

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4781-02
Bill No.: Perfected HCS for HB 1413
Subject: Agriculture; Agriculture, Department of; Motor Fuel
Type: Original
Date: February 23, 2016

Bill Summary: This proposal repeals the expiration date for provisions relating to the Missouri Qualified Fuel Ethanol Producer Incentive Fund

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
General Revenue	\$0	\$0 to (\$4,790,895)	\$0 to (\$4,790,895)
Total Estimated Net Effect on General Revenue	\$0	\$0 to (\$4,790,895)	\$0 to (\$4,790,895)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Qualified Fuel Ethanol Product Incentive*	\$0	\$0	\$0
Total Estimated Net Effect on Other State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 6 pages.

*Transfers In and Costs net to zero

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

Officials at the **Office of Administration - Budget and Planning** assume this proposed legislation would postpone the sunset for the Missouri Qualified Producer Incentive Program. Under this program, the maximum allowable subsidy amount per year per producer is \$3,125,000. The last payment to a qualified ethanol producer occurred in FY2013. There is no current production eligible for subsidies. A new facility would have to begin qualifying production to be eligible for subsidies. It is unknown how many new ethanol production facilities might be established as qualified ethanol producers in the future. A general revenue transfer to the Missouri Qualified Fuel Ethanol Producer Incentive Fund is used to pay for these incentives. This proposed legislation would cost general revenue an unknown amount, depending on the number of qualified producers and the amount of qualified production.

Officials at the **Department of Revenue** and **Department of Transportation** each assume this proposal will not have a fiscal impact on their respective organizations.

Officials at the **Department of Agriculture (AGR)** assume this proposal will have a zero to unknown fiscal impact on their organization. In response to a previous version, AGR noted they were not aware of any plans for new construction of either traditional corn or biomass-based ethanol plants in Missouri. However, removal of the sunset date does allow for the possibility of additional ethanol incentives at some time in the future.

Oversight notes the following information was provided by AGR; under the program, a qualified ethanol producer was eligible for a total grant in any calendar year equal to 20 cents per gallon from the first 12.5 million gallons of qualified fuel ethanol produced plus five cents per gallon for the next 12.5 gallons of qualified ethanol produced from Missouri agricultural products in the fiscal year. A Missouri qualified ethanol producer was eligible to receive grants for a total of 60 months.

The following plants received incentives: Macon - NEMO Grain Process, Craig - Golden Triangle Energy, Malta Bend - Mid-MO Energy, Laddonia - MO Ethanol, St. Joseph - Lifeline Foods, and Carrollton - Show Me Ethanol.

ASSUMPTION (continued)

AGR provided the following total Missouri Ethanol Production and Payment information from FY00 - FY13.

<u>Fiscal Year</u>	<u>Production</u>	<u>Payments</u>
00	1,810,801	\$364,259
01	22,523,273	\$4,524,989
02	40,011,740	\$4,905,706
03	43,464,260	\$3,093,748
04	59,793,540	\$3,576,485
05	79,436,946	\$5,340,834
06	110,834,572	\$8,102,393
07	154,485,337	\$13,687,990
08	187,820,705	\$9,191,905
09	222,019,498	\$12,500,000
10	254,072,540	\$13,366,382
11	260,167,086	\$9,375,000
12	254,044,088	\$8,802,378
13	257,623,905	\$4,790,895
14		\$ 0
15		\$ 0
Total		\$101,622,967

Due to the time needed for the start-up of a new plant, **Oversight** will assume \$0 impact in FY 2017 and then range the impact from \$0 (no new plants built) to a cost up to \$4,790,895, the most recent ethanol incentive totals paid from general revenue in FY13, if new construction occurs and incentives are passed.

<u>FISCAL IMPACT - State Government</u>	FY 2017	FY 2018	FY 2019
GENERAL REVENUE			
<u>Transfer Out</u> - AGR			
Qualified Fuel Ethanol Producer Incentive Fund	\$0	\$0 to (\$4,790,895)	\$0 to (\$4,790,895)
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	<u>\$0</u>	<u>\$0 to (\$4,790,895)</u>	<u>\$0 to (\$4,790,895)</u>
QUALIFIED FUEL ETHANOL PRODUCER INCENTIVE FUND			
<u>Transfer In</u> - General Revenue	\$0	\$0 to \$4,790,895	\$0 to \$4,790,895
<u>Costs</u> - Incentives for Qualified Ethanol Producers	\$0	\$0 to (\$4,790,895)	\$0 to (\$4,790,895)
ESTIMATED NET EFFECT ON QUALIFIED FUEL ETHANOL PRODUCER INCENTIVE FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2017	FY 2018	FY 2019
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small businesses that qualify for the incentive could be impacted by this proposal.

FISCAL DESCRIPTION

This proposal repeals the expiration date for the Missouri Qualified Fuel Ethanol Producer Incentive Fund.

This proposal contains an Emergency Clause.

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 Revenue
Department of Transportation



Mickey Wilson, CPA
Director
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Ross Strobe
Assistant Director
February 23, 2016