian employee would be necessary to train and certify applicants, along with ensuring all Animal Care Training requirements are followed.

AGR notes the cost for the full time Veterinarian employee salary was calculated with the assumption of this employee training, traveling, and processing paperwork. The salary range assumed is approximately \$73,000 per year with added fringe benefits. E & E is for a vehicle, computer and phone. The projected costs for equipment is \$25,867 with ongoing yearly expenses being approximately \$4,500. In summary, AGR assumes a cost of approximately \$110,000 per year to the General Revenue Fund.

Oversight assumes the State Veterinarian need only review and approve training materials within 14 days of receipt. Oversight assumes there will not be a substantial number of individuals or organizations that will submit training materials in order to train peace officers in cases of animal neglect and abuse. Oversight assumes an additional FTE is not needed.

Officials from the **Department of Public Safety (DPS)** assume this proposal would have an unknown negative fiscal impact as the subject area is unknown, as well as how many training providers are operating in the state.

Oversight assumes DPS is provided with core funding to handle a certain amount of activity each year. Oversight assumes DPS could absorb the costs related to this proposal.

ASSUMPTION (continued)

Officials from the **Office of Administration - Budget and Planning (B&P)** assume this proposal may reduce TSR by an unknown amount. This proposal may impact the calculation under Article X, Section 18(e).

Section 273.450.5 creates a penalty for committing unlawful animal care training. The first offense is an infraction while subsequent offenses are a class D misdemeanor. Any collection of fines associated with this penalty could increase state revenue by an unknown amount.

For the purpose of this proposed legislation, officials at the **Office of State Public Defender (SPD)** cannot assume that existing staff will provide effective representation for any new cases arising where indigent persons are charged with the proposed new crime of a subsequent offense of unlawful animal care training, a new Class D misdemeanor.

While the number of new cases (or cases with increased penalties) may be too few or uncertain to request additional funding for this specific bill, the SPD will continue to request sufficient appropriations to provide effective representation.

Oversight assumes the SPD can absorb the additional caseload that may result from this proposal.

§644.059

Officials from the **Department of Natural Resources, Department of Health and Senior Services and Department of Agriculture** each assume the proposal will have no fiscal impact on their respective organizations.

Bill as a Whole

Officials at the **Office of the State Courts Administrator** assume the fiscal impact of this proposal is unknown. There may be some impact but there is no way to quantify the impact at this time. Any significant changes will be reflected in future budget requests.

Officials from the **Joint Committee on Administrative Rules** state that the proposal is not anticipated to cause a fiscal impact to their agency beyond its current appropriation.

Officials from the **Office of the Secretary of State (SOS)** assume many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act.

ASSUMPTION (continued)

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 Transportation, Department of Public Safety - Missouri Highway Patrol, Department of Elementary and Secondary Education, Department of Corrections, Department of Public Safety - Office of the Director, Department of Health and Senior Services, Department of Natural Resources and Office of Prosecution Services** each assume the proposal will have no fiscal impact on their respective organizations.

Officials from the **Summersville R-2 School District and Kirksville R-III Schools** each assume the proposal will have no fiscal impact on their respective organizations.

The **Attorney General's Office** did not respond to Oversight's request for fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2019 (6 Mo.)	FY 2020	FY 2021
STATE ROAD FUND			
<u>Revenue Reduction</u> - expansion of the sales tax credit for the purchase of a vehicle used for agricultural purposes (\$144.025)	(Could Exceed <u>\$100,000</u>)	(Could Exceed <u>\$100,000</u>)	(Could Exceed <u>\$100,000</u>)
ESTIMATED NET EFFECT ON THE STATE ROAD FUND	(Could Exceed <u>\$100,000</u>)	(Could Exceed <u>\$100,000</u>)	(Could Exceed <u>\$100,000</u>)

FISCAL IMPACT - Local Government

FY 2019
(6 Mo.)

FY 2020

FY 2021

CITY & COUNTY FUNDS

Revenue Reduction - expansion of the sales tax credit for the purchase of a vehicle used for agricultural purposes (§144.025)

(Could Exceed
\$25,000)

(Could Exceed
\$25,000)

(Could Exceed
\$25,000)

**ESTIMATED NET EFFECT ON
CITY & COUNTY FUNDS**

(Could Exceed
\$25,000)

(Could Exceed
\$25,000)

(Could Exceed
\$25,000)

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This bill changes the laws relating to agriculture.

The bill requires that, for purposes of property zoning classifications, sawmills must be classified as agricultural property (Sections 64.002, 65.702, and 89.020 RSMo).

The bill prohibits the State Tax Commission from promulgating a rule that increases agricultural land productive values more than 2% over the current values in effect prior to the rule promulgation or 8% above the lowest value in effect in any of the 10 years prior to the rule promulgation. The commission is also prohibited from increasing the values for land in any county that has been declared by the United States Department of Agriculture to be affected by a natural disaster in the preceding two years (Section 137.021).

Currently, a purchaser of a motor vehicle or trailer for agricultural use may use grain or livestock as an allowance to offset the sales and use tax liability from the purchase. The bill also allows fruits, vegetables and cotton produced or raised by the purchaser to be used to offset the tax liability (Section 144.025).

FISCAL DESCRIPTION (continued)

For purposes of the Meat Inspection Program administered by the Missouri Department of Agriculture, the bill changes the definitions of "meat" and "meat product" to include captive cervids and the definition of "commercial plant" to include an establishment in which captive cervids are slaughtered, and the definition of "unwholesome" to include captive cervids, which have died other than by slaughter (Section 265.300).

Currently, no person advertising, offering for sale, or selling a carcass may engage in any misleading or deceptive practice including misrepresenting the cut, grade, brand or trade name, or weight or measure of any product. The bill also prohibits misrepresenting a product as meat that is not derived from harvested production livestock or poultry (Sections 265.490 and 265.494).

The bill requires individuals, or organizations on behalf of a group of individuals, seeking to train peace officers in responding to animal neglect and abuse incident reports to submit all training materials relating to animal care to the State Veterinarian and all training materials relating to offenses involving animals to the Department of Public Safety for review on an annual basis. The State Veterinarian and Department of Public Safety must review and either approve or disapprove the materials within 14 days. Upon approval, the State Veterinarian or the Department of Public Safety will issue a certification.

Engaging in the business of animal care training using training materials that have not been certified by either the State Veterinarian or the Department of Public Safety is an infraction for the first offense, and a class D misdemeanor for the second or any subsequent offense (Section 273.450).

This section has a delayed effective date of January 1, 2019

Currently, all fuels shall meet American Society for Testing and Materials (ASTM) standards, in addition to rules promulgated by the Director of the Department of Agriculture. The bill allows the director to waive specific requirements, or establish temporary alternative requirements in the event of an extreme and unusual fuel supply circumstance. The waiver must be as limited in scope and applicability as necessary, and applied equally and uniformly to all persons and companies in the impacted fuel supply and distribution system (Section 414.032).

FISCAL DESCRIPTION (continued)

The bill specifies that agricultural stormwater discharges and return flows from irrigated agriculture are exempt from permitting requirements under the Missouri Clean Water Law and should not be considered unlawful unless the discharges have entered the waters of the state and rendered the waters harmful, detrimental, or injurious to public health, safety, or welfare, to industrial or agricultural uses, or to wild animals, birds, or fish (Section 644.059).

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
Office of Administration - Budget and Planning
Department of Transportation
Department of Revenue
Department of Public Safety - Missouri Highway Patrol
Department of Elementary and Secondary Education
Department of Corrections
Department of Public Safety - Office of the Director
Department of Health and Senior Services
Department of Natural Resources
Office of Prosecution Services
Office of the State Courts Administrator
Joint Committee on Administrative Rules
Office of the Secretary of State
Office of the State Public Defender
State Tax Commission
City of Kansas City
Wellsville-Middletown R-1 School District
Kirksville R-III Schools
Summersville R-2 School

Ross Strobe

A handwritten signature in black ink, appearing to read "Ross Strobe", with a stylized flourish at the end.

Acting Director
March 26, 2018