

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2429-02
Bill No.: HCS for HB 1184
Subject: Agriculture and Animals; Agriculture Department; Department of Elementary and Secondary Education; Department of Corrections; Military Affairs; Hospitals
Type: Original
Date: April 13, 2015

Bill Summary: This proposal changes the laws regarding the Farm-to-School Act.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	(\$37,105 to Unknown)	(\$74,209 to Unknown)	(\$74,209 to Unknown)
Total Estimated Net Effect on General Revenue	(\$37,105 to Unknown)	(\$74,209 to Unknown)	(\$74,209 to Unknown)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Agriculture Protection	(\$37,121)	(\$70,316)	(\$71,205)
Total Estimated Net Effect on <u>Other</u> State Funds	(\$37,121)	(\$70,316)	(\$71,205)

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

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
Agriculture Protection	1 FTE	1 FTE	1 FTE
Total Estimated Net Effect on FTE	1 FTE	1 FTE	1 FTE

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	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Due to time constraints, **Oversight** prepared the fiscal note for the original bill without agency responses, and reflected a cost to the Agriculture Protection Fund for this program. Oversight has since received responses from the impacted agencies and has incorporated their estimates into this fiscal note.

§§ 262.960, 262.962, and 348.407 - Farm-to-School Act:

Officials from the **Department of Agriculture (AGR)** assume this proposal would require one new Marketing Specialist II/III, related equipment, materials, and travel. The added employee will remain after the first year. Most states with these positions have made them permanent.

AGR assumes the position will be required to deliver the new scope of work for farm-to-school outreach detailed throughout the proposal.

AGR assumes this position will be incorporated into the existing Agri-Missouri program, all other costs would be absorbed with existing appropriation and funding.

Oversight assumes this is a new program requiring AGR to designate an employee to administer and monitor the farm-to-school program and serve as a liaison between farmers, local school districts, correctional facilities, hospitals, nursing homes, and military bases.

Oversight assumes this proposal has an effective date of January 1, 2016 and will require AGR to hire 1 additional Marketing Specialist II/III FTE, paid from the Agriculture Protection Fund, for 6 months in FY16, with costs continuing into FY17, FY18, and beyond.

Officials from the **Department of Corrections (DOC)** assume this proposal changes the current Farm-to-School Act into the Farm-to-Table act and adds more institutions, including the Department of Corrections into the proposal. The proposal requires participating institutions to purchase five percent of their food products locally by December 31, 2018.

DOC assumes this proposal has the potential to fiscally impact DOC by increasing the department's food cost. Allowing for a five percent price preference will increase the purchase price for the food item.

ASSUMPTION (continued)

DOC assumes when multiplied by the volume DOC purchases, the total extended cost difference between the low bid price and the Missouri farm price could be significant. With the initial goal of five percent of total food purchased by DOC from Missouri farms or agribusinesses, this increased purchasing cost could significantly increase overall food costs per offender per day.

DOC assumes by the definition of “small farms” and “small agribusiness”, it is doubtful that any one farm or agribusiness could support the product needs of all DOC institutions statewide. Therefore smaller regional contracts or purchases would need to be made, resulting in only some of the institutions incurring the higher food costs.

DOC assumes if only certain regions or institutions would be purchasing product from Missouri farms or agribusinesses, the volume of product needed statewide by other institutions would decrease proportionately. Since the DOC manages its costs by purchasing in volume and the amount purchased effects the cost of delivered product, the purchasing price for non-Missouri products could also increase because lower volumes would be purchased.

DOC notes approximately (\$29,683,488) was spent for food in FY14 at DOC facilities. This proposal states at least five percent of all food products be purchased locally. Based on current figures, 5% of DOC’s total food cost in FY14 would amount to (\$1,484,174) of locally purchased food.

DOC assumes that there may be at least 5% higher cost to purchase food locally. DOC’s costs would then be approximately (\$1,558,383) for locally purchased food. The estimated amount of increased cost would be (\$74,209 to unknown), as indicated below.

DOC FY14 food cost = (\$29,683,488)
Minimum purchase locally % = 5%
Amount to purchase locally = (\$1,484,174)
Estimated cost increase % = 5%
Estimated DOC food cost purchased locally = (\$1,558,383)
Amount of increase to purchase locally = (\$74,209 to Unknown)

Oversight will show an estimated food cost increase to the General Revenue Fund based upon the numbers provided by DOC as a result of this proposal. In FY16 costs will be shown for 6 months since the proposal has an effective date of January 1, 2016.

ASSUMPTION (continued)

Officials from the **Department of Elementary and Secondary Education, Department of Economic Development, Department of Health and Senior Services, Office of Administration, Department of Natural Resources**, and the **Kansas City Public Schools** each assume the proposal would not fiscally impact their respective agencies.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (6 Mo.)	FY 2017	FY 2018
GENERAL REVENUE FUND			
<u>Costs - DOC</u>			
§ 262.962 - Increased food costs	(\$37,105 to <u>Unknown</u>)	(\$74,209 to <u>Unknown</u>)	(\$74,209 to <u>Unknown</u>)
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	<u>(\$37,105 to Unknown)</u>	<u>(\$74,209 to Unknown)</u>	<u>(\$74,209 to Unknown)</u>
AGRICULTURE PROTECTION FUND			
<u>Costs - AGR § 262.960</u>			
Personal Service	(\$19,020)	(\$38,420)	(\$38,805)
Fringe Benefits	(\$9,701)	(\$19,596)	(\$19,792)
Expense and Equipment	(\$8,400)	(\$12,300)	(\$12,608)
<u>Total Costs - AGR</u>	<u>(\$37,121)</u>	<u>(\$70,316)</u>	<u>(\$71,205)</u>
FTE Change - AGR	1 FTE	1 FTE	1 FTE
ESTIMATED NET EFFECT ON THE AGRICULTURE PROTECTION FUND	<u>(\$37,121)</u>	<u>(\$70,316)</u>	<u>(\$71,205)</u>
Estimated Net FTE Change for the Agriculture Protection Fund	1 FTE	1 FTE	1 FTE

<u>FISCAL IMPACT - Local Government</u>	FY 2016 (6 Mo.)	FY 2017	FY 2018
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

§§ 262.960, 262.962, and 348.407 - Farm-to-School Act:

An increase in revenues to local small business farmers working with local school districts, correctional facilities, hospitals, nursing homes, and military bases to provide locally grown food could be expected from this proposal.

FISCAL DESCRIPTION

§§ 262.960, 262.962, and 348.407 - Farm-to-School Act:

This proposal changes and expands the Farm-to-School Program to the Farm-to-Table Program to include schools, correctional facilities, hospitals, nursing homes, and military bases. The proposal requires the Department of Agriculture to establish program goals, including that participating institutions must purchase at least 5% of their food locally by December 31, 2018.

The proposal also changes and expands the Farm-to-School Taskforce to the Farm-To-Table Taskforce to include a representative from the Departments of Corrections and Health and Senior Services and a representative from one of the state's military bases.

The Director of the Department of Corrections will appoint one person who is employed as a correctional facility food service director and the Director of the Department of Health and Senior Services will appoint one person who is employed as a hospital or nursing home food services director.

This proposal has an effective date of January 1, 2016.

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 Corrections
Department of Elementary and Secondary Education
Department of Economic Development
Department of Health and Senior Services
Office of Administration
Department of Natural Resources
Kansas City Public Schools



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April 13, 2015

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