

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2038-01
Bill No.: HB 975
Subject: Agriculture; Animals
Type: Original
Date: March 30, 2017

Bill Summary: This proposal modifies the definition of livestock by adding the word “bison”.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
General Revenue Fund	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)
Total Estimated Net Effect on General Revenue	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Parks and Soils Sales Tax Fund	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)
Conservation Commission Fund	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)
School District Trust Fund	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)
Total Estimated Net Effect on <u>Other</u> State Funds	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
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 2018	FY 2019	FY 2020
Local Government	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Office of Administration - Budget and Planning (OA-B&P)** assume this proposal could have a negative fiscal impact to their organization. OA-B&P states, based on estimated bison production costs and sales in Missouri, this proposal could decrease total state revenues and general revenue collections by less than \$100,000 and negatively impact the states' Article X, Section 18(e) calculation.

Officials at the **Department of Revenue (DOR)** assume this proposal would not have a fiscal impact on their organization. DOR did note this proposal could reduce state revenues.

Officials at the **Department of Agriculture**, the **Department of Conservation**, the **Joint Committee on Administrative Rules**, the **Department of Health and Senior Services**, and the **Department of Natural Resources** each assume this proposal will not have a fiscal impact on their respective organizations.

Oversight notes this proposal modifies the definition of livestock by adding bison which will make the production and sale of bison exempt from sales tax. Therefore, Oversight will show a negative fiscal impact of less than \$100,000 to the General Revenue Fund from the loss of sales tax revenue. The negative fiscal impact shown by Oversight is based on the assumptions provided by OA-B&P, DOR and the following information.

In a report completed in 2000 by the Agricultural Economics Department, North Dakota State University, Fargo, on page 5 it indicates, *"Estimated tax revenue generated by the bison industry in the state included \$0.8 million in sales and use taxes, \$0.3 million in personal income taxes, and \$0.4 million in corporate income taxes annually. Bison production was also directly responsible for about \$2.5 million in property taxes annually. When property tax collections and revenues from sales and use tax, individual income tax, and corporate income taxes are considered, the bison industry generates about \$4 million annually in tax revenues to the state of North Dakota."*

Also noted in this report, *"While the annual total (direct and secondary) economic contribution from bison production expenditures and returns were \$50.3 million. Bison processing generated an additional \$20 million in annual economic impacts. The entire bison industry generated \$70.2 million in business activity in North Dakota in 1998."*

From the website www.nationalmammal.org/facts, it is noted that on May 9, 2016, *President Barack Obama signed the National Bison Legacy Act. And provides the following information, "Consumers are embracing the great taste of bison meat. Bison production on private ranches in rural areas across all 50 states is strong, with the economic value of bison an estimated \$336 million and prices for meat more than doubling in the last four years."*

ASSUMPTION (continued)

As bison return to historic habitats, recreationists are hiking, riding and riving in federal, state and local parks, refuges and forests, and as tourist visit private ranches where they can also experience agrarian life. Hunters have increased opportunities to enjoy their sport in places of great beauty and challenges.

Obtained from the University of Illinois Extension website, *“The bison business achieved unparalleled strength, stability and profitability in 2015. Sales of bison meat in restaurants and retail stores now tops \$340 million a year. Prices that ranchers are receiving from processors and marketers have been pegged at all-time highs for the past six years. The bison industry enjoys a free enterprise market without excessive intervention. Bison demand has consistently grown in double digits for the past six years.”*

Per the Penn State Extension website, *“About 7.5 million pounds of meat from approximately 15,000 bison are sold annually in the United States. The USDA’s Meat and Poultry Inspection Director lists about 100-bison-procession facilities nationwide. Although bison still have many of their wild tendencies and are only semi-domesticated, they are an agricultural alternative appropriate for small-scale and part-time farms.”*

This proposal is changing the definition of livestock to include the word “bison” which would exempt the production and sale of bison from sales tax. Therefore, **Oversight** will show a negative fiscal impact of less than \$100,000 to the state sales tax funds as well as local political subdivisions.

Officials from the **Office of the Secretary of State (SOS)** state 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 \$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.

Officials at the **Attorney General’s Office** did not respond to **Oversight’s** request for fiscal impact from this proposal. However, in response to a similar proposal from this session (SB 307), officials at the Attorney General’s Office assumed their organization could absorb any potential costs arising rom this proposal with existing resources.

<u>FISCAL IMPACT - State Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
GENERAL REVENUE FUND			
<u>Reduction in Revenue - Sales Tax</u> Revenue - Bison 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 THE GENERAL REVENUE FUND	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)
PARKS AND SOIL SALES TAX FUND			
<u>Loss - Sales Tax Revenue - Bison Sales</u> Tax Exemption	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)
ESTIMATED NET EFFECT ON THE PARKS AND SOILS SALES TAX FUND	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)
CONSERVATION COMMISSION FUND			
<u>Loss - Sales Tax Revenue - Bison Sales</u> Tax Exemption	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)
ESTIMATED NET EFFECT ON THE CONSERVATION COMMISSION FUND	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)
SCHOOL DISTRICT TRUST FUND			
<u>Loss - Sales Tax Revenue - Bison Sales</u> Tax Exemption	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)
ESTIMATED NET EFFECT ON THE SCHOOL DISTRICT TRUST FUND	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)

<u>FISCAL IMPACT - Local Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
LOCAL GOVERNMENT			
<u>Loss - Sales Tax Revenue - Bison Sales Tax Exemption</u>	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)
ESTIMATED NET EFFECT ON LOCAL GOVERNMENT	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)

FISCAL IMPACT - Small Business

This proposal could have a fiscal impact by exempting some small businesses from paying or charging for state and local taxes associated with purchase, possession, or sale of bison.

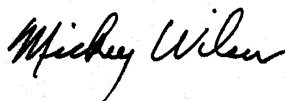
FISCAL DESCRIPTION

Currently, livestock is defined to include buffalo. This bill changes the word "buffalo" to "bison."

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

Office of Administration - Budget and Planning
Department of Agriculture
Department of Conservation
Joint Committee on Administrative Rules
Department of Health and Senior Services
Department of Natural Resources
Department of Revenue
Office of Secretary of State



Mickey Wilson, CPA
Director
March 30, 2017

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Assistant Director
March 30, 2017