

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4138-02
Bill No.: SB 802
Subject: Appropriations; Business and Commerce; Corporations; Economic Development; Science and Technology
Type: Original
Date: February 2, 2010

Bill Summary: This proposal establishes the Proof of Concept Business Finance Program.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
General Revenue	\$0 to (\$1,250,000)	\$0 to (\$1,250,000)	\$0 to (\$1,250,000)
Total Estimated Net Effect on General Revenue Fund	\$0 to (\$1,250,000)	\$0 to (\$1,250,000)	\$0 to (\$1,250,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Missouri Technology Investment	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Total Estimated Net Effect on FTE	0	0	0

- Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).
- Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Economic Development (DED)** state the proposed legislation creates the Proof of Concept Loan Program, which would be administered by the Missouri Technology Corporation. Currently, there is no mechanism in place for the Missouri Technology Corporation (MTC) to receive the funding to administer the program and the proposed legislation does not create one. There would be a negative impact to total state revenue in the amount of \$1,250,000 each year if the total amount is appropriated. However, there would be an offset of unknown positive economic benefits as a result of this increase so the exact amount of the impact cannot be determined. Because of the unknown positive impact created in economic activity as a result of this program, the Department of Economic Development anticipates an unknown fiscal impact.

Officials from the **Department of Higher Education** state the bill would have no direct, foreseeable fiscal impact on their agency.

Officials from the **University of Missouri** assume no fiscal from the proposal.

Officials from the **Office of the Secretary of State (SOS)** assume 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 Secretary of State's Office 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, we also recognize 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 our office can sustain with our core budget. Therefore, we reserve 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.

According to a report from the Office of the State Treasurer, the FY 2009 ending balance of the Missouri Technology Investment Fund (172) was \$0.57. According to the legislation, moneys for this new program shall be available from appropriations from the General Assembly from the Missouri Technology Investment Fund. The Missouri Technology Corporation may make loans to advanced technology companies of up to \$1,250,000 in total each fiscal year. **Oversight** will assume the Missouri Technology Investment fund will need an appropriation from General Revenue of \$1.25 million each year of the fiscal note for funding these loans. The loans shall be repaid to the Missouri Technology Corporation no later than five years from the date of the loan.

ASSUMPTION

Oversight assumes this money will be reinvested in the program to fund new loans and that future appropriations from General Revenue will not be necessary to fund the program. However, Oversight assumes the repayment of these loans is beyond the scope of the fiscal note. Oversight will range the fiscal impact from \$0 (program is not funded) to the annual limit of \$1,250,000.

Oversight also assumes this proposal could have positive fiscal impact to the state; however, Oversight considers those benefits to be indirect affects and have to reflected them in the fiscal note.

<u>FISCAL IMPACT - State Government</u>	FY 2011 (10 Mo.)	FY 2012	FY 2013
GENERAL REVENUE			
<u>Transfer Out</u> - to the Missouri Technology Investment Fund	\$0 to <u>(\$1,250,000)</u>	\$0 to <u>(\$1,250,000)</u>	\$0 to <u>(\$1,250,000)</u>
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	\$0 to <u>(\$1,250,000)</u>	\$0 to <u>(\$1,250,000)</u>	\$0 to <u>(\$1,250,000)</u>
 MISSOURI TECHNOLOGY INVESTMENT FUND			
<u>Transfer In</u> - from General Revenue	\$0 to \$1,250,000	\$0 to \$1,250,000	\$0 to \$1,250,000
<u>Cost</u> - loans to advanced technology companies as part of the Proof of Concept Business Finance Program	\$0 to <u>(\$1,250,000)</u>	\$0 to <u>(\$1,250,000)</u>	\$0 to <u>(\$1,250,000)</u>
ESTIMATED NET EFFECT TO THE MISSOURI TECHNOLOGY INVESTMENT FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2011 (10 Mo.)	FY 2012	FY 2013
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small advanced technology businesses could be positively impacted as a result of this proposal.

FISCAL DESCRIPTION

This act establishes the proof of concept business finance program to be administered by the Missouri Technology Corporation. The program will provide one-time loans to eligible advanced technology companies which must be repaid within five years of the date of the loan in an amount equal to two times the amount of the loan. Early repayment will result in a proration of the repayment amount. No more than one million two hundred fifty thousand dollars will be made available for loans to advanced technology companies each fiscal year. Loans made under the program cannot exceed seventy-five thousand dollars per eligible advanced technology company and must be leveraged dollar-for-dollar by additional equity investment in the company. Loan proceeds may be used by eligible advanced technology companies for intellectual property development, building prototypes, market studies, identifying and securing a management team, and business operations.

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 Economic Development
Office of the Secretary of State
Department of Higher Education
University of Missouri



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