

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4865-01
Bill No.: SB 922
Subject: Bonds - General Obligation and Revenue; Business and Commerce; Cities; Towns and Villages; Counties; Economic Development; Taxation and Revenue
Type: Original
Date: February 16, 2010

Bill Summary: This proposal authorizes the creation of Missouri Jobs for the Future Districts.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
General Revenue	\$0 to (\$60,000,000)	\$0 to (\$66,000,000)	\$0 to (\$72,600,000)
Total Estimated Net Effect on General Revenue Fund	\$0 to (\$60,000,000)	\$0 to (\$66,000,000)	\$0 to (\$72,600,000)

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

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 7 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 **Office of Administration - Budget and Planning (BAP)** state they have identified the following sections which may have budget or revenue implications:

- 67.4000.1 - Defines the MO-JFF program. Defines MO-JFF revenues as a) half the incremental increase in GR sales tax over the base year; and b) all the state income tax withheld from new employees, from facilities within the MO-JFF district. BAP does not have an estimate of the new revenues that may be generated in these districts. DED may have such an estimate.
- 67.4000.8 - MO-JFF revenues shall be transferred from GR to the appropriate municipalities. This distribution is subject to appropriation. The annual aggregate cap for MO-JFF disbursements is \$60M in FY 11, increasing by 10% each year for the next five years, and then remaining constant. (BAP calculates the upper limit as \$96.6M)
- 67.4000.9 - The municipalities shall deposit these revenues in the MO-JFF Projects Financing Fund. Disbursements from such fund are subject to appropriation.
- 67.4000.12 - MO-JFF revenues shall not preclude other public incentives, including TIF, CIDs, & TDDs. However, the MO-JFF revenues shall be first "captured" by the other incentives if those incentives were implemented prior to the MO-JFF certification.
- 67.4000.14 - portions of certain public salaries and expenses may be borne by the MO-JFF revenues as eligible project costs. BAP defers to DED and DOR for estimates of such costs.

This program may stimulate other economic activity, but BAP does not have data to estimate the induced revenues. The Department of Economic Development may have such an estimate.

BAP notes that the phrase "new employee" is not defined in this proposal. In the case that a new employee or a new job in a JFF district was one that was transferred from another area in the state, then there would be no new state income tax, and the net benefit from the project would be substantially lower.

BAP notes that there is no language in the proposal requiring a finding that a project would not happen without JFF assistance. In this case, especially given the language in 620.1895.15, it is possible the incentives may exceed the benefits of a particular project.

BAP notes that this proposal would obligate General Revenue to a specific program, thereby increasing budget expenditures. This proposal could reduce available revenues if incentives exceed benefits.

ASSUMPTION (continued)

Officials from the **Department of Economic Development (DED)** state the proposed legislation creates provisions for the establishment of Missouri Jobs for the Future Districts. DED anticipates an unknown fiscal impact as a result of the proposed legislation.

Oversight will assume DED will be able to absorb the additional duties outlined in this proposal with existing resources.

Officials from the **Department of Revenue (DOR)** state Section 67.4000(4) - defines "MO-JFF revenues" to include the state income tax withheld on behalf of new employees by the employers at the businesses located within the MO-JFF district.

The employer will continue to remit the total withholdings as reported on their form.

Section 67.4000.8 - this section provides that the MO-JFF revenues shall be available for appropriation by the General Assembly from the GR fund to the Department of Economic Development for distribution to the treasurer of the municipality.

DOR assumes the Department of Economic Development will make the transfer from GR to their Department to allow the distribution to the municipality.

DOR assumes the need for one (1) Revenue Processing Technician I (Range 10, Step L) for every 7,800 pieces of additional withholding correspondence processed. DOR estimates the cost for this additional FTE to total roughly \$43,000 per year.

Oversight assumes the level of correspondence will not rise to the level to which an additional FTE will be required by the Department of Revenue.

Officials from the **University of Missouri** assume the proposal would not fiscally impact their school.

Officials from the **Office of the State Treasurer, Department of Higher Education**, as well as the cities of **Kansas City, Independence and Lee's Summit** did not respond to our request for fiscal impact.

This proposal could have a positive fiscal impact to the state; however, **Oversight** considers these benefits to be indirect. Therefore, Oversight will not reflect the potential benefits derived from this proposal in the fiscal note.

ASSUMPTION (continued)

This proposal states the aggregate cap of MO-JFF revenues that may be appropriated for this program is \$60 million in FY 2011, and shall be increased by ten percent annually for the next five years. Therefore, **Oversight** will assume a loss of General Revenue (sales tax and income tax) of \$0 (no MO-JFF districts established or no additional revenue generated) to the annual limits of \$60 million in FY 2011, \$66 million (\$60 million increased by 10%) in FY 2012, and \$72.6 million (\$66 million increased by 10%) in FY 2013.

<u>FISCAL IMPACT - State Government</u>	FY 2011 (10 Mo.)	FY 2012	FY 2013
GENERAL REVENUE			
<u>Loss - to the MO-JFF Projects Financing Fund - incremental increase in sales tax and income tax from MO-JFF projects</u>	\$0 to <u>(\$60,000,000)</u>	\$0 to <u>(\$66,000,000)</u>	\$0 to <u>(\$72,600,000)</u>
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	\$0 to <u>(\$60,000,000)</u>	\$0 to <u>(\$66,000,000)</u>	\$0 to <u>(\$72,600,000)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2011 (10 Mo.)	FY 2012	FY 2013
LOCAL POLITICAL SUBDIVISION			
<u>Income - from State General Revenue Fund - incremental increase in sales tax and income tax</u>	\$0 to \$60,000,000	\$0 to \$66,000,000	\$0 to \$72,600,000
<u>Costs - associated with MO-JFF plans, MO-JFF projects and MO-JFF districts</u>	\$0 to <u>(\$60,000,000)</u>	\$0 to <u>(\$66,000,000)</u>	\$0 or <u>(\$72,600,000)</u>
ESTIMATED NET EFFECT TO LOCAL POLITICAL SUBDIVISIONS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This act allows municipalities to adopt ordinances establishing Missouri Jobs for the Future Districts for which municipalities may issue obligations to pay costs incurred to develop such area to attract business and create jobs. In order to establish Missouri Jobs for the Future Districts, municipalities must hold public hearings to adopt ordinances providing a comprehensive plan for the district and any projects which will be undertaken for the benefit of the district, and receive approval from the Department of Economic Development. The act provides notice requirements for public hearings, establishes requirements for plans and projects, and places limitations upon obligations issued to fund projects within Missouri Jobs for the Future Districts. Obligations issued to pay eligible costs incurred within a district will be repaid by appropriations from the state General Revenue Fund. Appropriations will be based upon the incremental increase in state general revenue collections of sales tax and income tax withholdings of employees located within the district.

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 Revenue
Department of Economic Development
Office of Administration - Budget and Planning
University of Missouri

NOT RESPONDING:

Office of the State Treasurer
Department of Higher Education
City of Kansas City
City of Independence
City of Lees Summit



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Director
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