

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1743H.04P
 Bill No.: Perfected HCS for HB Nos. 903, 465, 430 & 499
 Subject: Agriculture; Property, Real and Personal
 Type: Original
 Date: March 1, 2023

Bill Summary: This proposal changes the laws regarding the foreign ownership of real property.

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | |
|--|--------------------------|--------------------------|--------------------------|
| FUND AFFECTED | FY 2024 | FY 2025 | FY 2026 |
| General Revenue | Up to (\$234,873) | Up to (\$272,739) | Up to (\$275,297) |
| | | | |
| | | | |
| Total Estimated Net Effect on General Revenue | Up to (\$234,873) | Up to (\$272,739) | Up to (\$275,297) |

| ESTIMATED NET EFFECT ON OTHER STATE FUNDS | | | |
|---|------------|------------|------------|
| FUND AFFECTED | FY 2024 | FY 2025 | FY 2026 |
| | | | |
| | | | |
| Total Estimated Net Effect on <u>Other State Funds</u> | \$0 | \$0 | \$0 |

Numbers within parentheses: () indicate costs or losses.

| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | |
|---|----------------|----------------|----------------|
| FUND AFFECTED | FY 2024 | FY 2025 | FY 2026 |
| | | | |
| | | | |
| Total Estimated Net Effect on <u>All</u> Federal Funds | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE) | | | |
|---|--------------------|--------------------|--------------------|
| FUND AFFECTED | FY 2024 | FY 2025 | FY 2026 |
| General Revenue | Up to 3 FTE | Up to 3 FTE | Up to 3 FTE |
| | | | |
| Total Estimated Net Effect on FTE | Up to 3 FTE | Up to 3 FTE | Up to 3 FTE |

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

| ESTIMATED NET EFFECT ON LOCAL FUNDS | | | |
|--|----------------|----------------|----------------|
| FUND AFFECTED | FY 2024 | FY 2025 | FY 2026 |
| | | | |
| Local Government | \$0 | \$0 | \$0 |

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Attorney General's Office (AGO)** assume three (3) FTE will be required to implement the provisions of this proposal. The AGO assumes the need for two (2) Assistant Attorneys General (at \$70,000 annually) and one (1) staff position (at \$45,000 annually).

Oversight assumes the AGO will not require both Assistant Attorneys General (AAG) and reduced the FTE estimate to one (1) FTE AAG and one (1) FTE support person..

In response to a previous version, officials from the **Office of the Secretary of State (SOS)** assumed §442.571 requires an entity to file with the Secretary of State within thirty calendar days after a transaction has occurred. SOS will then be required under subsection 3.(1) to receive and process the submission. This is a new filing, which will require an individual to gain knowledge and understanding of the new requirements, and be able to provide information when customer inquiries occur. It is unknown how many submissions will be submitted. It is presumed that a system of tracking the total amount of agriculture land exceeding five acres or more will be an on-going process in order to determine if and when foreign ownership has exceeded one-half of one percent of the total aggregate agricultural acreage in the state. For these reasons SOS estimates one FTE is required.

The Secretary of State reserves the right to offset or request additional resources for estimated fiscal note impacts during the budget process.

Oversight does not have information to the contrary and therefore, Oversight will reflect the estimates as provided by the SOS.

Officials from the **Department of Revenue** and **Missouri Department of Agriculture** each assume the proposal will have no fiscal impact on their respective organizations

Oversight assumes the Missouri Department of Agriculture may experience some savings as responsibility for these sections will shift from their department to the Attorney General's Office and the Office of the Secretary of State. Oversight will reflect this possibility as \$0 or Unknown.

In response to a previous version, officials from the **Office of the Governor** assumed the proposal would have no fiscal impact on their organization.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

Officials from the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

Officials from the **Office of the Secretary of State (SOS)** note 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 \$5,000. 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 its 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.

| <u>FISCAL IMPACT – State Government</u> | FY 2024 (10 Mo.) | FY 2025 | FY 2026 |
|---|--|--|--|
| GENERAL REVENUE | | | |
| <u>Potential Savings</u> – MDA – administration of foreign land ownership / acquisitions now under AGO & SOS | \$0 or Unknown | \$0 or Unknown | \$0 or Unknown |
| <u>Costs - AGO</u> | | | |
| Personnel Service | (\$95,833) | (\$116,150) | (\$117,312) |
| Fringe Benefits | (\$61,830) | (\$74,626) | (\$75,061) |
| Expense & Equipment | (\$25,774) | (\$19,778) | (\$20,273) |
| <u>Total Costs - AGO</u> | (\$183,437) | (\$210,554) | (\$212,646) |
| FTE Change | 2 FTE | 2 FTE | 2 FTE |
| <u>Costs - SOS</u> | | | |
| Personnel Service | (\$27,980) | (\$33,912) | (\$34,251) |
| Fringe Benefits | (\$23,456) | (\$28,273) | (\$28,400) |
| Expense & Equipment | \$0 | \$0 | \$0 |
| <u>Total Costs - SOS</u> | (\$51,436) | (\$62,185) | (\$62,651) |
| FTE Change | 1 FTE | 1 FTE | 1 FTE |
| ESTIMATED NET EFFECT ON GENERAL REVENUE | <u>Up to</u> <u>(\$234,873)</u> | <u>Up to</u> <u>(\$272,739)</u> | <u>Up to</u> <u>(\$275,297)</u> |
| Estimated Net FTE Change on General Revenue | Up to 3 FTE | Up to 3 FTE | Up to 3 FTE |

| <u>FISCAL IMPACT – Local Government</u> | FY 2024 (10 Mo.) | FY 2025 | FY 2026 |
|---|---------------------|-------------------|-------------------|
| | | | |
| | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |

FISCAL IMPACT – Small Business

Small agricultural businesses could be impacted as a result of this proposal.

FISCAL DESCRIPTION

Currently, foreign ownership of agricultural land in the state of Missouri may not exceed 1% of the total agricultural land in the state. This bill reduces the percentage to 0.5% and requires any sale or transfer of such land by an alien or foreign business to be reported, as defined in the bill, to the Attorney General and Secretary of State 30 days prior to when the sale or transfer is finalized. The Attorney General must review and approve any sale or transfer as provided by in the bill or else the sale or transfer is considered to meet the necessary requirements.

The Attorney General and the Secretary of State must review the transactions and investigate acquisitions of agricultural land if the Attorney General believes the acquisition violates these prohibitions. An alien or foreign business that acquires agricultural land must report the status of the usage of such land at intervals established in the bill. If there is a change in land usage, that change must be reported to the Attorney General and Secretary of State within 30 days. Land acquired in violation is subject to court action and divestiture. The limitations on percentage of acreage that an alien or foreign business may acquire do not apply to certain land used for research or experimental purposes.

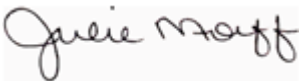
The bill also prohibits a foreign business from certain countries from purchasing any land in the state. The Governor, in consultation with the state Homeland Security Council, must review at least every two years the list of countries whose businesses are prohibited from acquiring land in the state and make recommendations to the General Assembly for modifications to the list.

The bill also transfers all requirements for enforcement and reporting relating to agricultural land owned by foreign entities from the Director of the Department of Agriculture to the Secretary of State and the Attorney General..

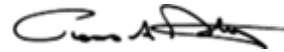
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Missouri Department of Agriculture
Department of Revenue
Office of the Secretary of State
Attorney General's Office
Joint Committee on Administrative Rules
Office of the Governor



Julie Morff
Director
March 1, 2023



Ross Strobe
Assistant Director
March 1, 2023