

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1310-01  
Bill No.: SB 248  
Subject: Appropriations; Business and Commerce; Corporations; Economic Development; Science and Technology  
Type: Original  
Date: February 14, 2011

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

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
General Revenue	(\$0 to \$1,250,000)	(\$0 to \$1,250,000)	(\$0 to \$1,250,000)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(\$0 to \$1,250,000)</b>	<b>(\$0 to \$1,250,000)</b>	<b>(\$0 to \$1,250,000)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Proof of Concept Technology Business Finance Fund	\$0	\$0	\$0
<b>Total Estimated Net Effect on Other State Funds*</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

\* Note amount of funding equals loans awarded and nets to zero.

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

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

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).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials at the **Budget and Planning (BAP)** assume the proposed legislation should not result in additional costs or savings to BAP. This proposal creates a Proof of Concept Loan Program. Loans totaling up to \$1.25 million each year may be issued to qualifying companies. These loans must be repaid within five years. There is no funding source specified for the program, although it will be subject to appropriation. This program will not impact general and total state revenue collections, but could reduce general revenue available for other budget items. This program may encourage other economic activity, but BAP does not have an estimate of the induced revenues. DED may have such an estimate.

Officials at the **Department of Economic Development (DED)** assume the proposed legislation creates the Proof of Concept Loan Program, subject to appropriation, with an annual cap of \$1,250,000 to be administered by the Missouri Technology Corporation(MTC). The funds are to be used by the MTC to make one-time loans to early stage advanced technology companies. DED assumes an offset of unknown positive economic benefits as a result of the economic activity generated by the program, therefore, the exact amount of the impact cannot be determined. MTC anticipates an impact as a result of the proposed legislation; however, is unable to determine the exact impact of the proposed legislation. The proposed legislation requires DED to determine the average county wage, however, it is assumed this portion of the legislation will have little to no fiscal impact.

**Oversight** assumes the administration of this program can be absorbed with existing staff.

**Oversight** has show the transfer from general revenue to the Proof of Concept Technology Business Finance Program Account of \$0 (no appropriation) to the cap of \$1,250,000 of the loans made in one year. Oversight assumes all money received in the Proof fund will be used each year for loans.

Officials at the **University of Missouri** assume this bill would have a positive fiscal impact on the University, particularly in the areas of technology transfer and research and economic development. The University has initiated a similar program internally and it has been quite successful thus far. An expansion of this type of initiative statewide will create a positive fiscal impact for the State.

Officials at the **Department of Higher Education** and the **Office of the State Treasurer** assume that there is no fiscal impact from this proposal.

ASSUMPTION (continued)

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.

**Oversight** assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

**Oversight** assumes the changes in this proposal would have a positive impact on the state. However, Oversight considers this to be indirect impact of the proposals and will not reflect them in the fiscal note.

<u>FISCAL IMPACT - State Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
<b>GENERAL REVENUE</b>			
<u>Transfer Out</u> - General Revenue			
Transfer to new fund	(\$0 to <u>\$1,250,000</u> )	(\$0 to <u>\$1,250,000</u> )	(\$0 to <u>\$1,250,000</u> )
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>			
	<u>(\$0 to \$1,250,000)</u>	<u>(\$0 to \$1,250,000)</u>	<u>(\$0 to \$1,250,000)</u>
<b>PROOF OF CONCEPT TECHNOLOGY BUSINESS FINANCE FUND</b>			
<u>Transfer In</u> - Proof Fund			
Transfer from general revenue	\$0 to \$1,250,000	\$0 to \$1,250,000	\$0 to \$1,250,000
<u>Transfer Out</u> - Proof Fund			
Loans to qualifying companies	(\$0 to <u>\$1,250,000</u> )	(\$0 to <u>\$1,250,000</u> )	(\$0 to <u>\$1,250,000</u> )
<b>ESTIMATED NET EFFECT ON PROOF OF CONCEPT TECHNOLOGY BUSINESS FINANCE FUND</b>			
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
 <u>FISCAL IMPACT - Local Government</u>			
	FY 2012 (10 Mo.)	FY 2013	FY 2014
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small businesses that qualify could be affected by 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

Budget and Planning  
Department of Economic Development  
Department of Higher Education  
Office of the Secretary of State  
Office of the State Treasurer  
University of Missouri



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Director  
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