COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0551S.07A
Bill No.: SS No. 3 for HCS for HB 268 with SA 1, SA 2, SA 3, SA 4 and SA 5
Subject: Economic Development; Department of Economic Development; Administrative Rules; Boards, Commissions, Committees, and Councils; Tax Credits; Children and Minors
Type: Original
Date: May 8, 2023

Bill Summary: This proposal modifies provisions relating to the promotion of business development.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
General Revenue Fund*/**/***	Up to ($49,151,777)	Up to ($71,844,878)	Up to ($87,884,478)
Total Estimated Net Effect on General Revenue	**Up to ($49,151,777)**	**Up to ($71,844,878)**	**Up to ($87,884,478)**

*Oversight notes the above cost includes the maximum cap in tax credits of $20 million per year as well as the potential add-on 15% adjustment ($3M) for childcare for all three Sections. Section(s) 135.1310 & 135.1325 "Child Care Contribution Tax Credit Act" and the "Employer-Provided Child Care Assistance Tax Credit Act" respectively, begin in FY 2024. Section 135.1350 "Child Care Providers Tax Credit" begins in FY 2025. Additionally, FTE for DOR, DED and DESE. Lastly, cost includes DESE & DOR cost for ITSD creation of database and software changes.
**Oversight notes that this proposal, Sections 620.3900 to 620.3930, provides regulatory relief (depending upon sandbox participants) and potentially resulting in a loss to general revenue, various state funds, and local political subdivisions. Additionally, this proposal would require DED FTE that would impact the General Revenue Fund. Lastly, the positive amount shown represents payment for application fees ($300) which must be paid on order to participate in the Sandbox program (creating potential revenue gain)
***Oversight notes Section 620.3500 to 620.3530 establishes Missouri Rural Workforce Development Act with up to $16 million cap annually (credits could begin in FY 2026).

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Blind Pension Fund (0621)	$0	Could exceed or less than ($166,017)	Could exceed or less than ($391,557)
Various Other State Funds	Could exceed ($50,000)	Could exceed ($50,000)	Could exceed ($50,000)
Total Estimated Net Effect on Other State Funds	**Could exceed ($50,000)**	**Could exceed ($216,017)**	**Could exceed ($441,557)**

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
General Revenue Fund – DED	10 FTE	10 FTE	10 FTE
General Revenue Fund – DESE	4 FTE	4 FTE	4 FTE
General Revenue – DOR	1 FTE	1 FTE	1 FTE
General Revenue – OA	5 FTE	5 FTE	5 FTE
Total Estimated Net Effect on FTE	**20 FTE**	**20 FTE**	**20 FTE**

☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed $250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

☐ Estimated Net Effect (savings or increased revenues) expected to exceed $250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Local Government*	**$0**	**Could exceed or less than ($36,858,082)**	**Could exceed or less than ($87,179,422)**

***Oversight** notes property tax revenues are designed to be relatively revenue neutral from year to year. The tax rate is adjusted relative to the assessed value to produce roughly the same revenue from the prior year with an allowance for growth. Therefore, this proposal may result in a higher tax rate relative to current law thus distributing more of the tax burden to real property owners (as motor vehicle assessed values decrease).

FISCAL ANALYSIS

ASSUMPTION

34.195 Right To Start Act and 620.3800 "Office of Entrepreneurship"

In response to the similar proposal, SB 593 – 2023, officials from the **Office of Administration (OA)** assumed this bill requires OA to file a report annually with the General Assembly about the number of contracts awarded to contractors who have been in business for less than 3 years. It is unknown from the bill language if this applies to contracts awarded after the bill goes into effect or if this will apply to all contracts that were in place even before the bill goes into effect.

The answer to this questions helps us to understand the fiscal impact to the Division. If the answer is that this would apply to all contracts that were in place even before the bill goes into effect, this will require OA-Purchasing to examine each of its awarded contractors to determine how long they have been in business and to track such information in order to create the report. OA-Purchasing estimates that this will take approximately 1 hour per awarded contract. OA-Purchasing has over 2,000 contracts, they estimated that one hour per contract to obtain the information and log so for a total of $43,269.23 (2000 hours x $21.63 per hour).

For any newly awarded contracts after the bill goes into effect, OA-Purchasing assumes it will also need to update its bid/contract forms in order to gather necessary information from contractors and update its internal policies and procedures to set standards about how this determination will be made. OA-Purchasing estimates that it will take approximately 200 hours of initial work to develop and implement these changes at a cost of (200 x $38.20 per hour) $7,640 and then 200 hours each year thereafter to track and maintain the information for the annual report to the General Assembly .

OA-Purchasing already has databases on the number and total dollar amount of contracts awarded to businesses owned by minority and women owned businesses as well as Missouri veteran-owned businesses and the effort to track and maintain such information for the annual report is included in the 200 hours specified above.

However, clarity is needed on the following items to determine the level of fiscal impact:

1. Does this apply only to contracts awarded under Chapter 34 authority by the Office of Administration, Division of Purchasing or does this also apply to all departments making purchases under Chapter 34 authority including those purchases under the no bid limit or within the departments delegated procurement authority? Each department retains records for their purchases rather than OA having those records.
2. Is the age of the company only relevant at time of contracting or if the contract continues for multiple years and the contractor becomes more than 3 years old, do we stop counting them as a 3 or less years old contractor for reporting purposes?
3. Is the age of the company determined by their Articles of Incorporation on file with SOS?
4. if they are a foreign company, do we count 3 years from start in that other state, or do we go with 3 years from registration in Missouri?

Division of Personnel (DOP) - This bill appears to establish the Office of Entrepreneurship within the Department of Economic Development. It is assumed that the Office of Administration -Division of Personnel's team members would be required to provide assistance in establishing the new division.

The fiscal impact of this bill is determined by the total number of hours estimated (10 hours) multiplied by the average salary of Division of Personnel team members ($30.40) plus the added cost to update MoCareers, the State's centralized application platform ($300.00). Therefore, the total fiscal impact would be $604.00.

FMDC's response - 34.195 - This bill requires OA to file a report annually with the General Assembly about the number of contracts awarded to contractors who have been in business for less than 3 years. This will require FMDC to examine each of its awarded contractors to determine how long they have been in business and to track such information in order to create the report. FMDC estimates that this will take approximately 1 hour per awarded contract. FMDC awards approximately 500 contracts per year. FMDC estimates that it will take approximately 200 hours of initial work to develop and implement these changes. Therefore, the estimate impact to staff time from this section is 700 hours at a rate of $36.70 totaling $25,690.

At this time, it is believed that the additional staff time and resources can be absorbed by FMDC. However, if there are multiple pieces of legislation passed where FMDC has responded that the costs can be absorbed, FMDC would need to reevaluate to see if additional staff and associated expenses would then be required.

Oversight notes the OA assumed the proposal will have a direct fiscal impact on their Department. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a cost of annual report $7,640 per each year and one time cost for a staff time, to review contracts, at $43,269 in FY 2024 in the fiscal note.

Officials from the **Department of Economic Development (DED)** assume the proposal, Section 34.195, establishes the "Right-to-Start Act", which includes reporting requirements in conjunction with the proposed Office of Entrepreneurship.

Section 620.3800 creates, within DED, the "Office of Entrepreneurship".

DED is responsible for administering the "Office of Entrepreneurship" and shall employ an individual to promote policies and initiatives to support the growth of entrepreneurship in the state. The Office of Entrepreneurship is also responsible for preparing a report for the general assembly making recommendations on improving access and resources for new Missouri businesses that have been in operation for less than three years. DED will need 1.0 FTE to administer the Office of Entrepreneurship.

Oversight notes the DED assumes the proposal will have a direct fiscal impact on their Department. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a cost of one FTE (Division Program Analyst at $80,000 annually) in the fiscal note.

<u>Section(s) 135.1310, 135.1325, & 135.1350 Child Care Contribution Tax Credits</u>

Officials from the **Office of Administration – Budget & Planning (B&P)** note:

<u>Section 135.1310 – Child Care Contribution Tax Credit Act</u>

This section would create a tax credit for donations made to eligible childcare providers. The tax credits would begin for tax year 2023 and be equal to 75% of a qualifying donation. B&P notes that this provision may impact revenues beginning in FY24, when tax year 2023 annual income tax returns are filed.

A taxpayer may receive a tax credit of $100 ($175 donation) to $200,000 ($350,000 donation). The tax credits are non-refundable, unless a qualifying contributor is a 501(c)(3) non-profit. The tax credits may not be sold, transferred, or otherwise conveyed. The tax credits may be carried back one year and/or carried forward for up to five years.

Per subdivision 135.1310.8(1), no more than $20 million in tax credits may be authorized per year. However, per subdivision 135.1310.8(2) if the full $20 million is authorized, then an addition 15% ($3 million) may be authorized. The additional $3 million may only be used for contributions made to childcare facilities located within a childcare desert. Therefore, B&P estimates that this provision may reduce TSR and GR by up to $23 million annually beginning in FY24.

Section 135.1325 – Employer Provided Child Care Assistance Tax Credit Act

This section would create a tax credit for qualified childcare expenditures. The tax credits would begin for tax year 2023 and be equal to 30% of qualifying expenditures. B&P notes that this provision may impact revenues beginning in FY24, when tax year 2023 annual income tax returns are filed.

A taxpayer may receive a tax credit of up to $200,000 ($260,000 expenditures). The tax credits are non-refundable, unless a qualifying taxpayer is a 501(c)(3) non-profit. The tax credits may not be sold, transferred, or otherwise conveyed. The tax credits may be carried back one year and/or carried forward for up to five years.

Per subdivision 135.1325.7(1), no more than $20 million in tax credits may be authorized per year. However, per subdivision 135.1325.7(2) if the full $20 million is authorized, then an addition 15% ($3 million) may be authorized. The additional $3 million may only be used for childcare facility expenditures located within a childcare desert. Therefore, B&P estimates that this provision may reduce TSR and GR by up to $23 million annually beginning in FY24.

Section 135.1350 – Child Care Providers Tax Credit Act

This section would create two tax credits starting in tax year 2024. For childcare providers with at least three employees, the provider may claim a tax credit equal to qualified withholdings and/or a tax credit equal to 30% of capital expenditures. A childcare provider must make at least $1,000 in capital expenditures to claim the capital expenditures credit. B&P notes that this provision may impact revenues beginning in FY25, when tax year 2024 annual income tax returns are filed.

A taxpayer may receive a maximum tax credit of up to $200,000 per year. B&P notes that the $200,000 per taxpayer limit is for both tax credits. Therefore, a taxpayer may either use $200,000 in withholding taxes or $1,000 in capital expenditures and any combination in between to claim the maximum credit.

The tax credits are non-refundable, unless a qualifying taxpayer is a 501(c)(3) non-profit. The tax credits may not be sold, transferred, or otherwise conveyed. The tax credits may be carried back one year and/or carried forward for up to five years.

Per subdivision 135.1350.7(1), no more than $20 million in tax credits may be authorized per year. However, per subdivision 135.1350.7(2) if the full $20 million is authorized, then an addition 15% ($3 million) may be authorized. The additional $3 million may only be used for childcare facility expenditures located within a childcare desert. Therefore, B&P estimates that this provision may reduce TSR and GR by up to $23 million annually beginning in FY25.

Officials from the **Department of Revenue (DOR)** note:

Section 135.1310 Child Care Contribution Tax Credit Act

Starting January 1, 2023, a qualified taxpayer would be able to claim a tax credit against their state tax liability, in the amount of 75% of a qualified contribution to a qualified child care provider. The qualifying contribution could be cash, stocks, bonds or securities. To be a qualified child care provider the provider must be licensed under Section 210.221. The minimum amount of the credit that may be issued in credit is $100 ($175 donation) while the maximum qualifying amount of the credit is limited to $200,000 ($350,000 donation) annually.

The child care provider receiving the contribution must issue a written verification of the contribution to the taxpayer and file a copy with the Department of Economic Development (DED). This proposal allows the credit to be recaptured if the contribution is not used for providing child care.

This credit is not refundable, and cannot be transferred or sold but they can be carried forward up to five years or carried back one year. The credits are to be distributed on a first-come, first-serve basis with a cumulative $20 million annual cap. This proposal will sunset on December 31, 2029. This proposal allows that if the cumulative $20 million cap is authorized in a single year, then the credit can be increased by 15%. However, the increased amount is reserved for child care providers in a child care desert. It should be noted that the cap resets to $20 million each year.

This proposal does establish a provision in Section 135.1310.7, that should a tax exempt organization as defined by the IRS qualify to receive the credit, they would be able to have the credit refunded to them without having a state tax liability. This allows DOR to establish a procedure should such an organization qualify for the credit.

This provision says the credit is to begin with tax years beginning on or after January 1, 2023. However, this proposal would not be effective until August 28, 2023 (FY 2024) and contributions could not be made nor credits distributed until after that date. This could impact the Department starting when the tax returns are filed in January 2024.

Fiscal Year	**Loss to General Revenue**
2024	(Could exceed $20,000,000)
2025	(Could exceed $20,000,000)
2026	(Could exceed $20,000,000)

This would be a new income tax credit and it would be added to the MO-TC and information about the credit would be added to DOR’s website and changes would be needed in the individual income tax system. DOR notes the costs to update these items is $7,193. DOR assumes DOR will need at least 1 Associate Customer Service Representative ($31,200) to handle the new credits being redeemed. Additional FTE may be needed in the future if the number of new credit redemptions exceed the following amounts the Department would ask for additional FTE through the budget process if justified.

- 1 FTE Associate Customer Service Representative for every 6,000 credits redeemed
- 1 FTE Associate Customer Service Representative for every 7,600 errors/correspondence generated

Section 135.1325 Employer Provided Child Care Assistance Tax Credit

Starting January 1, 2023, a qualified taxpayer would be able to claim a tax credit in the amount of 30% of a qualified child care expenditures paid or incurred with respect to a child care facility. This proposal identifies what is a qualifying expenditure and facility. The maximum amount of credits that can be issued to any taxpayer is $200,000 annually.

This credit is not refundable, and cannot be transferred or sold but they can be carried forward up to five years and carried back one year. The credits are to be distributed on a first-come, first-serve basis with a cumulative $20 million annual cap. This proposal will sunset on December 31, 2029.

This proposal allows that if the cumulative $20 million cap is authorized in a single year, then the credit can be increased by 15%. However, the increased amount is reserved for child care providers in a child care desert. It should be noted that the cap resets to $20 million each year.

This proposal does establish a provision in Section 135.1325.6, that should a tax exempt organization as defined by the IRS qualify to receive the credit, they would be able to have the credit refunded to them without having a state tax liability. This allows DOR to establish a procedure should such an organization qualify for the credit.

This provision says the credit is to begin with tax years beginning on or after January 1, 2023. However, this proposal would not be effective until August 28, 2023 (FY 2024) and contributions could not be made nor credits distributed until after that date. This could impact the Department starting when the tax returns are filed in January 2024.

Fiscal Year	Loss to General Revenue
2024	(Could exceed $20,000,000)
2025	(Could exceed $20,000,000)
2026	(Could exceed $20,000,000)

This would be a new income tax credit and it would be added to the MO-TC and information about the credit would be added to their website and changes would be needed in the individual income tax system. DOR notes the costs to update these items is $7,193. DOR assumes the Associate Customer Service Representative needed for the previous credit would also handle this one. Additional FTE may be needed in the future if the number of new credit redemptions exceed the following amounts the Department would ask for additional FTE through the budget process if justified.

- 1 FTE Associate Customer Service Representative for every 6,000 credits redeemed
- 1 FTE Associate Customer Service Representative for every 7,600 errors/correspondence generated

Section 135.1350 Child Care Providers Tax Credit

Starting January 1, 2024, a qualified child care provider with three or more employees would be able to claim a tax credit in the amount equal to the child care provider's eligible employer withholding tax and may claim another credit in an amount up to 30% of the child care provider's capital expenditures. To be a qualified child care provider the provider must be licensed under Section 210.221. Capital expenditures must be greater than $1,000 to qualify for the credit. No child care provider shall receive more than $200,000 in tax credits annually.

To claim the credit the child care provide must submit an application to the Department of Economic Development (DED). If DED approves the application, they will issue the tax credits.

These two credits are not refundable, and cannot be transferred or sold but they can be carried forward up to five years or carried back one year. The credits are to be distributed on a first-come, first-serve basis with a shared cumulative $20 million annual cap. This proposal will sunset on December 31, 2029.

This proposal allows that if the cumulative $20 million cap is authorized in a single year, then the credit can be increased by 15%. However, the increased amount is reserved for child care providers in a child care desert. It should be noted that the cap resets to $20 million each year.

This proposal does establish a provision in Section 135.1310.6, that should a tax exempt organization as defined by the IRS qualify to receive the credit, they would be able to have the credit refunded to them without having a state tax liability. This allows DOR to establish a procedure should such an organization qualify for the credit.

This provision says the credit is to begin with tax years beginning on or after January 1, 2024. This could impact the Department starting when the tax returns are filed in January 2025.

Fiscal Year	Loss to General Revenue
2024	$0
2025	(Could exceed $20,000,000)
2026	(Could exceed $20,000,000)

This would be two new income tax credits and they would be added to the MO-TC and information about the credits would be added to their website and changes would be needed in the individual income tax system. DOR notes the costs to update these items is $14,386. DOR assumes the Associate Customer Service Representative needed for the previous credits would also handle these. Additional FTE may be needed in the future if the number of new credit redemptions exceed the following amounts the Department would ask for additional FTE through the budget process if justified.

- 1 FTE Associate Customer Service Representative for every 6,000 credits redeemed
- 1 FTE Associate Customer Service Representative for every 7,600 errors/correspondence generated

Oversight notes the currently DOR requesting 1 FTE (Associate Customer Representative) for each 6.000 redeemed and 7,600 error correspondence generated. Oversight will show the 1 FTE given that the proposal contains three different tax credits which could affect 2,200 child care facilities and may be taken by corporations, non-profit organizations, individuals and partnerships and that contributions may be in the form of cash, stocks, bonds, other marketable securities, or real property.

Oversight notes the Section 135.1310 allows for tax credit at minimum amount of any tax credit issued shall not be less than one hundred dollars, and shall not exceed two hundred thousand dollars per tax year.

Oversight notes that per Section 135.1325 allows for tax credit associated with the expenditures paid or incurred with respect to a child care facility.

Oversight notes if all current childcare facilities file a claim under this proposal, there could be as many as 2,500 claims, but potentially many more new developed child care facilities, that would need to be processed by the DOR. (See DESE response for current totals of licensed childcares in MO below)

Oversight notes that DOR request is reasonable, given the uncertainty of the actual utilization of the tax credits at this time, and will note the cost of 1 FTE (Associate Customer Service Representative at $31,200 annually) to the general revenue in the fiscal note beginning FY 2024.

However, **Oversight** notes the DOR might, in the future, be requesting two additional FTE to appropriately handle the potentially greater amount of tax credit returns, customer service questions, and process of the tax credits as specified in Section(s) 135.1310, 135.1325 & 135.1350.

Lastly, **Oversight** will note the one-time cost at $28,772, associated with the updates of DOR's income tax system for all sections within the proposal, in the fiscal note beginning FY 2024.

Officials from the **Department of Economic Development (DED)** note:

Section 135.1310, RSMo, creates the "Child Care Contribution Tax Credit Act"

This tax credit will be administered by the Department of Economic Development.

Child Care Desert - A census tract with poverty rate at least 20% or a median family income of less than 80% statewide average and at least 500 people or 33% of the population are located at least 1/2 mile away from a child care provider in urbanized areas or at least 10 miles away in rural areas.

Tax years beginning on or after 1/1/2023. Tax credit for contribution program. 75% tax credits. Minimum amount of any tax credit issued cannot be less than $100 and cannot exceed $200K per tax year. Credits are not transferable, sellable or refundable. 5-year carry forward period. Tax credits approved first-come-first-served.

Program cap: $20M per CY. If the full amount is authorized in a CY, the cap for the next CY will be increased by 15%. That increased amount must be used for child care providers located in a child care desert. The DED Director must publish the new amount. Contribution verifications must be turned into DED with 60 days of the contribution date. Donations must be used for child care for youth age 12 and younger, including by acquiring or improving child care facilities, equipment, or services, or improving staff salaries, staff training, or the quality of child care.

The department may promulgate rules. This program will sunset on 12/31/2029, unless reauthorized by the general assembly.

<u>Section 135.1325, RSMo, creates the "Employer Provided Child Care Assistance Tax Credit Act"</u>

This tax credit will be administered by the Department of Economic Development.

Applies to tax years beginning on or after 1/1/2023.
Program cap: $20M per calendar year. If the full amount is authorized in a CY, the cap for the next CY will be increased by 15%. That increased amount must be used for child care providers located in a child care desert. The DED Director must publish the new amount. A tax credit for employers' eligible child care assistance expenditures. The tax credit is for up to 30% of child care expenditures, with a total taxable year limit of $200,000 per taxing entity. Credits are not transferable, sellable or refundable. 5-year carry forward period and 1-year carry back period. Tax credits approved first-come-first-served.

The department may promulgate rules.

This program will sunset on 12/31/2029, unless reauthorized by the general assembly.

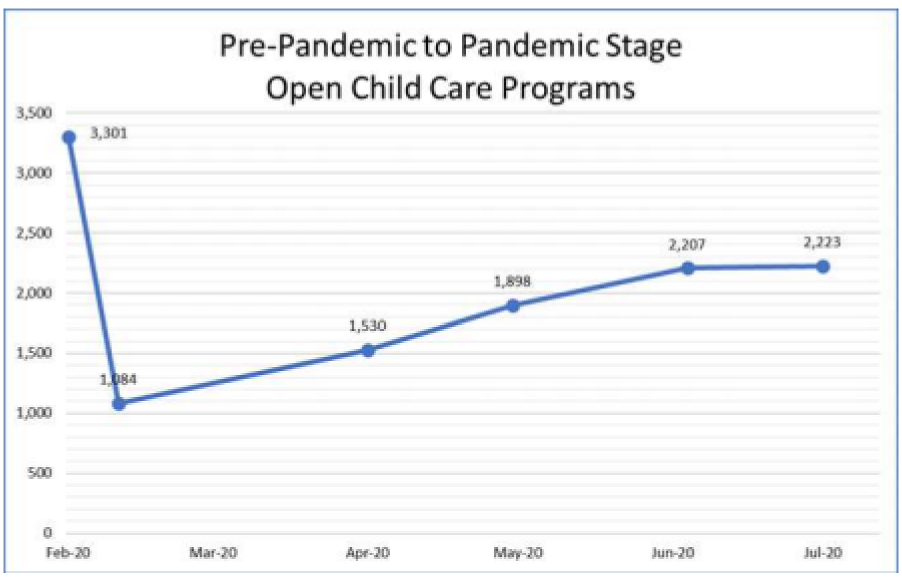
135.1350. creates the "Child Care Providers Tax Credit Act". Administered by the Department of Elementary and Secondary Education.

DED will need to hire 5.0 FTE to administer the two DED programs included in the act. The two DED administered tax credit programs will likely reduce annual TSR by $20M each ($40M total)

Oversight notes that per article from Childcare Aware of Missouri, as shown in the chart below, since the pandemic, of the 115 counties in Missouri, the number of child care desert counties have increased by 49%.

	February 2020	**June 2020**	**Increase (%)**
Total Counties	115	115	
Total Population	5,988,927	5,988,927	
Desert Counties	63	94	49%

Oversight notes that recent research from Child Care Landscape in Missouri noted there were 3,301 open child care programs in CCAMO's database prior to the pandemic. (These include fully licensed programs and home care providers who do not require licensing.) As of late July 2020, the number of open programs decreased to 2,223 and most are operating at partial capacity. Many programs closed temporarily at the beginning of the pandemic.



Resulting Effect on Counties that are Child Care Deserts

https://mochildcareaware.org/wp-content/uploads/2020/08/Child-Care-Landscape-Data-Report-Full-Report.pdf

Oversight notes that for informational purposes the Office of Childhood (DESE) provided Oversight with last six years statistic on licensed childcare facilities in Missouri as follows:

Year	**Licensed Childcare Provider – Sum**

2017	1,676
2018	1,594
2019	1,488
2020	1,191
2021	1,324
Reported as of 11/2022	1,176

Oversight notes the Missouri Childcareaware research shows that throughout FY 2020, 1078 facilities closed or temporarily closed their door to service the Missouri communities. Additionally, the Missouri Office of Childhood data shows continued decline of licensed childcare facilities in Missouri throughout the last five years.

Oversight notes that Section 135.1310 "Child Care Contribution Tax Credit Act" allows taxpayers (corporations, charitable organizations which are exempt from federal income tax and whose Missouri unrelated business taxable income, if any, would be subject to the state income tax, and individuals or partnerships subject to the state income tax) to claim tax credit against state tax liability for the tax year in which a verified contribution was made.

Oversight notes the taxpayer is allowed to claim credit against the taxpayer's state tax liability for the tax year in which a verified contribution was made in an amount equal to up to seventy-five percent of the verified contribution to a childcare provider

Oversight notes that under this section the minimum amount of any tax credit issued shall not be less than one hundred dollars, and shall not exceed two hundred thousand dollars per tax year.

Oversight notes that any childcare facility receiving funds from taxpayer must provide the taxpayer with contribution verification. In case where such a facility fails to do so it must provide the taxpayer with refund of his or her contribution.

Oversight notes that the cumulative amount of tax credits authorized pursuant to this section shall not exceed twenty million dollars for each calendar year. Additionally, this section allows for additional 15% ($ 3 million add-on) in tax credits to be issued specifically to childcare facilities located in childcare deserts in Missouri. Therefore, Oversight will note the overall potential impact under the Section 135.1310 could potentially reach Up to $23 million annually beginning in FY 2024.

Oversight notes that Section 135.1325 "Employer Provided Child Care Assistance Tax Credit Act" allows, after January 1, 2023, for a taxpayer to claim a tax credit in an amount equal to thirty percent of the qualified child care expenditures paid or incurred with respect to a child care facility. Additionally, the maximum amount of any tax credit issued under this section shall not exceed two hundred thousand dollars per taxpayer per tax year.

Oversight notes the qualified expenditure includes to acquire, construct, rehabilitate, or expand property that will be, or is, used as part of a child care facility that is either operated by the taxpayer or contracted with by the taxpayer and which does not constitute part of the principal residence of the taxpayer or any employee of the taxpayer.

Oversight notes the cumulative amount of tax credits authorized pursuant to this section shall not exceed twenty million dollars for each calendar year. Furthermore, this section allows for additional 15% ($ 3 million add-on) in tax credits to be issued specifically to childcare facilities located in childcare deserts in Missouri. Therefore, Oversight will note the overall potential impact under the Section 135.1310 could potentially reach Up to $23 million annually beginning in FY 2024.

Oversight notes the Section(s) 135.1310 & 135.1325 require DED to assure implementation and compliance with both provisions. The DED assumes it will need 5 FTE in order to fully comply with the provisions. **Oversight** does not have any information to the contrary. Therefore, Oversight will note the DED projected FTE costs of 5 Senior Economic Development Specialists at $74,664 annually including fringe benefits and equipment with expense beginning in FY 2024.

Officials from the **Department of Elementary and Secondary Education (DESE)** assume Section 135.1350 proposes to develop the "Child Care Providers Tax Credit Act." This tax credit is designed to support childcare providers with a tax credit towards eligible employer withholding tax and capital expenditure investments. DESE assumes a new tax credit section would be required to administer this program. The team: one coordinator, one administrative support assistant and two program specialists, would be responsible for approval issuance, and monitoring of the credits for approximately 2,500 licensed childcare providers in the state.

Oversight notes Section 135.1350 "Child Care Providers Tax Credit Act" beginning on or after January 1, 2024, allows a childcare provider with three or more employees to claim a tax credit in an amount equal:

- to the child care provider's eligible employer withholding tax, and
- up to thirty percent of the child care provider's capital expenditures

Oversight notes that no tax credit for capital expenditures shall be allowed if the capital expenditures are less than one thousand dollars and the amount of any tax credit issued under this section shall not exceed two hundred thousand dollars per childcare provider per tax year.

Oversight notes that the cumulative amount of tax credits authorized pursuant to this section shall not exceed twenty million dollars for each calendar year. Additionally, this section allows for additional 15% ($ 3 million add-on) in tax credits to be issued specifically to childcare facilities located in childcare deserts in Missouri. Therefore, Oversight will note the overall potential impact under the Section 135.1310 could potentially reach Up to $23 million annually beginning in FY 2025.

Oversight notes all childcare providers claiming the tax credit must submit an application for the tax credit for preliminary approval to DESE.

Oversight notes this Section states that DESE may promulgate rules and adopt statements of policy, procedures, forms and guidelines to implement and administer the provisions of this section.

Oversight notes the DESE states it will need 1 Program Coordinator ($68,808 annually), 1 Administrative Support Assistant, and 2 Program Specialist in order to full implement and comply with the required provisions under this Section. **Oversight** does not have any information to the contrary. Therefore, Oversight will note the DESE projected FTE costs in the fiscal note beginning FY 2025.

DESE – ITSD Cost

Officials from the **DESE** note:

DESE is a consolidated agency under OA-ITSD. It is assumed that every new IT project/system will be bid out because all ITSD resources are at full capacity. This section will require DESE to administer the new Child Care Providers Tax Credit. DESE assumes the administration of this new credit would require the development and programming of a new system to track the tax credit applications, approvals and monitoring data. DESE estimates a cost of $500,000 for the development and initial programming with ongoing annual costs of $50,000.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect a DESE ITSD impact in FY 2024 at $500,000 and $50,000 annually thereafter in the fiscal note.

Oversight notes this Section allows for taxpayers, on or after January 1 2024, to request DESE to issue preliminary findings for the potential tax credit redemption authorization prior tax credit being given. Therefore, **Oversight** will note the onset of FTE and ITSD cost impact beginning in FY 2024.

Section 536.300 Submission of the rules for adoption, amendment, revision, or repeal of small business rules

Officials from the **Department of Revenue (DOR)** assume the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note.

Section(s) 620.3500 to 620.3530 the "Missouri Rural Access to Capital Act

Officials from the **Department of Economic Development (DED)** note:

Section 620.3500 creates the “Missouri Rural Workforce Development Act”.

This proposed legislation requires DED to accept applications from “rural funds” that seek to have an equity investment certified as a “capital investment” eligible for tax credits. A “Rural Fund” is any entity certified by DED under this proposed legislation. A “Capital Investment” is an investment in a rural fund by a rural investor that is acquired after the effective date of this proposed legislation at its original issuance solely in exchange for cash, has one hundred percent (100%) of its cash purchase price used by the rural fund to make qualified investments in eligible businesses located in this state by the third anniversary of the initial credit allowance date, and is designated by the rural fund as a capital investment and certified by DED as a capital investment.

DED notes, upon making a capital investment, a rural investor shall have a vested right to a credit against the investor’s state tax liability in an amount equal to the applicable percentage for such credit allowance date multiplied by the purchase price paid to the rural fund for the capital investment. DED states that no eligible business that receives a qualified investment, or any affiliates of such eligible business, shall directly or indirectly own or have the right to acquire an ownership interest in a rural fund.

The program will automatically sunset on 08/28/2029 unless reauthorized by an act of the general assembly.

DED will need to hire 2.0 FTE to administer the program. There will be an estimated cost of $16M per year. Impact to revenue for tax credits starts in FY26 since applicable percentage for first two credits allowance dates are zero. FTE impact starts in FY24.

Oversight will include DED’s FTE costs, as reported by DED, less the costs reported for in-state and out-of-state travel, as this proposed legislation does not require DED to inspect or audit any site(s).

In response to the similar proposal, SCS for SB 92 – 2023, officials from the **Department of Commerce and Insurance (DCI)** assumed the proposal, specifically Section(s) 620.3500 to 620.3530 could affect their agency.

A potential unknown decrease of premium tax revenues (up to the tax credit limit established in the bill) in FY2024, FY2025 and FY2026 as a result of the creation of the Missouri Rural Workforce Development Act tax credit. Premium tax revenue is split 50/50 between General Revenue and County Foreign Insurance Fund except for domestic Stock Property and Casualty Companies who pay premium tax to the County Stock Fund. The County Foreign Insurance Fund is later distributed to school districts throughout the state. County Stock Funds are later distributed to the school district and county treasurer of the county in which the principal office of the insurer is located. It is unknown how each of these funds may be impacted by tax credits each year and which insurers will qualify for the new tax credit.

The department will require minimal contract computer programming to add this new tax credit to the premium tax database and can do so under existing appropriation. However, should multiple bills pass that would require additional updates to the premium tax database, the department may need to request more expense and equipment appropriation through the budget process.

Oversight notes additional staff and expenses are not being requested by DCI with this single proposal, but if multiple proposals pass during the legislative session which require form reviews, DCI will need to request additional staff to handle the increase in workload. Therefore, Oversight will reflect the no fiscal impact assumed by DCI for fiscal note purposes.

Officials from the **Department of Revenue (DOR)** note:

Sections 620.3500 – 620.3530 Missouri Rural Workforce Development Act

This proposal would add new sections 620.3500 to 620.3530, known as the "Missouri Rural Workforce Development Act." It would be administered by DED. DOR is not mentioned in the proposal, but would be responsible for processing the tax credits claimed by taxpayers on returns and coordinate, as necessary, with DED.

Section 620.3515 sets the annual cap for the tax credit at $16 million. The credits are not refundable or sellable.

Section 620.3520 - Authorizes the tax credit, not exceeding the amount of the rural investor's income tax for the year in which the credit is claimed. Unused portions of the credit may be carried forward to the next five tax years but may not be carried back.

Section 620.3520.3 - Sets forth the circumstances under which DED may recapture from a rural investor that claimed the credit. Section 620.3520.4, provides that recaptured credits are to be re-distributed, pro rata, to credit applicants whose allocations were previously reduced. They assume that DED would notify DOR of any recaptured credits. DOR would then recalculate the taxpayer's return and bill the taxpayer for any shortcomings. DOR assumes they could absorb this duty with existing staff should it be necessary for DED to do a recapture of credits.

This proposal would become effective on August 28, 2023. This proposal states that a capital investment is any equity investment in a rural fund by a rural investor and that investment must be made AFTER the effective date of this proposal. After August 28, 2023 potential investors could make the required investments and then file an application with DED along with a $5,000 application fee. Upon certification by DED, the investors would be eligible to receive the tax credit for the six credit allowance dates. Those credit allowance dates are the date of certification and each of the five anniversary dates thereafter. Based on the requirements of the investment, for fiscal note purposes DOR will assume the first date of certification will be January 1, 2024.

This proposal states the tax credit is based on an applicable percentage of the investment. The percentage for the first two years is zero (0%) and each of the next four years the percentage is fifteen percent (15%). Therefore with a certification date of January 1, 2024, the first two years no credits would be issued. Starting January 1, 2026 the first credits would be issued. They could potentially (depending on when issued) be redeemed in that same year.

This will be a loss to general revenue of up to the $16 million cap annually starting in FY 2026.

This would be a new income tax credit and it would be added to the MO-TC and information about the credit would be added to DOR's website and changes would be needed in the individual income tax system. DOR notes the costs to update these items is $7,193. DOR assumes it can absorb this credit with existing staff. Should the number of redemptions/correspondence justify the hiring of additional FTE, the Department will request those FTE through the appropriation process.

1 FTE Associate Customer Service Rep for every 6,000 credits redeemed
- 1 FTE Associate Customer Service Rep for every 7,600 errors/correspondence generated

Oversight notes that DOR assume the proposal will function as follows:

A taxpayer qualifies for a $1 million dollar investment on January 1, 2024. Here is the estimated amount of credit received and when.

YEAR	CREDIT ALLOWANCE DATE	CREDIT AMOUNT
1/1/2024	1	$0
1/1/2025	2	$0
1/1/2026	3	$150,000 ($1,000,000 x 15%)
1/1/2027	4	$150,000 ($1,000,000 x 15%)
1/1/2028	5	$150,000 ($1,000,000 x 15%)
1/1/2029	6	$150,000 ($1,000,000 x 15%)

This will be a loss to general revenue of up to the $16 million cap annually starting in FY 2026.

Oversight notes this proposed legislation would award tax credits to rural investors who have made an equity investment in a rural fund so long as such equity investment is later certified by the Missouri Department of Economic Development as a capital investment.

In order for an equity investment to be certified as a capital investment, a rural fund must apply with the Missouri Department of Economic Development to have the equity investment certified as a capital investment. The applicant must complete an application including the amount of capital investment requested, a copy of the applicants, or the affiliate of the applicant's, license as a Rural Business Investment Company (RBIC) under 7 U.S.C. Section 2009cc (U.S.D.A Rural Business Investment Program) or as a Small Business Investment Company (SBIC) under 15 U.S.C. Section 681 (SBA Small Business Investment Program), evidence that the applicant or affiliates of the applicant have invested at least a) one hundred million dollars ($100,000,000) in nonpublic companies located in counties within the United States with a population of less than fifty thousand, or b) at least thirty million dollars inn nonpublic companies located in Missouri. The business plan that includes a revenue impact assessment, and a nonrefundable application fee of $5,000.

Per the latest available data from the Small Business Investment Company Program Overview, as of September 30, 2021, there were approximately 307 privately owned and managed SBA licensed SBICs.

Table 1: Program Composition of the Types of Operating SBICs					
Type of Operating SBICs	**FY End 2017**	**FY End 2018**	**FY End 2019**	**FY End 2020**	**FY End 2021**
Total Number of Type of Operating SBICs	**315**	**305**	**300**	**302**	**307**
Number of Debenture SBICs	227	227	224	232	235
Number of Participating Security SBICs	33	25	22	12	9
Number of Bank-Owned or Non-Leveraged SBICs	47	47	48	52	56
Number of Specialized SBICs	8	6	6	6	7

Per correspondence received from the United States Department of Agriculture in February 2021, there are approximately 10 certified RBICs. In addition, there have been four (4) investments made in Missouri totaling almost $12,000,000.

Oversight assumes SBICs and RBICs are nationally oriented; various companies may focus on specific regions but no one entity is specific to the State of Missouri.

Oversight notes this proposed legislation states that a capital investment is any equity investment in a rural fund by a rural investor which, is acquired **after** the effective date of this proposed legislation.

Oversight notes this proposed legislation would require applicants under this proposed legislation to submit an application to the Missouri Department of Economic Development accompanied with a nonrefundable $5,000 application fee.

Oversight notes this proposed legislation does not specifically state where the application fee(s) shall be deposited. For the purpose of this fiscal note, Oversight will assume such application fee(s) will be deposited into GR.

Oversight notes the Missouri Department of Economic Development shall begin accepting applications ninety days after the effective date of this proposed legislation. Therefore, Oversight assumes applications, accompanied with the nonrefundable fee of $5,000 could be submitted as early as Fiscal Year 2024.

Therefore, **Oversight** will report a revenue gain to GR equal to $0 (no applications/fee(s) submitted) or $5,000 (one application/fee is submitted) up to $1,585,000 ($5,000 * 307 (# of SBICs) + 10 (# of certified RBICs)) beginning in Fiscal Year 2024.

Oversight notes, once an equity investment is certified as a capital investment, the rural investor shall have a vested right to a tax credit to be issued to be used against the rural investor's state income tax liability that may be utilized on each credit allowance date of such capital investment in an amount equal to the applicable percentage for such credit allowance date multiplied by the purchase price paid to the rural fund.

Oversight, then, assumes the following example describes a tax credit allocation under this proposed legislation:

If Company A were to have $100,000,000 certified as a capital investment on January 1, 2024, Company A's credit allowance date(s) would be: January 1, 2024 (0%), January 1, 2025, (0%) January 1, 2026 (15%), January 1, 2027 (15%), January 1, 2028 (15%), and January 1, 2029 (15%).

Oversight assumes, then, Company A would **not** receive a tax credit (a tax credit equal to zero percent (0%) multiplied by the amount certified as a capital investment) on January 1, 2024 and January 1, 2025.

Each January thereafter, with the last January being January 1, 2029, Company A would receive a tax credit equal to fifteen percent (15%) of the amount certified as a capital investment; or $15,000,000.

Oversight assumes, then, Company A would receive a **total** of $60,000,000 in tax credits over the course of six (6) years to be used throughout a total of eleven (11) years.

Oversight notes the Missouri Department of Economic Development shall begin accepting applications ninety days after the effective date of this proposed legislation. Therefore, Oversight assumes applications could be submitted as early as Fiscal Year 2024.

Oversight assumes, then, based on the tax credit allocation equation created under this proposed legislation, a rural investor could receive a tax credit in an amount greater than zero ($0) beginning two (2) years after the initial certification date; Fiscal Year 2024.

Therefore, **Oversight** estimates the tax credit provision of this proposed legislation could result in a revenue reduction equal to $0 (no certified capital investments) up to $16,000,000 (tax credit authorization cap) beginning in Fiscal Year 2026.

Oversight notes this proposed legislation would allow for the recapture of tax credits issued to taxpayers provided rural fund(s) do not meet the requirements established in this proposed legislation.

Oversight notes this proposed legislation states that recaptured tax credits would be reverted to the Missouri Department of Economic Development and be reissued to applicants whose capital investment allocations were reduced in accordance with the application process (authorization cap).

Oversight further notes this proposed legislation does not specifically state where the payment of recaptured tax credits would be deposited. For the purpose of this fiscal note, Oversight will assume recaptured tax credit payments will be deposited into GR with the assumption that the Missouri Department of Economic Development will distribute the funds for further tax credit authorization(s).

Oversight notes tax credits authorized may be recaptured as early as the third anniversary date. Therefore, Oversight assumes this could be as early as Fiscal Year 2026.

Oversight is unable to determine the actual fiscal impact of the tax credit recapture provision. Therefore, for the purpose of this fiscal note, Oversight will report a revenue gain equal to “$0 to Unknown” and a revenue reduction equal to “$0 or Unknown” beginning in Fiscal Year 2026.

Oversight notes the provisions of this proposed legislation state the Missouri Department of Economic Development shall not accept any new applications for tax credits after 2029.

Oversight notes the *proposal* allows for some language clarification and eliminates some of the penalties in subsection 5 of the proposal.

In response to the similar proposal, SCS for SB 92 – 2023, officials from the Department Of Higher Education, the **Department of Labor and Industrial Relations**, the **Missouri Department of Agriculture**, the **City of Kansas City**, and the **City of Springfield** each assumed the proposal will have no 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 agencies.

Section(s) 620.3900 to 620.3930 Regulatory Sandbox Act

Officials from the **Department of Economic Development (DED)** assume the proposal states that the regulatory relief office will be administered by a sandbox program director. DED has estimated personal service costs by taking a mid-range salary of a typical Program Director (Designated Principal Assistant) at DED who oversees an office but does not supervise staff. DED also believes additional review (e.g., reviews of state laws) would require a legal counsel FTE. If DED determines that additional staff are needed to administer the sandbox program, DED will request additional FTE through the normal budget process.

Oversight notes that DED assumes the proposal will have a direct fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, **Oversight**

will reflect DED's FTE costs for Division Program Director at $80,000 and a Legal Counsel at $62,508 annually, in the fiscal note.

Officials from the **Office of Administration – Budget & Planning (B&P)** note:

Sections 620.3900 to 620.3930 Regulatory Sandbox Act and Regulatory Relief Office

An applicant shall remit to the regulatory relief office an application fee of three hundred dollars per application for each innovative offering. It is not specified in the bill where this money will be deposited, therefore B&P assumes it will be GR. This will have an unknown positive impact on GR and TSR.

This bill would also provide that during the demonstration period, a sandbox participant shall not be subject to the enforcement of state laws or regulations identified in the written agreement between the Regulatory Relief Office and the sandbox participant. There is not enough information on what laws or regulations may be waived or what impact the waiver will have on TSR.

Oversight notes that an applicant shall remit to the regulatory relief office an application fee of $300 per application for each innovative offering. Therefore, Oversight will reflect a potential positive fiscal impact on State Funds for this application fee.

Officials from the **Office of Administration (OA)** assume this bill appears to establish the Regulatory Relief Office within the Department of Economic Development. It is assumed that the Office of Administration -Division of Personnel's team members would be required to provide assistance in establishing the new division.

The fiscal impact of this bill is determined by the total number of hours estimated (10 hours) multiplied by the average salary of Division of Personnel team members ($30.40) plus the added cost to update MoCareers, the State's centralized application platform ($300.00). Therefore, the total fiscal impact would be $604.

Officials from the **Department of Revenue (DOR)** note:

The proposal would create a new government entity, the "Regulatory Relief Office," which may enter into agreements to essentially waive the requirements of Missouri's statutes and regulations on certain participating businesses. This is concerning for DOR as most people would consider taxes burdensome. Depending on the laws waived this could result in increased costs to DOR for tracking these participants and changes to their individual income tax system. These computer changes are estimated at $7,193.

The proposal directs the Regulatory Relief Office to consult with applicable agencies, regarding the acceptance of the applicant in the sandbox and the agreement of rules to be waived. The agencies are asked to notify the Office if the applicable agency has previously investigated, sanctioned, or pursued legal action against the applicant. The office is allowed to enter into agreement with the applicant to participate in the sandbox and have rules waived. The proposed legislation prohibits these agreements from exempting an applicant "from any income, property, or sales tax liability unless such applicant otherwise qualifies for an exemption from such tax." This may requires DOR to provide information on their relationships with a participating business to the Regulatory Relief Office. Some of this information is currently protected under DOR's confidentially laws. At this time, DOR is unable to determine if there is additional costs from this provision.

This proposal says that the sandbox agreement cannot exempt an applicant from income, property or sales tax liability. Property tax is handled by the State Tax Commission. DOR has numerous other tax types besides the income tax and sales tax which could be exempted under this proposal. Examples include, withholding tax, tire and battery fee taxes, use taxes, marijuana taxes and more that do not appear protected under this proposal. Allowing participants in the program to not pay taxes will result in a loss of state and local revenue.

This proposal gives the Regulatory Relief Office authority to waive state law and regulations. DOR is concerned this would result in filing deadlines being moved or changes for some filers and not others, or payments being waived. This would result in a negative fiscal impact to state and local revenue.

At this time, DOR is unable to estimate an exact fiscal impact from this proposal. DOR could possibly need additional FTE to work with the Regulatory Relief Office depending on the number of participants, as well as have losses to state and local revenue if participants are allowed to not pay taxes.

Oversight notes DOR assumes the proposal would allow for selected companies, who participate in the Sandbox program, to receive relief from various taxes which would have an effect on General Revenue and Other State Funds. Additionally, the DOR assumes the need for additional FTE to ensure compliance with this proposal. **Oversight** does not have any information to the contrary. Therefore, **Oversight** will reflect a potential ($0 or) unknown negative impact to the General Revenue and Other State Funds, as a result of reduction in a various tax revenues and potential FTE costs, in the fiscal note.

Officials from the **Department of Health and Senior Services (DHSS)** assume that Section 620.3905.2.(2) of the proposed legislation states that the sandbox program director could reach out to the Department of Health and Senior Services (DHSS) to identify state laws or regulations that could potentially be waived or suspended under the sandbox program. It is assumed that the Department can absorb the costs of this bill with current resources. However, if the workload significantly increased or other legislation was enacted, additional resources would be requested through the appropriation process.

Officials from the **Missouri Department of Agriculture (MDA)** assume the proposal, specifically Section 620.3905.2(4) could result in a loss of fee funds to the Missouri Department of Agriculture. If fees are not required to be paid in accordance with current regulations, guidelines, and policies, the fee-fund revenue to the Department could substantially decrease. The fee funds support many FTE within MDA, in accordance with their respective divisions and the fees associated with such; therefore, the loss of fee funds could result in the need for reductions in staff due to unavailability of funding. This loss in fee-fund revenue will result in a need for general revenue to support these necessary positions across the state of Missouri.

Oversight notes officials from the MDA assume the proposal could have a direct fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a $0 to Unknown negative impact for MDA, for various state funds, in the fiscal note.

Officials from the **Missouri Department of Conservation (MDC)** assume the proposal will have an unknown fiscal impact on their organization and could potentially affect MDC funds. **Oversight** notes that the Conservation Sales Tax funds are derived from one-eighth of one percent sales and use tax pursuant to Article IV Section 43 (a) of the Missouri Constitution, thus MDC□s sales taxes are constitutional mandates.

Additionally, **Oversight** notes the Park, Soil, and Water Sales Tax funds are derived from the one-tenth of one percent sales and use tax pursuant to Article IV Section 47 (a) thus DNR’s sales taxes are constitutional mandates.

Oversight notes that the proposal does not allow exemptions of sales taxes and will reflect zero impact on the MDC’s and DNR’s sales tax Funds.

Officials from the **Department of Commerce and Insurance (DCI)** assume the proposal, specifically Sections 620.3900 - 620.3930, would have an unknown impact to DCI depending on the number of businesses and individuals that would request to participate in the Sandbox Program.

Oversight notes that the insurance premium taxes could be waived and DCI assumes this proposal would have a direct fiscal impact on other areas of their organization. **Oversight** does not have any information to the contrary. Therefore, **Oversight** will reflect a negative unknown impact to various state funds in the fiscal note.

Oversight notes that there are few examples of various agency costs in similar Sandbox proposals filed in the States of Utah, Ohio, Nebraska, Nevada, and the Arizona. Each fiscal note addresses the difficulty of projecting any costs associated with the proposals. However, a recent fiscal note submitted to the Nebraska Legislature for consideration of similar bill LB 1127 (Nebraska Sandbox proposal - 2022) from various agencies claiming costs associated with the proposal, are provided in the Table 1.

Oversight notes that the Missouri Sandbox proposal requires, among other duties, the Administrator to:

- Act as a Liaison between private businesses and agencies of the State

- Consult with each affected agency
- Establish Program to enable a person to obtain legal protections
- Review State Laws
- Create a framework for analyzing the risk level of the health, safety, and financial well-being of consumers
- Propose and enter into reciprocity agreements
- Enter into agreements with or adopt best practices of corresponding federal regulatory agencies and other states
- Create and maintain the Department's website
- Create and submit annual reports to the governor and general assembly

Oversight notes that there are many other duties required from the Regulatory Relief Office under this proposal. Therefore, it is probable that the agencies tasked with the regulatory implementation of this program, such as DOR or DED, will need additional FTEs in order to provide the regulatory framework and compliance procedures for this Act.

Oversight notes that Missouri population is at least 3 times greater (6.6M – Missouri population / 1.94M –Nebraska Population) than that of Nebraska, thus the costs could potentially reach a higher level of expenditure in Missouri. Therefore**,** for purpose of this fiscal note, **Oversight** will note an unknown negative impact to the General Revenue and Other State Funds, which could potentially exceed $250,000 in various FTE and forgone tax revenue costs to various state funds in the fiscal note.

Table 1.

AGENCY	FY 2023	FY 2024
Department of Economic Development	$ 520,380.00	$ 641,930.00
Department of Banking and Finance	$ 223,025.00	$ 215,325.00
Board of Engineers and Architects	$ 3,300.00	$ 3,300.00
Department of Environment and Energy	$ 202,371.00	$ 202,371.00
Department of Agriculture	$ 77,500.00	$ 77,500.00
Liquor Control Commission NFI NFI	No Fiscal Impact	No Fiscal Impact
Motor Vehicle Industry Licensing Board No discernable impact No discernable impact	No Discernable impact	No Discernable impact
Nebraska State Electrical Division Indeterminable Indeterminable	Indeterminable	Indeterminable
Board of Barber Examiners Indeterminable Indeterminable	Indeterminable	Indeterminable
Attorney General NFI NFI	No Fiscal Impact	No Fiscal Impact
Nebraska Real Estate Commission Negligible to significant Negligible to significant	Negligible to Significant	Negligible to Significant
Supreme Court NFI NFI	No Fiscal Impact	No Fiscal Impact
Department of Labor NFI NFI	No Fiscal Impact	No Fiscal Impact
Department of Administrative Services	$ 71,200.00	$ 77,000.00
Department of Insurance	$ 168,900.00	$ 173,317.00
Total	**$ 1,127,776.00**	**$ 1,217,426.00**
FTE total	9.5	10.5

In response to the similar version of the proposal, HB 2587 – 2022, officials from the **Office of the Governor (GOV)** assume the proposal adds to the governor's current load of appointment duties. Individually, additional requirements should not fiscally impact the Office of the

Governor. However, the cumulative impact of additional appointment duties across all enacted legislation may require additional resources for the Office of the Governor.

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

Officials from the **Missouri State Senate** assume the proposal will have a negative fiscal impact to the senate contingent appropriation to reimburse 2 senators for travel to meetings of the General Regulatory Sandbox Program Advisory Committee. Details are in the attached analysis. In summary, it will cost approximately $281.60 per meeting.

Oversight notes the Missouri State Senate assumes <u>no fiscal responsibility</u> for the other committee members.

Oversight notes that Missouri State Senate assumes the proposal will have a direct fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a negative fiscal impact in the fiscal note.

Officials from the Morgan County Pwsd #2 assume the proposal could have a fiscal impact on their organization.

Oversight assumes Morgan County PWSD #2 is provided with core funding to handle a certain amount of activity each year. Oversight assumes Morgan County PWSD #2could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, Morgan County PWSD #2 could request funding through the Morgan County appropriation process.

Officials from the **Attorney General's Office**, the **Office of Administration – Administrative Hearing Commission**, the **Office of Administration**, the **Department of Elementary and Secondary Education**, the **Department of Labor and Industrial Relations**, the **Department of Higher Education and Workforce Development**, the **Missouri Department of Transportation**, the **Department of Mental Health**, the **Department of Natural Resources**, the **Department of Corrections,** the **Department of Labor and Industrial Relations**, the **Department of Public Safety** (the **Alcohol & Tobacco**, the **Capital Police**, the **Fire Safety**, the **Director's Office**, the **Gaming Commission**, the **National Guard**, the **Highway Patrol, the Veterans Commission**, the **State Emergency Management Agency**), the **Missouri House of Representatives**, the **Missouri Ethics Commission**, the **Missouri Department of Transportation**, the **Office of the State Public Defender,** the **Missouri Department of Transportation – Patrol Employees Retirement System**, the **Missouri House of Representatives**, the **Joint Committee on Education**, the **Joint Committee on Public Employee Retirement**, the **Legislative Research**, the **Missouri Lottery**, the **Missouri Consolidated Health Care Plan**, the **Missouri Higher education Loan Authority**, the

Missouri Office of Prosecution Services, the **Missouri State Employee's Retirement System**, the **State Tax Commission,** and the **Office of the State Auditor** each assume the proposal will have no 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 agencies.

Officials from the **City of Kansas City**, the **City of O'Fallon**, the **City of Springfield**, the **Metropolitan St. Louis Sewer District - 7B Sewer**, and the **Wayne County Pwsd #2** each assume this proposal 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 local political subdivisions.

Oversight notes many counties, cities and special districts assess sales or use tax on the sale of goods in Missouri. The tax remitted to various local political subdivisions serves the local political subdivision needs. DOR notes that although sales taxes and property taxes may <u>not be</u> waived other local taxes and fees may be waived. DOR assumes the companies could receive relief from various local taxes and fees. This could have an effect on the local political subdivisions. Therefore, **Oversight** will note a potential unknown <u>negative impact to the local political subdivision funds</u> in the fiscal note, depending upon sandbox participants and applications.

<u>SA 1 – Section 137.115 Property Taxes Reduction</u>

Officials from the **Office of Administration – Budget & Planning** note:

<u>Section 137.115.1 – Personal Property Assessment Rate Reduction</u>

This proposal reduces the personal property assessment value percentage from 33.33% to 32.8% beginning with tax year 2024. B&P further notes that property taxes are levied for a calendar year, with the taxes owed by December 31st of that year. Therefore, a reduction to a tax year's assessed value will impact collections for the following fiscal year. For example: tax year 2024 reduction will impact FY25 collections.

B&P notes that subsection 9 of this provision changes the motor vehicle depreciation schedule, in addition to the assessment percentage decrease under this subsection. B&P further notes that the two changes combined will have a smaller impact than what would be shown if the two changes were calculated separately. Therefore, B&P will show the impact of reducing the assessment percentage for motor vehicles <u>combined</u> with the impact from the proposed deprecation schedule.

Based on data published by STC, total property tax assessments were $135,148,692,788 in 2022. In addition, total estimate property taxes were $9,492,396,528. Based on additional data published by STC, B&P determined that approximately 25.75% of all personal property is assessed at the 33.33% rate (other items are already assessed at lower rates), of which 14.77% are motor vehicles. Therefore, B&P estimates that the market value for relevant personal property was approximately $104,412,806,460, of which $20,664,235,127 was for motor vehicles.

Using data published by STC, B&P estimates that the statewide average personal property tax rate is 6.8%. B&P notes that the Blind Pension Trust Fund levies a statewide property tax of $0.03 per $100 value.

Therefore, B&P estimates that this provision, excluding motor vehicles, could reduce revenues to the Blind Pension Trust Fund by $296,473 and local property tax collections by $66,138,490 annually beginning in FY25. Table 1 shows the estimated impact, less motor vehicles.

Table 1: Estimated Revenue Impact from Reduced Assessment Percentage

Property Type	Assessment %	Blind Pension	Local
Tangible Personal	32.8%	($166,017)	($36,858,082)
Motor Vehicles Only	32.8%	($98,579)	($22,125,419)
Impact, except for MV		($67,438)	($14,732,663)

Section 137.115.9 – Motor Vehicle Property Tax Assessment

This proposal would county assessors to use a national publication other than the currently required NADA guide when determining the market value for motor vehicles. The STC shall determine which publication all assessors will use and the assessors may then use the values published in any of the three previous October issues.

For tax years beginning with 2025, each county assessor must use the trade-in value and then depreciate the motor vehicle value following the proposed 15-year depreciation schedule.

Using sales data published by the U.S. Bureau of Transportation Statistics, B&P was able to determine the average price for new vehicles from 1990 – 2021. B&P then used published articles to estimate the average sales price for new vehicles in 2022 and 2023. Based on research, B&P was able to obtain a depreciation schedule similar to the one historically shown in the NADA publications. In addition, DOR provided data to B&P with the number of motor vehicles registered in Missouri by model year. Table 1 shows the comparison between the estimated current depreciation schedules used in NADA versus the proposed schedule for model years 2003 - 2023. B&P notes that the amounts shown are the percentage of market value remaining after depreciation.

Table 1: Proxy and Proposed Depreciation Schedule

Model Year	Current Remaining Value	Proposed Remaining Value	Difference
2023	85.0%	85.0%	0.0%
2022	75.0%	75.0%	0.0%
2021	67.5%	67.5%	0.0%
2020	61.7%	60.7%	(1.0%)
2019	54.7%	54.7%	0.0%
2018	49.2%	49.2%	0.0%
2017	44.3%	44.3%	0.0%
2016	39.9%	39.9%	0.0%
2015	35.9%	35.9%	0.0%
2014	32.3%	32.3%	0.0%
2013	29.0%	29.0%	0.0%

Model Year	Proposed Remaining Value	Proposed Remaining Value	Difference
2012	26.1%	24.8%	(1.3%)
2011	23.5%	20.8%	(2.7%)
2010	21.2%	16.8%	(4.4%)
2009	19.1%	12.8%	(6.3%)
2008	17.2%	10.0%	(7.2%)
2007	15.4%	10.0%	(5.4%)
2006	13.9%	10.0%	(3.9%)
2005	12.5%	10.0%	(2.5%)
2004	11.2%	10.0%	(1.2%)
2003	10.0%	10.0%	0.0%

**2002 and older estimates calculated, but not shown.*

B&P then took the original sales data and applied the current depreciation schedule and the proposed schedule to determine the difference in market values. B&P notes that motor vehicles are currently assessed at 33.33 % of their market value. However, this proposal would reduce the assessment percentage for motor vehicles to .32.8 % of their market value. This impact was calculated simultaneously with the proposed depreciation schedule in order to prevent overestimating either proposed change. Table 3 shows the estimated average current and proposed assessed values for model years 2003 – 2023.

Table 2: Estimated Current and Proposed Average Assessed Value

Model Year	Est. Current Assessment	Est. Proposed Assessment	Difference
2023*	**$14,226**	**$13,999**	**($227)**
2022	$11,920	$11,731	($189)

Model Year	Est. Current Assessment	Est. Proposed Assessment	Difference
2012	$3,031	$2,834	($197)
2011	$2,791	$2,431	($360)

2021	$10,227	$10,064	($163)	2010	$2,502	$1,952	($550)
2020	$8,072	$7,815	($257)	2009	$1,671	$1,102	($569)
2019	$6,929	$6,818	($111)	2008	$1,518	$869	($649)
2018	$6,135	$6,037	($98)	2007	$1,383	$884	($499)
2017	$5,486	$5,399	($87)	2006	$1,244	$881	($363)
2016	$4,906	$4,828	($78)	2005	$1,033	$813	($220)
2015	$4,357	$4,288	($69)	2004	$899	$790	($109)
2014	$3,822	$3,761	($61)	2003	$763	$751	($12)
2013	$3,419	$3,364	($55)				

**2002 and older estimates calculated, but not shown.*

Using data published by STC, B&P estimates that the statewide average personal property tax rate is 6.8%. B&P notes that the Blind Pension Trust Fund levies a statewide property tax of $0.03 per $100 value. Table 3 shows the estimated state and local revenue impact by model year.

Model Year	Actual Trade in value	Current Assessment 33.33%	Proposed Assessment 32.8%	Difference between current and proposed
2023*	$42,682	$14,226	$13,999	($227)

Table 3: Estimated Revenue Impact by Model Year

Model Year	# Registered MVs	Est. Blind Pension Loss	Est. Local Revenue Loss	Model Year	# Registered MVs	Est. Blind Pension Loss	Est. Local Revenue Loss
2023	93,124	($6,519)	($1,422,935)	2011	233,800	($16,390)	($3,622,234)
2022	250,577	($15,035)	($3,187,339)	2010	204,757	($25,718)	($5,667,312)
2021	281,533	($14,077)	($3,088,417)	2009	170,742	($34,809)	($7,582,152)
2020	287,551	($23,004)	($4,974,632)	2008	241,668	($29,026)	($6,541,126)
2019	331,860	($9,956)	($2,482,313)	2007	244,129	($45,917)	($10,560,892)
2018	338,301	($10,149)	($2,232,787)	2006	234,404	($36,619)	($8,202,734)

2017	366,085	($10,983)	($2,141,597)
2016	348,732	($6,975)	($1,834,330)
2015	348,451	($6,969)	($1,620,297)
2014	318,691	($6,374)	($1,309,820)
2013	297,730	($5,955)	($1,101,601)
2012	273,170	($6,519)	($1,422,935)
2005	221,323	($25,784)	($5,728,834)
2004	214,644	($15,493)	($3,277,794)
2003	179,193	($6,439)	($1,575,487)
2002 and older	1,403,602	$0	($145,146)
Total Estimated Impact		**($324,119)**	**($72,446,759)**

Therefore, B&P estimates that this provision could decrease revenues to the Blind Pension Trust Fund by up to $324,119 and local revenues by up to $72,446,759 annually beginning in FY26.

Oversight notes local property tax revenues are designed to be revenue neutral from year to year. The tax levy is adjusted relative to the assessed value to produce roughly the same revenue from the prior year with an allowance for growth. However, some taxing entities have tax rate ceilings that are at their statutory or voter approved maximum. For these taxing entities, any decrease in the assessed values would not be offset by a higher tax rate (relative to current law) rather it would result in a loss of revenue. Oversight notes the Blind Pension Fund levy ($0.03) is not adjustable.

Oversight notes the above table, second column, in table no. 3, represent calculations of the blind pension fund that uses the difference from table two (i.e. 2023 it was a difference of $227) which was divided by 100, multiplied by .03 (representing the three cent charge), and lastly multiplied it by the total number of registered vehicles in each year. [Example for 2023 (-227/100) x .03 x 93,124]

Oversight notes the column number three, in table 3, represent the local revenue loss calculated by multiplying the total number of registered vehicles x average loss x 6.8% average local tax. [Example 93,124 x (-227) x .068 = $1,437,462].

Officials from the **State Tax Commission (STC)** assume the depreciation applies to the true market value determination, which is an arbitrary amount each year. The decrease to 32.8% is a change in assessed value. The move to the depreciation schedule will make a more consistent true market value where the guides currently fluctuate by market demands.

In response to a similar proposal from this year (HCS SB 133), officials from the **State Tax Commission** assume the cost of the data as well as the cost of licensing for each county in the state has been estimated to be less than $200,000.

Oversight is unsure when the STC will incur the additional costs and require the additional FTE. Therefore, Oversight will reflect this fiscal impact to the STC in fiscal years 2024 and 2025.

Lastly, Oversight notes the proposal specify that after 15th year of depreciation in no case shall the assessed value of a motor vehicle, as depreciated pursuant to this subdivision, be less than three hundred dollars. Therefore, as long as the amount is above $300 the amount is still subject to the appropriate level of assessment.

Oversight performed the calculation, as explained above, and show result below:

Table 4. Estimated Revenue Impact by Model Year (Oversight Calculations)

Model Year	# Registered MVs	Est. Blind Pension Loss	Est. Local Revenue Loss
2023	93,124	$ (6,341.74)	($1,437,462.06)
2022	250,577	$ (14,207.72)	($3,220,415.60)
2021	281,533	$ (13,766.96)	($3,120,511.77)
2020	287,551	$ (22,170.18)	($5,025,241.28)
2019	331,860	$ (11,050.94)	($2,504,879.28)
2018	338,301	$ (9,946.05)	($2,254,437.86)
2017	366,085	$ (9,554.82)	($2,165,758.86)
2016	348,732	$ (8,160.33)	($1,849,674.53)
2015	348,451	$ (7,212.94)	($1,634,932.09)
2014	318,691	$ (5,832.05)	($1,321,930.27)
2013	297,730	$ (4,912.55)	($1,113,510.20)
2012	273,170	$ (16,144.35)	($3,659,385.32)
2011	233,800	$ (25,250.40)	($5,723,424.00)
2010	204,757	$ (33,784.91)	($7,657,911.80)
2009	170,742	$ (29,145.66)	($6,606,349.46)
2008	241,668	$ (47,052.76)	($10,665,292.18)
2007	244,129	$ (36,546.11)	($8,283,785.23)
2006	234,404	$ (25,526.60)	($5,786,028.34)
2005	221,323	$ (14,607.32)	($3,310,992.08)
2004	214,644	$ (7,018.86)	($1,590,941.33)
2003	179,193	$ (645.09)	($146,221.49)
2002 and older	1,403,602		$0.00
Total Estimated Impact		**$ (348,878.32)**	**$ (79,079,085.03)**

Oversight notes the difference between B&P and Oversight calculation is $6 million dollars in local revenue loss and $10 thousand in the blind pension fund loss. Therefore, Oversight will reflect the estimated impact could potentially exceed or be lesser of the B&P's estimated impact in the fiscal note.

Property Tax Summary

B&P estimates that this proposal may reduce revenues to the Blind Pension Trust Fund by $166,017 and local property tax revenues by $36,858,082 in FY25. Once fully implemented this proposal may reduce revenues to the Blind Pension Trust Fund by $391,557 and local property tax revenues by $87,179,422 annually. Table 1 shows the summary by provision and year. Oversight notes that the table three uses the calculate difference in table two and multiplying each year difference by the number of registered vehicles.

Table 1: Summary of Personal Property Tax Provisions

State Funds	FY 2024	FY 2025	FY 2026+
Blind Pension Trust Fund			
Property Tax Assessment (less MV)	$0	($67,438)	($67,438)
MV Assessment and Depreciation	$0	($98,579)	($324,119)
Total Blind Pension Impact	$0	($166,017)	($391,557)
Local Funds			
Property Tax Assessment (less MV)	$0	($14,732,663)	($14,732,663)
MV Assessment and Depreciation	$0	($22,125,419)	($72,446,759)
Total Local Impact	$0	($36,858,082)	($87,179,422)

SA 2 - Section 32.115 Neighborhood Assistance Act Tax Credit

Officials from the **Department of Revenue (DOR)** note the Affordable Housing tax credit program is a two part credit with an $11 million combined cap. The first part of the credit is for businesses that are making contributions to affordable housing. This part of the credit is limited to $10 million of the cap. The second part of the credit is for businesses that make contributions to neighborhood organizations and this part of the credit is limited to $1 million of the cap. This proposal allows the contributions to the neighborhood organizations to use any remaining cap space not used by the businesses making contributions to affordable housing. Therefore, the $1 million cap can be increased if the $10 million doesn't use all their allotment. Since this proposal just allows the sharing of a cap this would not have any additional fiscal impact on the state.

For informational purposes, the Department is providing the amount of the Affordable Housing Tax Credit that has been authorized, issued and redeemed over the last few years.

Year	Authorized	Issued	Total Redeemed
FY 2022	$4,835,176.00	$10,482,025.00	$3,619,925.08
FY 2021	978,796.00	$3,592,427.00	$4,119,705.33
FY 2020	$10,971,408.00	$4,510,701.00	$4,025,790.93
FY 2019	$4,253,693.00	$3,308,659.00	$5,001,344.36
FY 2018	$4,676,726.00	$6,145,103.00	$4,752,091.61
FY 2017	$10,347,442.00	$7,386,034.00	$10,172,299.92
FY 2016	$10,988,370.00	$13,171,092.00	$8,484,672.81
FY 2015	$10,901,753.00	$8,717,177.00	$3,358,807.75
FY 2014	$8,197,923.00	$4,844,279.00	$5,620,749.73
FY 2013	$6,495,974.00	$4,967,887.00	$7,406,987.96
FY 2012	$4,871,580.00	$5,990,591.00	$5,629,465.92
Total	**$77,518,841**	**$73,115,975**	**$62,191,841**

(For more information, please see Form 14 AHAP and NAP in MOLIS internal docs.)

This proposal will not a fiscal impact on the Department of Revenue.

Oversight notes that Section(s) 32.111 – Affordable Housing Assistance Tax Credit Program (AHAP) and 32.112 Neighborhood Assistance Program (NAP) both are part of Neighborhood Assistance Act under RSMo 32.100 thru 32.125 which share the same $11 million cap.

Oversight notes that the proposal allows for transfer between the programs without additional appropriation needed. Therefore, for the purpose of this fiscal note, **Oversight** will note zero impact to the general revenue or other state funds for this section, in the fiscal note.

In response to the similar proposal, HB 1210 – 2023, officials from the **Department of Health and Senior Services**, the **Office of Administration – Budget & Planning** and the **Department of Commerce and Insurance** both assume the proposal will have no 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 this section.

SA 3 - Section 37.1310 - Missouri Geospatial Advisory Council

In response to similar proposals, officials from the **Office of Administration (OA)** assumed this proposal creates the "Missouri Geospatial Advisory Council" within the Office of Administration. While staffing requirements listed in the bill only include an executive secretary for the council, it is assumed that the council will require additional staffing resources in order to fulfill the duties for the council outlined in the bill. This includes the issuing of RFPs for data acquisition, and the resulting project management needed for these projects. Data acquisition such as aerial imagery, NG911, broadband, and flood plain management all have large GIS requirements. Data acquisitions recommendations coming from the Council are likely to be aligned with agency/project specific funding and are not included in this estimate. Some of the functions listed for this council are currently being performed by the Missouri Office of Geospatial Information within ITSD in coordination with the current Missouri GIS Advisory Council. While there are some existing GIS staffing resources within ITSD, creating a new council through statute will not have the desired impact without additional financial support and staffing to implement that vision. There are a large number of members listed in the bill for the new "Missouri Geospatial Advisory Council", however, the members listed do not include technical practitioners with GIS credentials, and it is anticipated that GIS staffing and resources to assist this council will be needed. It is also anticipated that GIS data standardization would reside in the ITSD Office of Data Management which will need to provide staffing to ensure data standards are enforced that will allow for data compatibility and integration within state systems. The estimated fiscal impact includes 5 FTE as shown below, as well as funding (estimated at $300,000 annually) for a statewide base map and geographic information system which would host the integrated state GIS data.

1 Executive Secretary at $45,000 annually to provide administrative support to the council including monthly meeting minutes, correspondence, record requests, or website updates.

1 GIS Specialist at $60,000 annually to apply for federal grants, manage contracts awarded from these grants for geospatial infrastructure and workforce development.

1 GIS Manager at $90,000 annually to secure data sharing, build partnerships, provide recommendations on investments, coordinate with national efforts, and collaborate/hold meetings with officials.

2 GIS Developers at $75,000 annually to assume the actual development of tools and supporting infrastructure for data harvesting, standardization, and publication of large geospatial data sets.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect the fiscal impact as estimated by OA.

In response to a similar proposal from this year (HB 475), officials from the **Missouri Department of Agriculture (MDA)** assumed this legislation would require the Director of the Missouri Department of Agriculture to travel a 300 mile round trip (MDA office to Kansas City, MO) for 12 meetings. Fiscal impact would include mileage ($0.55 per mile) and a $48 meal per diem per day. MDA would incur a total fiscal impact of $2,556 in FY 2024, $2,607 in FY 2025 and $2,659 in FY 2026 to implement the changes in this proposal.

Oversight notes the new council will consist of roughly 33 members, meets monthly and the members will be reimbursed for actual and necessary expenses. Oversight assumes this proposal will require roughly $50,000 in expense reimbursement to the 34 members for 12 meetings (34 members x 12 meetings per year x $122 in expenses (mileage, meals, etc.)). Oversight will reflect the cost to various state funds.

Officials from the **Department of Economic Development**, the **Department of Elementary and Secondary Education**, the **Department of Health and Senior Services**, the **Department of Natural Resources**, the **Department of Revenue**, the **Department of Public Safety – Directors Office** and the **Missouri Highway Patrol**, the **Department of Social Services**, the **Missouri Department of Conservation**, the **Missouri Department of Transportation**, assume the proposal will have no fiscal impact on their respective organizations.

Oversight notes that the above mentioned agencies have stated the proposal would not have a direct fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note for these agencies for this section.

SA 4 – Section 442.404 - Deed restrictions, covenants, or similar agreements running with the land prohibiting ownership or pasturing of chickens

In response to the similar proposal, SB 400 – 2023, officials from the **Missouri Department of Agriculture**, the **Department of Economic Development**, the **Department of Labor and Industrial Relations**, **Jefferson City**, **Kansas City** and the **City of Springfield** each assumed the proposal would have no 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 agencies for this section.

SA 5 – Section 620.3530 – Missouri Rural Workforce Development Act

This amendment provides clarification language for Section 620.3530, within the Act, regarding the third party auditing and certain claw-back provisions. Oversight notes this proposal will have no additional fiscal impact. Therefore, **Oversight** will reflect a zero impact in the fiscal note for this amendment.

Rule Promulgation

Officials from the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

Officials from the **Office of the Secretary of State (SOS)** note 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 $5,000. 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 its 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.

FISCAL IMPACT – State Government	FY 2024 (10 Mo.)	FY 2025	FY 2026
GENERAL REVENUE			
Cost – Section 34.195 Right To Start Act - OA annual report & contract review p. 4-5	($50,909)	($7,640)	($7,640)
Costs – Section 620.3800 Office of Entrepreneurship. – DED FTE			
Personnel Service	($66,667)	($81,600)	($83,232)
Fringe Benefits	($37,928)	($46,113)	($46,723)
Expense & Equipment	($8,100)	($4,454)	($4,543)
Total Costs - (p.4-5)	($112,965)	($132,167)	($134,498)
FTE Change - DED	1 FTE	1 FTE	1 FTE
Cost – Section 135.1310 "Child Care Contribution Tax Credit Act" (p.5)	Up to ($23,000,000)	Up to ($23,000,000)	Up to ($23,000,000)
Cost – Section 135.1325 "Employer Provided Child Care Assistance Tax Credit Act" (p.6)	Up to ($23,000,000)	Up to ($23,000,000)	Up to ($23,000,000)
Costs – DOR FTE Section(s) 135.1310 & 135.1325 (p.8)			
Personnel Service	($26,000)	($31,824)	($32,460)
Fringe Benefits	($24,473)	($27,195)	($27,427)
Expense & Equipment	($10,081)	($570)	($582)
Other Cost – ITSD Updates (p.8)	($28,772)	$0	$0
Total Costs – DOR	($89,326)	($59,589)	($60,469)
FTE Change	1 FTE	1 FTE	1 FTE
Costs – DED Section(s) 135.1310 & 135.1325	Up to…	Up to…	Up to…
Personnel Service	($311,100)	($380,786)	($388,402)
Fringe Benefits	($181,324)	($220,382)	($223,221)

Expense & Equipment	($71,496)	($22,272)	($22,717)
Total Costs – (p.10-11)	($563,920)	($623,440)	($634,340)
FTE Change - DED	5 FTE	5 FTE	5 FTE
Cost – Section 135.1350 "Child Care Providers Tax Credit Act." (p.6-7)	$0	Up to ($23,000,000)	Up to ($23,000,000)
Costs – DESE Section(s) 135.1310 & 135.1325	Up to…	Up to…	Up to…
Personnel Service	($226,032)	($230,553)	($235,164)
Fringe Benefits	($146,903)	($148,594)	($150,319)
Expense & Equipment	($61,568)	($44,167)	($45,050)
Total Costs – (p.14-15)	($434,503)	($473,314)	($430,533)
FTE Change - DESE	4 FTE	4 FTE	4 FTE
Cost – DESE – ITSD New Database and ongoing maintenance (p.15)	($500,000)	($50,000)	($50,000)
Revenue Gain- Section 620.3510 – Nonrefundable Application Fee of $5,000 – (p. 17)	$0 or $5,000 up to $1,555,000	$0 or $5,000 up to $1,555,000	$0 or $5,000 up to $1,555,000
Revenue Reduction – Section 620.3515 – Tax Credit For Certified Capital Investment(s) - (p. 18)	$0	$0	$0 up to ($16,000,000)
Revenue Gain – Transfer In – Section 620.3520. 3. – Recapture of Tax Credits From Rural Investor (p. 22)	$0	$0	$0 to Unknown
Revenue Loss – Transfer Out – Section 620.3520 – Recaptured Tax Credits (Re)Allocated to Missouri DED (p.19)	$0	$0	$0 to (Unknown)
Cost – Section(s) 620.3510, 620.3515 & 620.3520 – 2 FTE DED – (p.16)			
Personnel Services	($124,440)	($152,315)	($155,361)
Fringe Benefits	($72,530)	($88,153)	($89,292)
Equipment & Expense	($28,598)	($8,909)	($9,087)
Total Cost	($225,568)	($249,377)	($253,740)
FTE Change – DED	2 FTE	2 FTE	2 FTE

<u>Revenue Gain</u> – $300 Fee Paid to participate in the program (p.22) §620.3915.2	$0 or Unknown	$0 or Unknown	$0 or Unknown
<u>Cost</u> – Reduction in Revenues – Sections 620.3900 to 620.3930 various taxes and fees not paid (p.24)	$0 or (Unknown)	$0 or (Unknown)	$0 or (Unknown)
<u>Cost</u> – DOR– FTE necessary to comply with the proposal in Section 620.3900-3930(p.25)	$0 or (Unknown)	$0 or (Unknown)	$0 or (Unknown)
<u>Costs</u> – DED 2 FTE – Section 620.3905			
Personnel Service	($118,757)	($145,358)	($148,265)
Fringe Benefits	($70,404)	($85,550)	($86,638)
Expense & Equipment	<u>($18,630)</u>	<u>($11,969)</u>	<u>($12,208)</u>
<u>Total Costs</u> –(p.21)	($207,791)	($242,877)	($247,111)
FTE Change - DED	2 FTE	2 FTE	2 FTE
<u>Cost</u> – OA FTE – Section(s) 37.1300 to 37.1330 Geospatial Council pgs. 34-35			
Salaries	($287,500)	($351,900)	($358,938)
Fringe Benefits	($172,495)	($209,576)	($212,209)
Equipment and Expense	($11,800)	$0	$0
Statewide base map and GIS	<u>($300,000)</u>	<u>($300,000)</u>	<u>($300,000)</u>
<u>Total Cost</u> – OA (p.33)	($771,795)	($861,476)	($871,147)
Total FTE Change - OA	5 FTE	5 FTE	5 FTE
<u>Cost</u> – State Tax Commission – §137.115.9(1) – Software/programming costs and FTE/other administrative costs (p.31)	(Unknown, less <u>than $200,000)</u>	(Unknown, less <u>than $200,000)</u>	(Unknown, less <u>than $200,000)</u>
NET EFFECT ON THE GENERAL REVENUE FUND	**<u>Up to ($49,151,777)</u>**	**<u>Up to ($71,844,878)</u>**	**<u>Up to ($87,884,478)</u>**
OTHER STATE FUNDS			
<u>Loss of Revenues</u> - Section(s) 620.3900 to 620.3930 Regulatory Sandbox - various State Funds – various tax or	$0 or (Unknown)	$0 or (Unknown)	$0 or (Unknown)

fees not paid DNR, MDC, DCI, MDA (p.24)			
Cost – Section(s) 37.1300 to 37.1330 Geospatial Council - reimbursement for actual and necessary expenses for 34 members for 12 meetings per year (p.34)	($50,000)	($50,000)	($50,000)
NET EFFECT ON THE OTHER STATE FUNDS	**Could exceed ($50,000)**	**Could exceed ($50,000)**	**Could exceed ($50,000)**
BLIND PENSION FUND			
Revenue Loss - §137.115 – Reduction in property taxes from reduction in personal property assessed valuation percentage to 32.8% (CY 2024) and new depreciation schedule for motor vehicles (CY 2025) (p.27-33)	$0	Could exceed or less than ($166,017)	Could exceed or less than ($391,557)
ESTIMATED NET EFFECT ON BLIND PENSION FUND	**$0**	**Could exceed or less than ($166,017)**	**Could exceed or less than ($391,557)**

FISCAL IMPACT – Local Government	FY 2024 (10 Mo.)	FY 2025	FY 2026
LOCAL POLITICAL SUBDIVISIONS			
SA 1 - Costs – Counties – §137.115 - to administer the changes in assessment from this proposal (p.32)	(Unknown)	(Unknown)	(Unknown)
Revenue Loss (SA1) - §137.115 – Reduction in property taxes from reduction in personal property assessed valuation percentage to 32.8% (CY 2024) and new depreciation schedule for motor vehicles (CY 2025) (p.27-33)	$0	Could exceed or less than ($36,858,082)	Could exceed or less than ($87,179,422)

Loss of Revenues - Section(s) 620.3900 to 620.3930 Regulatory Sandbox - to various local funds –various tax and fees not paid (p.27)	$0 or (Unknown)	$0 or (Unknown)	$0 or (Unknown)
NET EFFECT ON THE LOCAL POLITICAL SUBDIVISIONS	**$0 or (Unknown)**	**(Could exceed or less than $36,858,082)**	**(Could exceed or less than $87,179,422)**

FISCAL IMPACT – Small Business

A direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This proposal modifies provisions relating to the promotion of business development.

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

Attorney General's Office
Office of Administration – Administrative Hearing Commission
Office of Administration
Department of Elementary and Secondary Education
Department of Labor and Industrial Relations
Department of Higher Education and Workforce Development
Missouri Department of Transportation
Department of Mental Health
Department of Natural Resources
Department of Commerce and Insurance
Missouri Department of Conservation
Missouri Department of Agriculture
Department of Labor and Industrial Relations
Department of Health and Senior Services
Department of Economic Development
Department of Natural Resources
Department of Corrections
Department of Labor and Industrial Relations
Department of Public Safety
Missouri House of Representatives

BB:LR:OD

Missouri Ethics Commission
Missouri Department of Transportation
Office of the State Public Defender
Missouri Department of Transportation – Patrol Employees Retirement System
Missouri House of Representatives
Joint Committee on Education
Joint Committee on Public Employee Retirement
Legislative Research
Missouri Lottery
Missouri Consolidated Health Care Plan
Missouri Higher education Loan Authority
Missouri Office of Prosecution Services
Joint Committee on Administrative Rules
Missouri State Employee's Retirement System
State Tax Commission
Office of the State Auditor
City of Kansas City
City of O'Fallon
City of Springfield
Metropolitan St. Louis Sewer District - 7B Sewer
Wayne County Pwsd #2
Morgan County Pwsd #2

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May 8, 2023

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