

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5039-03
Bill No.: Truly Agreed To And Finally Passed CCS for HCS for SB 1017
Subject: Boards, Commissions, Committees, Councils
Type: Original
Date: May 22, 2006

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
General Revenue	\$0	(\$150,000)	(\$150,000)
Total Estimated Net Effect on General Revenue Fund	\$0	(\$150,000)	(\$150,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Federal Funds	\$147,266	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	\$147,266	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Agriculture** assume the State Milk Board will need to have personnel certified by the U.S. Food and Drug Administration to perform the required ratings. No new personnel will be required. The contractees of the Milk Board will be reimbursed for performing rating in areas outside of their current jurisdiction for the program to remain acceptable to federal oversight.

Current costs of inspection duties performed by the board were used to estimate similar functions duplicated during rating surveys as a fiscal guide to costs. The board will use existing personnel both at the state level and with local contractees. States outside of Missouri that perform similar rating functions within the regulatory program were used as a guide in determining costs. This change in other states has shown fiscal savings and reduced duplication of effort both within the framework of state governments and industry impacts by government duplication of regulatory and oversight efforts.

Officials from the **Department of Health and Senior Services (DHSS)** assume this proposal makes the State Milk Board the official rating agency for enforcement of standards relating to milk production.

ASSUMPTION (continued)

DHSS assumes this will result in the elimination of two FTE assigned to the Milk Testing program, an Environmental Public Health Specialist IV and V. These two positions and the associated E&E are funded out of the Preventative Health and Health Services Block Grant (Federal Funding).

DHSS assumes that with this function removed from the department, the Preventive Health and Health Services Block Grant funds (to the extent that they may be available in the future) may be used for other purposes such as cancer prevention, heart disease prevention, etc.

Family Farms Act

Officials from the **State Treasurer's Office** assume no fiscal impact to their agency.

Officials from the **Department of Revenue (DOR)** assume this proposal creates a tax credit for lenders that waive the first-year interest of loans to family farms. The amount of the credit is equal to the amount of interest waived. The credit may be used against Chapters 143, 147 and 148, excluding withholding tax. The credit may be applied against quarterly tax payments. This credit is not refundable, but may be assigned, transferred, or sold and may be carried-forward.

This credit is administered by the Department of Agriculture and allows a carry-forward. The department would require one FTE for every 6,000 credits claimed, however, DOR does not anticipate 6,000 or more would file this claim. The department anticipates handling the programming, form changes, and processing with existing staff.

Officials from the **Department of Agriculture** obtained information from the Commercial Ag Program, University of Missouri, Agricultural Statistics Office, Market News Service - Mo Department of Agriculture.

They obtained the current inventory of livestock of each of the species identified in the proposal, multiplied by the number of Missouri farmers who meet the definition of small farmer, multiplied by the average cull rate for each of the species, multiplied by the average purchases replacement, multiplied by a replacement value, multiplied by the maximum loan rate, multiplied by an average interest rate, multiplied by an expected participation rate, equals the cost of replacement animals.

They made the assumption there would be a 5% new and or expansion in the each of the species. Those numbers multiplied by a purchase value, multiplied by maximum loan rate, multiplied by an expected participation rate, equals the new or expansion cost.

ASSUMPTION (continued)

REPLACEMENTS

	estimated current inventory	small farmer %age	cull rate	purchased replacements	replacement value	maximum loan	interest rate	participation rate	COST
Beef cattle	2,125,000	96%	15%	35%	\$ 1,400	90%	7%	30%	\$ 2,833,866.00
Dairy cattle	114,000	96%	28%	10%	\$ 2,000	90%	7%	30%	\$ 115,831.30
Swine	2,700,000	20%	15%	5%	\$ 400	90%	7%	30%	\$ 30,618.00
Sheep	70,000	100%	10%	25%	\$ 500	90%	8%	30%	\$ 18,900.00
Goats	48,000	100%	15%	75%	\$ 135	90%	8%	30%	\$ 15,746.40
									\$ 3,014,961.70

EXPANSIONS & NEW OPERATIONS

	estimated expansion/new	purchase price	interest rate	participation rate		
Beef cattle	106,250	\$ 1,400	90%	7%	30%	\$ 2,811,375.00
Dairy cattle	11,400	\$ 2,000	90%	7%	30%	\$ 430,920.00
Swine	54,000	\$ 400	90%	7%	30%	\$ 408,240.00
Sheep	7,000	\$ 500	90%	8%	30%	\$ 75,600.00
Goats	4,800	\$ 135	90%	8%	30%	\$ 13,996.80
						\$ 3,740,131.80

\$ 6,755,093.50

The two totals equal the fiscal note.

Officials from the **Department of Agriculture (AGR)** assume this proposal caps the tax credits at \$150,000 per year. The proposal will become effective August 2006 so the first full year will be August 2007. No credits would be issued in FY 2007. The first credits would be issued in FY 2008.

<u>FISCAL IMPACT - State Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
GENERAL REVENUE			
<u>Expense</u> - Department of Agriculture - Tax Credits	<u>\$0</u>	<u>(\$150,000)</u>	<u>(\$150,000)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE*	<u>\$0</u>	<u>(\$150,000)</u>	<u>(\$150,000)</u>

<u>FISCAL IMPACT - Federal Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
FEDERAL FUNDS			
<u>Savings</u> - Salaries	\$80,022	\$0	\$0
Fringe Benefits	\$35,258	\$0	\$0
Equipment & Expense	\$15,091	\$0	\$0
Other Sources (Indirect on PHHS Block Grant)	<u>\$11,528</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON FEDERAL FUNDS	<u>\$147,266</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

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

Family Farms Act

Small businesses (farmers) will be positively impacted by the amount of first year interest on livestock loans.

DESCRIPTION

The act changes the official rating agency for the enforcement of standards relating to milk production from the Department of Health to the State Milk Board. The act requires that the board make an official rating survey at least biannually, a change from the current law which requires such a survey be made annually.

DESCRIPTION (continued)

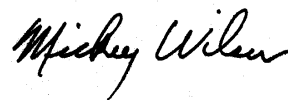
The act creates the "Family Farms Act", a loan program established by the Missouri small business development authority for the purchase of beef and dairy cattle, sheep, goats and swine. The eligibility requirements are laid out in the act as are the maximum loan amounts available under the program and the considerations that are to be weighed by the authority when deciding upon a loan application. The act waives the interest payments for any approved farmer for the first year, provides financing up to ninety percent of the anticipated cost of the livestock purchase, and allows the authority to charge a one time loan review fee of one percent to be charged by the lender. Nothing in the Family Farms Act shall preclude any farmer from participating in any other agriculture program.

The act provides a tax credit to any lender participating in the family farm livestock loan program equal to one hundred percent of the interest waived by the lender for the first year of the loan. The tax credits created in the act may be claimed on a quarterly basis, are not refundable and may be carried over for no more than three years.

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
State Treasurer's Office



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Page 7 of 7
May 22, 2006

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