

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3484-01
Bill No.: HB 1421
Subject: Economic Development; Higher Education.
Type: Original
Date: February 24, 2004

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
General Revenue	(\$6,731,772)	(\$8,079,688)	(\$8,081,685)
Total Estimated Net Effect on General Revenue Fund	(\$6,731,772)	(\$8,079,688)	(\$8,081,685)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Missouri Community College Job Training Retention Program*	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds*	\$0	\$0	\$0

* Subject to appropriation

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of the State Treasurer, Department of Higher Education** and the **Office of Administration - Divisions of Accounting and Personnel** each assume the proposal would not fiscally impact their respective agencies.

Officials from the **Office of the State Courts Administrator** assume the proposal would not fiscally impact the courts.

Officials from the **Department of Revenue (DOR)** state this legislation is worded similar to current statute on the New Jobs Training Program. Business Tax would need to develop a form identical to what is currently used in the MO-JTC for employers to use if application has been approved.

DOR states that the Department of Economic Development would be the approving agency, along with Office of Administration, and the businesses would be advised if they have been approved. Legislation indicates DOR's responsibility would be to collect and process. DOR's Taxation division does not anticipate a large number of these withholding employers to be

ASSUMPTION (continued)

affected by this legislation and the withholding tax system will utilize the current JTC programming for processing. Therefore, it is anticipated that there will not be any additional administrative impact.

DOR also states that withholding taxes could be deferred to the Missouri Community College Job Retention Training Program Fund, reducing Total State Income.

Officials from the **Office of Secretary of State (SOS)** assume there would be costs due to additional publishing duties related to the Department of Economic Development's authority to promulgate rules, regulations, and forms. SOS estimates the division could require approximately 20 new pages of regulations in the Code of State Regulations at a cost of \$27.00 per page, and 30 new pages in the Missouri Register at a cost of \$23.00 per page. Costs due to this proposal are estimated to be \$1,230, however, the actual fiscal impact would be dependent upon the actual rule-making authority and may be more or less. Financial impact in subsequent fiscal years would depend entirely on the number, length, and frequency of the rules filed, amended, rescinded, or withdrawn. SOS does not anticipate the need for additional staff as a result of this proposal, however, the enactment of more than one similar proposal may, in the aggregate, necessitate additional staff.

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. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Officials from the **Department of Economic Development - Division of Workforce Development (DWD)** state they would coordinate and conduct many aspects of the Retained Jobs Training Program. DWD assumes they would need 1.5 FTE Workforce Development Specialist IVs (each at \$45,156 annually) to implement this bill. The requested positions would be responsible for evaluating the proposed projects within the overall job training efforts of the state, ensuring that the project will not duplicate other job training programs, and determining the relocation risk of businesses that apply for the program. It is also estimated that an \$8 million appropriation from the Missouri Community College Job Retention Program Fund would be needed to retire certificates issued.

DWD assumes the cost of the required FTE and corresponding fringe benefits and expense and equipment would cost roughly \$101,000 per year to the General Revenue Fund.

ASSUMPTION (continued)

The DWD states this proposal mirrors an existing program currently in place that is utilized for new jobs (Community College New Jobs Training Program). Currently, this program has \$55 million in certificates outstanding, and requires at least \$16 million annually in appropriations to retire these certificates. Since the program in this proposal is allowed to issue roughly half of the certificates outstanding as compared to the existing program (\$25 million versus \$55 million), DWD assumes the payments needed to retire the certificates under the proposal would also be roughly half, or \$8 million annually. This takes into account principle plus interest, and the fact that most of the projects are retired before the eight to ten year window allowed (as specified in subdivision (2) of section 178.981).

Oversight has adjusted the salary of the 1.5 FTE Workforce Development Specialist IVs to better represent actual salaries of state workers with the same title within the Division of Workforce Development.

Oversight will assume that the junior college districts will sell all of the \$25 million in certificates available per Section 178.983 in Fiscal Year 2005. Oversight will utilize DWD's estimate for appropriations needed to retire the certificates.

Oversight will also assume that all proceeds deposited into the Missouri Community College Jobs Training Retention Program Fund will be disbursed each year.

Officials from the **Metropolitan Community College**, **Mineral Area College** and the **St. Charles Community College** did not respond to our request for fiscal impact.

This proposal could reduce Total State Revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
GENERAL REVENUE			
<u>Costs - Department of Economic Development (DED)</u>			
Personal Service (1.5 FTE)	(\$45,146)	(\$55,542)	(\$56,931)
Fringe Benefits	(\$18,695)	(\$22,994)	(\$23,569)
Expense and Equipment	(\$931)	(\$1,152)	(\$1,185)
Total Costs (DED)	(\$64,772)	(\$79,688)	(\$81,685)

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2005 (10 Mo.)	FY 2006	FY 2007
<u>Transfer Out</u> - Percentage of gross wages paid to project employees transferred to Missouri Community College job training retention program fund	<u>(\$6,667,000)</u>	<u>(\$8,000,000)</u>	<u>(\$8,000,000)</u>
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	<u>(\$6,731,772)</u>	<u>(\$8,079,688)</u>	<u>(\$8,081,685)</u>
MISSOURI COMMUNITY COLLEGE JOB TRAINING RETENTION PROGRAM FUND			
<u>Transfer In</u> - Percentage of gross wages paid to project employees transferred from the General Revenue Fund	\$6,667,000	\$8,000,000	\$8,000,000
<u>Expense</u> - appropriations to community college districts of withholding taxes collected per the agreements *	<u>(\$6,667,000)</u>	<u>(\$8,000,000)</u>	<u>(\$8,000,000)</u>
ESTIMATED NET EFFECT TO THE MISSOURI COMMUNITY COLLEGE JOB TRAINING RETENTION PROGRAM FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

* Subject to Appropriation

FISCAL IMPACT - Local Government

FY 2005
(10 Mo.)

FY 2006

FY 2007

**COMMUNITY COLLEGE
 DISTRICTS SPECIAL PROJECTS
 FUNDS**

Income - appropriations from the
 Missouri junior college retained job
 training fund

\$6,667,000

\$8,000,000

\$8,000,000

Income - other income received by the
 district required by the agreement

Unknown

Unknown

Unknown

Expenses - program costs for the projects

(Unknown)

(Unknown)

(Unknown)

**ESTIMATED NET EFFECT TO THE
 COMMUNITY COLLEGE
 DISTRICTS SPECIAL PROJECTS
 FUNDS**

\$0

\$0

\$0

FISCAL IMPACT - Small Business

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

DESCRIPTION

This proposal creates the authority for community college districts to enter project agreements, with the approval of the Department of Economic Development after consultation with the Office of Administration, with employers who have retained jobs that represent a substantial investment in technology or that were at risk of relocation out of state. The proposal specifies the requirements for qualifying employers. Community colleges will provide job training, skills assessments, and training facilities, among other services, and may subcontract with other public and private colleges and with governmental agencies. The agreements may provide that program costs would be met by receipt of retained jobs credits from withholding, based on 2.5% of the gross wages paid to employees in the first 100 retained jobs and 1.5% for any additional retained jobs. The employer is responsible for meeting any shortfall in withholdings. Community college districts may issue industrial retained job training certificates to provide funds for the payment of costs of the programs, with a statewide cap of \$25 million. The

DESCRIPTION (continued)

proposal also sets timetables for approval of projects; establishes special funds; and regulates the disbursement of moneys to those funds, certification of withholdings, and borrowing for and issuance of certificates by community college districts.

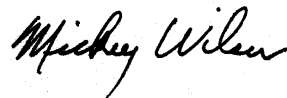
The provisions of the proposal will expire six years from the effective date and no certificates can be sold after July 1, 2014.

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
 Division of Workforce Development
Office of Administration
 Accounting
 Personnel
Department of Revenue
Office of the State Courts Administrator
Office of the Secretary of State
Office of the State Treasurer
Coordinating Board of Higher Education

**NOT RESPONDING: Metropolitan Community College, Mineral Area College St.
Charles Community College**



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Director
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