

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1711-05
Bill No.: Perfected SS for SB 366
Subject: Economic Development Department; Roads and Highways; Telecommunications;
Utilities; Water Resources and Water Districts
Type: Original
Date: April 17, 2013

Bill Summary: This proposal creates the Rebuild Damaged Infrastructure Program to repair infrastructure damaged by natural disasters.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
General Revenue	Less than \$3,300,000	Less than \$500,000	Less than \$500,000
Total Estimated Net Effect on General Revenue Fund	Less than \$3,300,000	Less than \$500,000	Less than \$500,000

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 12 pages.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Insurance Dedicated	(\$10,000,000)	(\$500,000)	(\$500,000)
Lewis & Clark Discovery	(Less than \$40,000)	\$0	\$0
Dept of Revenue Information	(\$3,000,000)	\$0	\$0
MO Health & Educational Facilities Authority	(\$4,000,000)	\$0	\$0
Rebuild Damaged Infrastructure Fund*	\$0	\$0	\$0
Conservation	(Unknown)	(Unknown)	(Unknown)
Parks, Soil & Water	(Unknown)	(Unknown)	(Unknown)
School District	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on <u>Other</u> State Funds	(Unknown greater than \$17,040,000)	(Unknown greater than \$500,000)	(Unknown greater than \$500,000)

* Revenues and cost net to zero.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
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 2014	FY 2015	FY 2016
Local Government	(Unknown)	(Unknown)	(Unknown)

FISCAL ANALYSIS

ASSUMPTION

§§ 33.080, 33.295 & 360.045 Rebuild Damaged Infrastructure Fund

In response to a previous version of this proposal, officials at the **Department of Economic Development (DED)** assume this proposal creates the Rebuild Damaged Infrastructure Program. This program entitles the General Assembly to appropriate money to public and private companies to rebuild damaged infrastructure damaged by natural disasters. DED would implement the program by establishing criteria for the loan application. DED would also be in charge of compliance regarding repayment of the loan.

This proposal creates a Rebuild Damaged Infrastructure Fund. The Fund will be managed by DED with the State Treasurer as the custodian.

As a result of the proposed legislation, DED assumes an unknown fiscal impact. DED would require one additional FTE to administer the program due to the anticipated amount of administration involved. The FTE would be an Economic Development Incentive Specialist III (\$41,016) and be responsible for reviewing and approving the applications for the program to determine eligibility, establishing procedures, reviewing the loan applications to make sure they meet the criteria of the program, drafting and sending the loan awards, and ensuring compliance with the program.

Oversight assumes DED can absorb the duties of this proposal with existing staff. Should the number of applicants reach the level where additional staff are needed, DED could request the FTE through the appropriation process.

Officials at the **Office of Administration - Budget and Planning (BAP)** assume this proposal will transfer the June 30, 2103 balance in the Lewis and Clark Discovery Fund (LCDF) to the newly created Rebuild Damaged Infrastructure Fund on July 1, 2013. BAP estimates the June 30, 2013 balance in the LCDF will be \$12,368 as detailed below:

4-17-2013 LCDF Fund Balance	\$40,117
Remaining Project Payments	(\$28,049)
Estimated Interest Earnings	<u>\$300</u>
Estimated June 30, 2013 LCDF Fund Balance	\$12,368

This proposal also specifies that if the amount transferred on July 1, 2013 is greater than \$15 million, any amount in excess of \$15 million shall be transferred to General Revenue rather than the Rebuild Damaged Infrastructure Fund. Because the amounts from the Insurance Dedicated

ASSUMPTION (continued)

Fund, Department of Revenue Information Fund, and MOHEFA are set at \$14.2 million total, the July 1 transfer could only exceed \$15 million if the June 30 fund balance in the Lewis and Clark Discovery Fund exceeds \$800,000. This would only occur if MOHEFA resumes transfers into the Lewis and Clark Discovery Fund.

BAP defers to the Department of Revenue for the fiscal impact of sweeping the Information Fund.

Officials at the **Department of Insurance, Financial Institutions and Professional Registration** assume Section 33.080.2(1) requires a one-time transfer of funds from the Insurance Dedicated Fund in the amount of \$10 million to the Rebuild Damaged Infrastructure Fund.

Officials at the **Department of Revenue, Joint Committee on Administrative Rules and Office of the State Treasurer** each assume there is no fiscal impact to their organization from this proposal.

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.

ASSUMPTION (continued)

Oversight assumes this proposal allows the General Assembly to appropriate money for the Rebuild Damaged Infrastructure Fund. This fund has a \$15 million cap. Oversight will reflect only money coming from the four stated sources and will not get additional appropriations from the General Revenue Fund.

Oversight will reflect the one time transfer from the Insurance Dedicated Fund, Department of Revenue Information Fund and the Missouri Health and Educational Facilities Authority to the Rebuild Damaged Infrastructure Fund.

Oversight will reflect that all money received by the Rebuild Damaged Infrastructure Fund will be used in accordance with the guidelines of the proposal.

Oversight states this proposal requires the one time transfer of the fund balance of the Lewis and Clark Discovery Fund to the Rebuild Damaged Infrastructure Fund on July 1, 2013. At the end of March 2013, the fund balance was \$211,409 and on April 16, 2013, the fund balance was \$40,000. Oversight will reflect in the fiscal note a transfer of Less than \$40,000.

Oversight assumes the amendment added to the bill requires a yearly transfer of \$500,000 from the Insurance Dedicated Fund to General Revenue. Oversight will reflect that transfer in the fiscal note.

Oversight will also assume the loss in General Revenue sales tax revenue from Senate Amendment 5 will not exceed \$500,000.

§§ 67.1020, 144.030 Sales Tax Exemption

In response to similar legislation filed this year, SB 441, officials from **BAP** assume this proposal would exempt non - governmental agencies congressionally mandated to provide disaster relief services from transient guest taxes. This provision would have no impact on General and Total State Revenues.

The proposal would also exempt sales made to those non - governmental agencies as part of a disaster relief service from sales tax. This provision could reduce General and Total State Revenues and local revenues by an unknown amount.

In response to similar legislation filed this year, SB 441, officials from the **City of Kansas City** assume there would be a loss of revenue from this proposal but could not provide an estimate.

ASSUMPTION (continued)

In response to similar legislation filed this year, SB 441, officials from **St. Louis County** assume there would be a minimal amount of lost revenue but could not provide an estimate.

In response to similar legislation filed this year, SB 441, officials from the **Department of Economic Development - Division of Tourism, Public Service Commission, and Office of Public Counsel**, the **Department of Public Safety - State Emergency Management Agency**, and the **Department of Revenue** each assumed the proposal would not fiscally impact their respective agencies.

Oversight will include an Unknown revenue reduction for the General Revenue Fund and other state funds which receive sales tax revenues, and for local governments. Oversight assumes this proposal would not have an impact on sales tax revenues for road funds.

Oversight will also include an unknown revenue reduction for local governments due to the exemption from transient guest taxes.

<u>FISCAL IMPACT - State Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
GENERAL REVENUE			
<u>Transfer In</u> - from Department of Revenue Information Fund	\$2,800,000	\$0	\$0
<u>Transfer In</u> - from the Insurance Dedicated Fund	\$500,000	\$500,000	\$500,000
<u>Revenue reduction</u> - DOR Sales tax exemption § 144.030	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>Less than</u> <u>\$3,300,000</u>	<u>Less than</u> <u>\$500,000</u>	<u>Less than</u> <u>\$500,000</u>

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2014 (10 Mo.)	FY 2015	FY 2016
INSURANCE DEDICATED FUND			
<u>Transfer Out</u> - to Rebuild Damaged Infrastructure Program	(\$10,000,000)	\$0	\$0
<u>Transfer Out</u> - to General Revenue	<u>(\$500,000)</u>	<u>(\$500,000)</u>	<u>(\$500,000)</u>
ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND	<u>(\$10,500,000)</u>	<u>(\$500,000)</u>	<u>(\$500,000)</u>
LEWIS AND CLARK DISCOVERY FUND			
<u>Transfer Out</u> - to Rebuild Damaged Infrastructure Program	(Less than <u>\$40,000</u>)	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON LEWIS AND CLARK DISCOVERY FUND	(Less than <u>\$40,000</u>)	<u>\$0</u>	<u>\$0</u>
DEPARTMENT OF REVENUE INFORMATION FUND			
<u>Transfer Out</u> - to Rebuild Damaged Infrastructure Program	(\$200,000)	\$0	\$0
<u>Transfer Out</u> - to General Revenue	<u>(\$2,800,000)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON DEPARTMENT OF REVENUE INFORMATION FUND	<u>(\$3,000,000)</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2014 (10 Mo.)	FY 2015	FY 2016
 MISSOURI HEALTH & EDUCATIONAL FACILITIES AUTHORITY			
<u>Transfer Out</u> - to Rebuild Damaged Infrastructure Fund	<u>(\$4,000,000)</u>	<u>\$0</u>	<u>\$0</u>
 ESTIMATED NET EFFECT ON MISSOURI HEALTH & EDUCATIONAL FACILITIES AUTHORITY	 <u>(\$4,000,000)</u>	 <u>\$0</u>	 <u>\$0</u>
 REBUILD DAMAGED INFRASTRUCTURE FUND			
<u>Transfer In</u> - from the Insurance Dedicated Fund	\$10,000,000	\$0	\$0
<u>Transfer In</u> - from the Lewis and Clark Discovery Fund	Less than \$40,000	\$0	\$0
<u>Transfer In</u> - from the Department of Revenue Information Fund	\$200,000	\$0	\$0
<u>Transfer In</u> - from MO Health & Educational Facilities Authority	\$4,000,000	\$0	\$0
<u>Cost</u> - Infrastructure repair	(Less than <u>\$14,240,000</u>)	<u>\$0</u>	<u>\$0</u>
 ESTIMATED NET EFFECT REBUILD DAMAGED INFRASTRUCTURE FUND	 <u>\$0</u>	 <u>\$0</u>	 <u>\$0</u>

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2014 (10 Mo.)	FY 2015	FY 2016
CONSERVATION COMMISSION FUND			
<u>Revenue reduction - DOR</u> Sales tax exemption § 144.030	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
PARKS, AND SOIL AND WATER FUND			
<u>Revenue reduction - DOR</u> Sales tax exemption § 144.030	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON PARKS, AND SOIL AND WATER FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
SCHOOL DISTRICT TRUST FUND			
<u>Revenue reduction - DOR</u> Sales tax exemption § 144.030	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
LOCAL GOVERNMENTS			
<u>Revenue reduction</u> - DOR			
Sales tax exemption § 144.030	(Unknown)	(Unknown)	(Unknown)
<u>Revenue reduction</u> - Local governments			
Transient guest tax exemption § 67.1020	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

FISCAL IMPACT - Small Business

Small businesses in disaster areas could be positively impacted by this proposal.

FISCAL DESCRIPTION

This proposal creates the Rebuild Damaged Infrastructure Program. The General Assembly may appropriate money into the newly created Rebuild Damaged Infrastructure Program Fund. Moneys from other state funds will also be transferred to the new Fund.

The proposed legislation would exempt non - governmental agencies congressionally mandated to provide disaster relief services from transient guest taxes. The proposal would also exempt from state sales tax, local sales tax, and transient guest tax sales to any person when payment is made by those non - governmental agencies as part of a disaster relief service.

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
Department of Insurance, Financial Institutions and Professional Registration
Department of Revenue
Joint Committee on Administrative Rules
Office of Administration
 Budget and Planning
Office of the Secretary of State
Office of the State Treasurer



Ross Strope
Acting Director
April 17, 2013