

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4363-01
Bill No.: HB 1635
Subject: Economic Development; Cities, Towns and Villages
Type: Original
Date: January 19, 2010

Bill Summary: This proposal creates provisions for the establishment 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 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
Total Estimated Net Effect on General Revenue Fund	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)

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 **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 bill.

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 620.1894.1(7)(b) - 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 new form would look similar to the current Employer's Return of Income Taxes Withheld Form (MO-941), but would have an additional withholding line (Line 2) for withholdings from these new employees located in the MO-JFF district.

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

Section 620.1894.9

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 \$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.

ASSUMPTION (continued)

Officials from the **Office of Administration - Budget and Planning (BAP)** state they have identified the following sections which may have budget or revenue implications:

- Section 620.1894.1 - 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.
- Section 620.1894.9 & 11 - MO-JFF revenues shall be transferred from GR to the appropriate municipalities. This distribution is subject to appropriation.
- 620.1894.10 - The municipalities shall deposit these revenues in the MO-JFF Projects Financing Fund. Disbursements from such fund are subject to appropriation.
- 620.1895.15 - MO-JFF revenues shall not preclude other public incentives.
- 620.1895.19 - portions of certain public salaries and expenses may be borne by the MO-JFF revenues. 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 state new 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, and 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 GR to a specific program, thereby increasing budget expenditures. This proposal could reduce available revenues if incentives exceed benefits.

Officials from the **Office of the State Treasurer** did not respond to our request for fiscal impact.

Officials from the cities of **Springfield, St. Joseph** and **Peculiar** did not respond to our request for fiscal impact.

ASSUMPTION (continued)

Officials from the **University of Missouri** 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.

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

<u>FISCAL IMPACT - Local Government</u>	FY 2011 (10 Mo.)	FY 2012	FY 2013
LOCAL POLITICAL SUBDIVISION			
<u>Income</u> - from State General Revenue Fund - incremental increase in sales tax and income tax	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
<u>Costs</u> - associated with MO-JFF plans, MO-JFF projects and MO-JFF districts	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</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 proposal establishes the Missouri Jobs for the Future plan (MO-JFF), which:

- (1) Allows the governing body of a municipality to establish a MO-JFF district. A MO-JFF project may be implemented in the district according to a MO-JFF plan. The district, plan, and project must be established or adopted by ordinance.
- (2) Defines "MO-JFF revenues" as 50% of the incremental increase in the general revenue portion of eligible state sales tax revenues received under Section 144.020 and up to 100% of the state income tax withheld on behalf of new employees by the businesses located within the MO-JFF district. Sales tax revenue attributable to retail sales will only be included in this amount if it can be proven that the sales tax revenue is attributable to new sources which did not exist in the district in the baseline year. The proposal specifies what portion of sales tax revenue will be deemed MO-JFF revenue for businesses that existed before the formation of the district and for businesses which relocate to the district;
- (3) Requires a MO-JFF project to be completed within 25 years; and
- (4) Specifies that a MO-JFF project cannot obtain land by eminent domain.

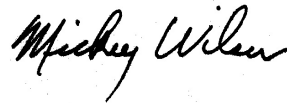
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

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

SOURCES OF INFORMATION (continued)

NOT RESPONDING:
Office of the State Treasurer
University of Missouri
Springfield
St. Joseph
Peculiar

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
January 19, 2010