

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5738-04
Bill No.: Perfected HB 2063
Subject: Economic Development; Department of Economic Development
Type: Original
Date: April 23, 2014

Bill Summary: This proposal authorizes any Missouri port authority to establish an Advanced Industrial Manufacturing Zone for the development or redevelopment of certain structures.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	(\$53,111 to Unknown)	(\$403,524 to Unknown)	(\$54,058 to Unknown)
Total Estimated Net Effect on General Revenue Fund	(\$53,111 to Unknown)	(\$403,524 to Unknown)	(\$54,058 to Unknown)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Port Authority AIM Zone Fund*	\$0	\$0	\$0
Total Estimated Net Effect on Other State Funds	\$0	\$0	\$0

* Revenues and costs net to zero.

Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	1 FTE	1 FTE	1 FTE
Total Estimated Net Effect on FTE	1 FTE	1 FTE	1 FTE

- 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 2015	FY 2016	FY 2017
Local Government*	\$0	\$0	\$0

* Revenues and costs net to zero.

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Department of Economic Development** assume there is no fiscal impact from this proposal.

Officials at the **Missouri Department of Transportation** assume there is no fiscal impact from this proposal.

In response to the previous version of this proposal, officials at the **Office of State Treasurer (STO)** assumed approving disbursements appears to be a new duty to the STO, outside of the Treasurer's Operating Fund, requiring a new FTE. This FTE would make in the \$29,172 to \$41,016 range with fringe benefits of \$19,151, yielding approximately \$55,045 calculated at the midpoint with \$8,950 in one time expenses in the first year. This yields \$63,995 the first year declining to \$55,045 for subsequent years.

In response to the previous version, officials at the **Office of Administration's Division of Budget and Planning (BAP)** assumed this proposal diverts fifty percent of the employment taxes directly attributed to new jobs created within an Advanced Industrial Manufacturing Zone, after development or redevelopment, to the port authority AIM Zone Fund. These funds are to be used to continue to expand, develop, and redevelop AIM zones. This proposal does not impact Total State Revenues as it appears to still deposit the funds in the treasury.

In response to the previous version of this proposal, officials at the **Department of Revenue (DOR)** assumed this proposal would require computer programming changes to various tax systems. The IT portion is estimated at \$13,759 for 504 FTE hours.

The Withholding Tax Division would require new forms to be developed to be submitted with 941's to substantiate the amount of employment tax that is not submitted. The Department must reconcile what is reported on W-2's to what is actually remitted to the state. Implementation of this legislation requires programming to allow for tracking of the amount of withholding taxes due but not remitted. Additionally, programming will be needed to track businesses and new employees. There will be a cost for a change order for the integrated system that is not covered under our current contract with Revenue Solutions, Inc. The estimated cost is \$350,000 to \$500,000. This cost is separate from any ITSD costs associated with the current withholding program. Based upon the assumption that the legislation's effective date is August 28, 2014, this necessitates the development in the current withholding system as well as in the new integrated tax system, which is scheduled for deployment the 1st quarter of 2016.

ASSUMPTION (continued)

Oversight assumes DOR is provided with core funding to handle a certain amount of computer programming activity each year. Oversight assumes DOR could absorb the \$13,759 in programming costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, DOR could request funding through the appropriation process.

Oversight notes that the Department of Revenue did not respond to Oversight's request for a fiscal impact in a timely manner for the preparation of the original fiscal note. The Department of Revenue has now supplied Oversight with a fiscal impact that indicates they would need to make a change order to the upgrades on the Withholding System contract. Therefore, Oversight will reflect the additional \$350,000 cost of the computer upgrades in the fiscal note in Fiscal Year 2016.

Oversight notes this proposal requires "fifty percent of the state tax withholdings" to go directly to the new fund created in this proposal. Oversight will assume a loss to General Revenue of the withholding tax and a gain to the Port Authority AIM Zone Fund of the withholding tax. Since there is no way to determine if additional jobs will come to these regions, Oversight will reflect the impact as \$0 (no new jobs created) to Unknown.

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
GENERAL REVENUE			
<u>Revenue Reduction</u> - loss of withholding tax	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
<u>Cost - Treasurer Office</u>			
Personal Service	(\$29,245)	(\$35,445)	(\$35,799)
Fringe Benefits	(\$14,916)	(\$18,079)	(\$18,259)
Equipment and Expenses	<u>(\$8,950)</u>	<u>\$0</u>	<u>\$0</u>
<u>Total Costs</u> - Treasurer Office	(\$53,111)	(\$53,524)	(\$54,058)
FTE Change - Treasurer Office	1 FTE	1 FTE	1 FTE
<u>Cost - Department of Revenue</u>			
computer programming change order	<u>\$0</u>	<u>(\$350,000)</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(\$53,111 to Unknown)</u>	<u>(\$403,524 to Unknown)</u>	<u>(\$54,058 to Unknown)</u>
Estimated Net FTE Effect on General Revenue	1 FTE	1 FTE	1 FTE
PORT AUTHORITY AIM ZONE FUND			
<u>Revenue</u> - withholding tax collected from the new jobs	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
<u>Transfer Out</u> - to local port authorities	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
ESTIMATED NET EFFECT ON PORT AUTHORITY AIM ZONE FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
PORT AUTHORITY FUNDS			
<u>Transfer In</u> - from the Port Authority AIM Zone Fund	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
<u>Cost</u> - administration of port authority development	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>
ESTIMATED NET EFFECT ON PORT AUTHORITY FUNDS	<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 legislation authorizes any Missouri port authority to establish an Advanced Industrial Manufacturing Zone for the development or redevelopment of certain structures.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

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SOURCES OF INFORMATION

Department of Economic Development
Department of Revenue
Missouri Department of Transportation
Office of State Treasurer
Office of Administration
Division of Budget and Planning



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