

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3787-01
Bill No.: HB 1283
Subject: Tourism; Economic Development; Department of Economic Development
Type: Original
Date: March 2, 2020

Bill Summary: This proposal changes the laws regarding the Division of Tourism Supplemental Revenue Fund.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
General Revenue*	Could exceed (\$20,500,000)	Could exceed (\$20,500,000)	Could exceed (\$20,500,000)
Total Estimated Net Effect on General Revenue	Could exceed (\$20,500,000)	Could exceed (\$20,500,000)	Could exceed (\$20,500,000)

*This is a continuation of an existing program at the current rate. (Appropriation currently in HB 2007 (2020) is \$20.6 million (7.120)). This section (§620.467) is currently set to expire 06/30/20.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Division of Tourism Supplemental Revenue Fund (0274)*	Could exceed \$20,500,000	Could exceed \$20,500,000	Could exceed \$20,500,000
Total Estimated Net Effect on <u>Other</u> State Funds	Could exceed \$20,500,000	Could exceed \$20,500,000	Could exceed \$20,500,000

*This is a continuation of an existing program at the current rate. (Appropriation currently in HB 2007 (2020) is \$20.6 million (7.120)). This section (§620.467) is currently set to expire 06/30/20.

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Total Estimated Net Effect on FTE	0	0	0

☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any
 Of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration - Budget & Planning Division (B&P)** state this proposal will have no direct impact on General Revenue (GR) and Total State Revenues (TSR).

This proposal makes the following changes to the statutory funding formula for the Division of Tourism Supplemental Revenue Fund: 1) increases the budget base to \$20,500,000 starting in Fiscal Year 2021, 2) extends the sunset to 2025 and 3) updates the language for "sales of tourism-oriented goods and services" to 45 different NAICS codes rather than 17 SIC codes.

This funding is subject to appropriation. B&P notes the appropriated Fiscal Year 2020 transfer to the Tourism Supplemental Revenue Fund is \$20,514,326.

Oversight notes B&P assumes there will be no direct fiscal impact to GR or TSR as a result of this proposed legislation.

Officials from the **Missouri Department of Economic Development (DED)** state this proposed legislation resets the funding formula base from the \$6,000,000 (established in 1994) to the current Fiscal Year 2020 appropriation amount of \$20,500,000. DED states the proposed legislation sets the base to a more realistic amount.

DED notes this proposed legislation eliminates the language in current law which refers to the (1994) \$6,000,000 dollar base payback which was completed in Fiscal Year 2002 which, therefore, no longer applies.

DED notes this proposed legislation updates the outdated U.S. Census Bureau's SIC codes (Standard Industrial Classification codes) to the newer NAICS codes (North American Industry Classification System codes). DED further notes the update will not result in a change to the information gathered from such codes. Rather, NAICS codes are much more detailed than SIC codes and therefore, NAICS codes include less entities under each code compared to the older SIC codes. DED and the Missouri Department of Revenue worked together to ensure the same information is being captured from the NAICS codes.

DED states this proposed legislation would extend the sunset date of the formula from June 30, 2020 to June 30, 2025.

DED assumes an unknown impact to GR as this budget is subject to appropriation.

ASSUMPTION (continued)

Oversight notes DED is unable to quantify a fiscal impact as the transfers to the Division of Tourism Supplemental Revenue Fund is subject to appropriation.

Oversight notes the **Missouri Department of Revenue** and the **Missouri State Treasurer's Office** have stated the proposed legislation would not have a direct fiscal impact on their respective organizations. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these organizations.

Oversight notes this proposed legislation increases the budget base to the Division of Tourism Supplemental Revenue Fund (0274) from \$6 million to \$20.5 million beginning Fiscal Year 2021.

This proposed legislation further updates the method in which sales tax collections for “retail sales of tourist-oriented goods and services” are evaluated by removing the current SIC codes used and replacing such with newer NAICS codes. Oversight notes DED and the Missouri Department of Revenue worked together to ensure the same information is being captured from the newer NAICS codes.

Oversight notes this proposed legislation extends the expiration date for which the Division of Tourism Supplemental Revenue Fund shall receive a portion of general revenue, through appropriation, from June 30, 2020 (Fiscal Year 2020) to June 30, 2025 (Fiscal Year 2025).

Oversight notes HB 7 (2019) appropriated \$20,514,326 to the Division of Tourism Supplemental Revenue Fund for Fiscal Year 2020.

Oversight assumes the Division of Tourism Supplemental Revenue Fund is subject to appropriation each year and, therefore, the fiscal impact cannot be quantified until future appropriations are made by the General Assembly.

Oversight notes, even though the Division of Tourism Supplemental Revenue Fund is currently set to expire 06/30/20, there is a \$20,588,043 appropriation in HB 2007 (2020 [7.120]). The table below shows the appropriation to the Division of Tourism Supplemental Revenue Fund since 2017:

Year	Section	Appropriation
2017	7.145	\$20.95 million
2018	7.150	\$15.7 million
2019	7.120	\$20.5 million
2020*	7.120	\$20.59 million
* Currently in HB 2007 (2020)		

ASSUMPTION (continued)

For purposes of this fiscal note, Oversight will report a negative fiscal impact to GR in an amount that “Could exceed” the budget base [\$20.5 million] established under this proposed legislation as this is a continuation of an existing program at the current appropriation levels.

Oversight will report a positive fiscal impact to the Division of Tourism Supplemental Revenue Fund in an amount that “Could exceed” the budget base [\$20.5 million] established under this proposed legislation as this is a continuation of an existing program at the current appropriation levels..

<u>FISCAL IMPACT - State Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
GENERAL REVENUE			
<u>Revenue Reduction</u> - Section 620.467 - Extended expiration date for General Revenue appropriations to the Division of Tourism Supplemental Revenue Fund (0274)*	Could exceed <u>(\$20,500,000)</u>	Could exceed <u>(\$20,500,000)</u>	Could exceed <u>(\$20,500,000)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>Could exceed</u> <u>(\$20,500,000)</u>	<u>Could exceed</u> <u>(\$20,500,000)</u>	<u>Could exceed</u> <u>(\$20,500,000)</u>
DIVISION OF TOURISM SUPPLEMENTAL REVENUE FUND (0274)			
<u>Revenue Gain</u> - Section 620.467 - Extended expiration date for General Revenue appropriations to the Division of Tourism Supplemental Revenue Fund*	Could exceed <u>\$20,500,000</u>	Could exceed <u>\$20,500,000</u>	Could exceed <u>\$20,500,000</u>
ESTIMATED NET EFFECT ON DIVISION OF TOURISM SUPPLEMENTAL REVENUE FUND	<u>Could exceed</u> <u>\$20,500,000</u>	<u>Could exceed</u> <u>\$20,500,000</u>	<u>Could exceed</u> <u>\$20,500,000</u>

*This is a continuation of an existing program at the current rate. (Appropriation currently in HB 2007 (2020) is \$20.6 million (7.120)). This section (§620.467) is currently set to expire 06/30/20.

FISCAL IMPACT - Local Government

FY 2021
(10 Mo.)

FY 2022

FY 2023

\$0

\$0

\$0

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

Currently, the Division of Tourism Supplemental Revenue Fund expires June 30, 2020. This bill increases the budget base from \$6.2 million to \$20.5 million dollars and changes the expiration date to June 30, 2025.


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

Office of Administration - Budget & Planning Division
Missouri Department of Economic Development
Missouri Department of Revenue
Missouri State Treasurer's Office



Julie Morff
Director
March 2, 2020



Ross Strobe
Assistant Director
March 2, 2020