

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1922-01
Bill No.: HB 866
Subject: Agriculture and Animals; Merchandising Practices; Health Department;
Agriculture Department
Type: Original
Date: March 16, 2015

Bill Summary: This proposal specifies that residents have the right to sell directly to a buyer or purchase directly from a seller any farm-direct goods produced within the state without being subject to any state or local regulation.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	(Could exceed \$100,000)	(Could exceed \$100,000)	(Could exceed \$100,000)
Total Estimated Net Effect on General Revenue	(Could exceed \$100,000)	(Could exceed \$100,000)	(Could exceed \$100,000)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 9 pages.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Conservation Commission	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)
Parks, Soil, and Water	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)
School District Trust	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)
Total Estimated Net Effect on <u>Other</u> State Funds	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)

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
Local Government	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)

FISCAL ANALYSIS

ASSUMPTION

Oversight was unable to receive some of the agency responses in a timely manner due to the short fiscal note request time. Oversight has presented this fiscal note on the best current information that we have or on prior year information regarding a similar bill. Upon the receipt of agency responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval of the chairperson of the Joint Committee on Legislative Research to publish a new fiscal note.

§ 262.293 - Farm Direct Goods:

In response to similar legislation from 2014 (HB 2138), officials from the **Department of Agriculture (AGR)** assumed this proposal allows any seller of farm-direct goods to choose not to be subject to state regulations.

AGR assumed there would be a loss in license and inspection revenues associated with food safety and consumer protection regulations.

AGR assumed there could also be a significant reduction in wine tax revenues. The total amount of the revenue reductions is unknown but would likely exceed \$100,000 in state revenue.

In response to similar legislation from 2014 (HB 2138), officials from the **Office of Administration - Division of Budget and Planning (BAP)** assumed this proposal would allow a seller of "farm-direct goods" to determine whether they are subject to regulation by the state, any political subdivision of the state, or any state or local regulatory agency.

BAP assumed this may include exemption from payment of fees and or taxes related to the sale of such products. Such an exemption would reduce revenues deposited to general revenue and other funds by an unknown amount.

BAP assumed this would also decrease the state's total state revenue and impact the Article X, Section 18(e) calculation.

ASSUMPTION (continued)

For fiscal note purposes, **Oversight** will include an unknown revenue reduction that could exceed \$100,000 to AGR from the General Revenue Fund since a loss in license and inspection revenues associated with food safety and consumer protection regulations would be expected.

For fiscal note purposes, **Oversight** will assume this proposal could exempt farm-direct goods to be sold directly to the consumer, without state or local regulation, including state and local sales tax.

Oversight assumes sales of food are subject only to the 1.225% sales tax; none of that 1.225% tax is deposited into the General Revenue Fund.

In response to a proposal from 2014 (HB 1435), the **Department of Revenue (DOR)** provided potential revenue reductions which exempt farm products sold at Missouri farmers markets from state and local sales tax.

Oversight notes the following revenue reductions as provided by DOR in HB 1435 (2014).

Oversight assumes the fiscal impact of this proposal based on \$14.5 million annual farm direct sales could be calculated as follows to the School District Trust Fund, Conservation Commission Fund, Parks, Soil, and Water Fund, and Local Government sales tax funds.

<u>Fund or entity</u>	<u>Sales Tax Rate</u>	<u>Revenue Reduction</u>	
		<u>Annual</u>	<u>Ten Months</u>
School District Trust	1.000%	\$145,000	\$120,833
Conservation Commission	0.125%	\$18,125	\$15,104
Parks, Soil and Water	0.100%	\$14,500	\$12,083
Local Governments *	3.700%	\$536,500	\$447,083

* The 3.7% average rate for local governments was computed by Oversight based on collections reported by the Department of Revenue.

ASSUMPTION (continued)

Oversight will include a revenue reduction less than \$100,000 per year for the Conservation Commission Fund and the Parks, Soil, and Water Fund.

Oversight notes that the revenue reduction for the School District Trust Fund would result in reduced transfers to local school districts in addition to the direct revenue reduction greater than \$100,000 per year for local governments, but will not include those transfers in this fiscal note.

Officials from the **Office of State Courts Administrator, St. Louis County,** and **Boone County** 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>Revenue Reduction - AGR</u> § 262.293 - Loss of license and inspection fees	(Could exceed <u>\$100,000</u>)	(Could exceed <u>\$100,000</u>)	(Could exceed <u>\$100,000</u>)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	(Could exceed <u>\$100,000</u>)	(Could exceed <u>\$100,000</u>)	(Could exceed <u>\$100,000</u>)
CONSERVATION COMMISSION FUND			
<u>Revenue Reduction - DOR</u> § 262.293 - Sales Tax Exemption	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)
ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)
PARKS, AND SOIL AND WATER FUND			
<u>Revenue Reduction - DOR</u> § 262.293 - Sales Tax Exemption	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)
ESTIMATED NET EFFECT ON PARKS, AND SOIL AND WATER FUND	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)
SCHOOL DISTRICT TRUST FUND			
<u>Revenue Reduction - DOR</u> § 262.293 - Sales Tax Exemption	(More than <u>\$100,000</u>)	(More than <u>\$100,000</u>)	(More than <u>\$100,000</u>)
ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND	(More than <u>\$100,000</u>)	(More than <u>\$100,000</u>)	(More than <u>\$100,000</u>)

<u>FISCAL IMPACT - Local Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
LOCAL GOVERNMENTS			
<u>Revenue Reduction - Cities & Counties</u> § 262.293 - Sales Tax Exemption	(More than <u>\$100,000</u>)	(More than <u>\$100,000</u>)	(More than <u>\$100,000</u>)
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	(More than <u>\$100,000</u>)	(More than <u>\$100,000</u>)	(More than <u>\$100,000</u>)

FISCAL IMPACT - Small Business

§ 262.293 - Farm Direct Goods:

There would be some positive financial impact on small businesses who sell farm direct goods if they choose not to be subject to state regulations as they would no longer be required to pay license fees, inspection fees, purchase a surety bond, etc.

Elimination of the food safety and consumer protections provided by AGR regulations could have a negative fiscal impact on many of the state's agricultural producers.

FISCAL DESCRIPTION

§ 262.293 - Farm Direct Goods:

This proposal specifies that Missouri residents must have the right to sell directly to a buyer or purchase directly from a seller any farm-direct goods produced within this state. The seller of farm-direct goods must retain the right to choose whether or not the farm-direct goods and the sale of those goods must be subject to regulation by the state, any political subdivision of the state, or any state or local regulatory agency. Any seller of farm-direct goods not subject to regulation must, at the time of the direct sale, declare to the buyer via a sign, label on the package, or verbally that the farm-direct goods are not subject to regulation. The buyer of farm-direct goods must retain the responsibility to ensure the process of production of the farm-direct goods purchased meets the buyer's approval.

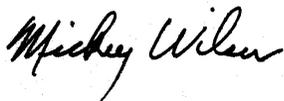
FISCAL DESCRIPTION (continued)

The state, any political subdivision of this state, and any state or local regulatory agency must not interfere or otherwise attempt to regulate the sale and purchase of farm-direct goods not subject to regulation under these provisions. However, nothing in these provisions can be construed to provide any civil or criminal immunity from liability for an intentional act or an act of gross negligence by a seller or buyer under these provisions which constitute a violation of any civil or criminal laws of this state.

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 - Division of Budget and Planning
Department of Revenue
Office of State Courts Administrator
St. Louis County
Boone County



Mickey Wilson, CPA
Director
March 16, 2015

Ross Strobe
Assistant Director
March 16, 2015