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GOVERNOR
STATE OF MISSOURI

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TO THE SECRETARY OF STATE
OF THE STATE OF MISSOURI
101st GENERAL ASSEMBLY
SECOND REGULAR SESSION

Herewith I return to you Conference Committee Substitute for Senate Substitute for Senate Committee Substitute for House Committee Substitute for House Bill 1720, entitled:

AN ACT

To repeal sections 60.301, 60.315, 60.345, 135.305, 135.686, 137.1018, 144.030, 266.355, 301.010, 301.062, 304.180, 304.240, 348.436, 348.500, 643.050, 643.079, and 643.245, RSMo, and to enact in lieu thereof twenty-seven new sections relating to agricultural economic opportunities, with a penalty provision and an emergency clause for certain sections.

I disapprove of Conference Committee Substitute for Senate Substitute for Senate Committee Substitute for House Committee Substitute for House Bill 1720. My reasons for disapproval are as follows:

Sections 260.221 and 644.060, involving recycled asphalt shingles, do not relate to the title of the bill of agricultural economic opportunities. These sections violate the single subject requirement in Article III, Section 23 of the Missouri Constitution because they are not “germane, connected and congruous” to agricultural economic opportunities. *See Hammerschmidt v. Boone Cty.*, 877 S.W.2d 98, 101–03 (Mo. banc 1994). A subject “includes all matters that fall within or reasonably relate to the general core purpose of the proposed legislation.” *Id.* at 102. Section 260.221 is for solid waste management and Section 644.060 is the Missouri Clean Water Law whereas agriculture is “the science, art, or practice of cultivating the soil, producing crops, and raising livestock and in varying degrees the preparation and marketing of the resulting products.” *Agriculture*, MERRIAM-WEBSTER’S COLLEGIATE DICTIONARY (11th ed. 2020); *see also Hammerschmidt*, 877 S.W.2d at 103. These sections violate the constitutional command for bills to have a single subject that fairly relates to the contents therein.

I strongly support agricultural security and opportunities for Missourians. As a farmer, I experience first-hand the challenges of the agriculture industry. I also understand that farmers need surety in

times of uncertainty. As such, I am very concerned with several provisions of this bill that authorize extremely short program sunset dates for both new and existing state agricultural programs. Two of the state's signature agricultural tax credit programs are housed within the Missouri Agricultural and Small Business Development Authority (MASBDA) within the Missouri Department of Agriculture (MDA). These two tax credit programs, the New Generation Cooperative Incentive Tax Credit Program and the Agricultural Product Utilization Contributor Tax Credit program, have helped provide over \$260 million in estimated direct and indirect benefits since Fiscal Year 2000. Specifically, the New Generation Cooperative Incentive Tax Credit Program helps induce private investment in new generation cooperatives to process Missouri agricultural commodities and products into value-added goods. This program provides substantial benefit to Missouri's agricultural producers and creates jobs for Missourians. Over the lifetime of the program, 87 projects have been funded with direct costs to the State of \$53 million but with benefits estimated to be over \$183 million. This program has provided a return to taxpayers of \$3.46 for every \$1 invested.

The second program provided by MASBDA is the Agricultural Product Utilization Contributor Tax Credit Program. This program provides a tax credit to any person who contributes funding to MASBDA for the purpose of furthering financial or technical assistance for the development of rural agricultural business concepts. Over the lifetime of the program, this program has had a direct cost to the State of \$28 million but with benefits estimated to be over \$62 million. This program has provided a return to taxpayers of \$2.20 for every \$1 invested.

For both programs offered by MASBDA, the two-year sunset provided in this bill is extremely problematic. In order to complete a project under the New Generation Cooperative Incentive Tax Credit Program, the company has to complete an equity drive to help induce private investment in the project. This equity drive takes 24–36 months on average and over seventy-five percent of projects request an extension to complete their drive. The bill passed by the General Assembly only allows for a two-year extension of this program, making it difficult, if not impossible, for projects that are ready to complete the program to do so before it expires. Such a short-term program extension will further strain efforts to raise private equity. Additionally, the two-year sunset also would have the effect of prohibiting MASBDA from advertising these incentives to companies that may be looking to expand or create new investment in Missouri or other states. This will leave Missouri at a strategic disadvantage when competing with other states for future agricultural economic investment.

A two-year sunset for the MASBDA programs is also problematic to administer. These are programs administered by the MASBDA, which is funded from fees assessed from tax credit issuances. The fees fund staff to administer, manage, and oversee the programs. Without additional authorization beyond two years, it will be even harder to recruit and retain staff. According to the U.S. Bureau of Labor Statistics, there were 225,000 job openings in Missouri where the number of unemployed Missourians only totaled 109,993 for the month of March 2022, meaning that there are currently two jobs for every one Missourian to fill them. This is no different with MASBDA as the position is currently being filled by a person who is responsible for overseeing MASBDA in addition to being a full-time division director at the MDA. The limited two-year program extension jeopardizes the administration of these important agricultural investment tools.

This bill also authorized new programs that will greatly benefit agriculture in our state. These include the ethanol tax credit program, the biodiesel retailers tax credit program, the biodiesel producer tax credit program, an urban farm tax credit program, and a specialty crop loan program. It takes several months to hire new staff and establish rules for new programs, including garnering stakeholder feedback in the development of rules, as required by Chapter 536, RSMo. A two-year sunset undermines the taxpayer investment in a program given the time it takes to develop the program versus the time the program is operational before it expires. Typically, the purpose of accelerated sunset provisions is to provide an evaluation at the end of a program, and based on that evaluation, determine if the program should be continued. Two-year sunsets on new programs limits the data that will be available for such evaluation in order to make those determinations. This is unacceptable both for producers seeking to make investments and for policymakers that want to make educated policy decisions in the future.

In regard to the two-year sunset on agricultural programs, we have to do better. This is especially true when in this year alone the General Assembly authorized longer sunset terms for the Petroleum Storage Tank Insurance Fund, the Early Learning Quality Assurance Report Program, the Qualified Research Expenses Tax Credit, the Meet in Missouri Act, the New Business Facilities Tax Credit, the Self-Employed Tax Credit, the MO Rx program, the Fast Track Workforce Incentive Grant program, the Targeted Industrial Manufacturing Enhancement program, the Workforce Diploma Program, plant-in-service accounting and capital investment plan for investor-owned utilities, and dental board pilot projects. While these are important initiatives that will help our state, agriculture is still our top economic industry and the foundation of our state. We must do more to provide agricultural producers and investors with more certainty and to administer these programs in the most reliable and effective way possible.

In accordance with the above stated reasons for disapproval, I am returning Conference Committee Substitute for Senate Substitute for Senate Committee Substitute for House Committee Substitute for House Bill 1720 without my approval.

Respectfully Submitted,



Michael L. Parson
Governor