

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1934-01
Bill No.: SB 545
Subject: Economic Development; Employees-Employers.
Type: Original
Date: March 25, 2005

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
General Revenue	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on General Revenue Fund	(Unknown)	(Unknown)	(Unknown)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Quality Jobs Program Incentive Payment*	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

* Assumes offsetting transfers-in and payments out of the fund.

Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Economic Development - Workforce Development, Office of the State Courts Administrator, Office of the State Public Defender, Department of Public Safety, Department of Insurance, Office of the State Treasurer** and the **Department of Revenue** each assume the proposal would have no impact on their respective agencies.

Officials from the **Office of Prosecution Services** assume the proposal will not have a significant direct fiscal impact on county prosecutors.

Officials from the **Office of Secretary of State (SOS)** assume there would be costs due to additional publishing duties related to the Department of Economic Development and the State Tax Commission's authority to promulgate rules, regulations, and forms. SOS estimates the divisions could require approximately 22 new pages of regulations in the Code of State Regulations at a cost of \$27.00 per page, and 33 new pages in the Missouri Register at a cost of \$23.00 per page. Costs due to this proposal are estimated to be \$1,353, however, the actual fiscal impact would be dependent upon the actual rule-making authority and may be more or less. Financial impact in subsequent fiscal years would depend entirely on the number, length, and

ASSUMPTION (continued)

frequency of the rules filed, amended, rescinded, or withdrawn. SOS does not anticipate the need for additional staff as a result of this proposal, however, the enactment of more than one similar proposal may, in the aggregate, necessitate additional staff.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Officials from the **Department of Corrections (DOC)** assume they cannot currently predict the number of new commitments which may result from the enhancement of the offense(s) outlined in this proposal. An increase in commitments depends on the utilization by prosecutors and the actual sentences imposed by the court.

If additional persons are sentenced to the custody of the DOC due to the provisions of this legislation, the DOC will incur a corresponding increase in operational cost either through incarceration (FY04 average of \$38.37 per inmate per day, or an annual cost of \$14,005 per inmate) or through supervision provided by the Board of Probation and Parole (FY03 average of \$3.15 per offender per day, or an annual cost of \$1,150 per offender).

At this time, the DOC is unable to determine the number of people who would be convicted under the provisions of this bill and therefore the number of additional inmate beds that may be required as a consequence of passage of this proposal. Estimated construction cost for one new medium to maximum-security inmate bed is \$55,000. Utilizing this per-bed cost provides for a conservative estimate by the DOC, as facility start-up costs are not included and entire facilities and/or housing units would have to be constructed to cover the cost of housing new commitments resulting from the cumulative effect of various new legislation, if adopted as statute.

In summary, supervision by the DOC through probation or incarceration would result in additional unknown costs to the department. Eight (8) persons would have to be incarcerated per fiscal year to exceed \$100,000 annually. Due to the narrow scope of this new crime, it is assumed the impact would be less than \$100,000 per year for the DOC.

Officials from the **Department of Natural Resources (DNR)** state this act allows for any establishment which locates its principal business activity within a site consisting of at least ten acres which is a federal superfund removal site, is listed on the National Priorities List, has been formally deferred to the state in lieu of listing on the National Priorities List or has been

ASSUMPTION (continued)

determined by the department to be contaminated by any substance regulated by a federal or state statute governing environmental conditions for real property, may qualify for incentive payments under this act.

In order to qualify for incentive payments, the establishment must obtain a letter of concurrence from DNR that states the site meets one or more of the requirements listed in the previous paragraph, and that the site has been or is being remediated to a level consistent with the intended use of the property. In making this determination, DNR may rely on existing data or may require the entity to provide additional data and information as necessary.

It is uncertain how many sites may wish to apply for the incentive payments under this act. For the purpose of this fiscal note DNR has estimated 5 sites per year would be requesting a letter of concurrence from the department to qualify for the incentive payments. DNR estimates approximately 20 hours per site for an Environmental Specialist III to review documents and write the letter of concurrence. The total hours are estimated to equal 100 hours per year.

DNR assumes the fiscal impact from this proposal would be absorbed within the current funding requests; however, depending on the complexity and number of potential requests, additional resources may have to be requested.

Officials from the **Department of Economic Development (DED)** state the bill creates the quality job act for the state of Missouri. At this point, it is unclear how many industries would be covered by parts of the bill. It is also unclear as to the administrative needs of DED or the positive/negative fiscal impact to the state. Therefore, DED assumes an unknown cost for the administrative impact and cannot predict any positive or negative fiscal impact or benefits to Missouri.

Officials from the **State Tax Commission (TAX)** state that in addition to creating a Missouri Quality Job Program Act, this proposal creates a Missouri Quality Jobs Incentive Approval Committee. A member of the State Tax Commission is appointed to the committee.

Many of the committee's duties are outlined in the legislation. Any business desiring to take advantage of this program must apply to the Department of Economic Development. DED will determine if the applicant is qualified and shall notify the State Tax Commission. If the applicant is determined to be eligible, the Commission will issue quarterly incentive payments. The establishment may elect to obtain the benefit in the form of an industrial revenue bond. The State Tax Commission may audit qualified establishments and request additional information to be submitted by the establishment.

ASSUMPTION (continued)

The legislation creates a special fund for the State Tax Commission to be designated as the "Quality Jobs Program Incentive Payment Fund." TAX is authorized to withhold a portion of the taxes for deposit into this fund in order to issue incentive payments. TAX assumes the Department of Revenue will allow access to all necessary tax records of the establishment in order for the Commission to discharge its responsibilities as outlined in this proposal.

TAX assumes the proposal creates additional administrative duties for this agency. TAX will need to hire additional FTE's to perform the responsibilities outlined in this proposal. The number of FTE will depend on the number of establishments that qualify for this program and apply for incentive payments. The commission will request the necessary FTE's through the budget process.

TAX assumes an unknown cost to administer the program.

Oversight assumes the withholding tax payments made by companies that qualify for this program will be made to the General Revenue fund, and then the portion to be earmarked for incentive payments back to these companies will be transferred out to the new Quality Jobs Program Incentive Payment Fund. Oversight assumes the transfers into the new fund and incentive payments made out of the fund will generally offset each other.

The proposal states that "in no event shall incentive payments, cumulatively, exceed the estimated net direct state benefits", however, an exception is made for establishments locating in certain depressed areas of the state. Therefore, businesses locating in certain areas of the state would not have to meet the positive net direct state benefit criteria. Oversight also assumes that "establishments" are business entities.

Oversight assumes the Department of Economic Development and the State Tax Commission each would incur an unknown amount of expense administering this program and that this cost would be incurred in the General Revenue Fund.

Oversight assumes there would be some positive indirect fiscal benefits as a result of this proposal, however, Oversight does not reflect that in the fiscal note.

<u>FISCAL IMPACT - State Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
GENERAL REVENUE FUND			
<u>Costs</u> – Department of Corrections			
Incarceration/Probation Costs	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)
<u>Costs</u> - Department of Economic Development			
To administer the program	(Unknown)	(Unknown)	(Unknown)
<u>Costs</u> - State Tax Commission			
To administer the program	(Unknown)	(Unknown)	(Unknown)
<u>Transfer Out</u> - to Quality Jobs Program Incentive Payment Fund for portion of taxes resulting from net benefit rate x gross payroll of participating companies.			
	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	<u>(UNKNOWN)</u>	<u>(UNKNOWN)</u>	<u>(UNKNOWN)</u>
 QUALITY JOBS PROGRAM INCENTIVE PAYMENT FUND			
<u>Transfer In</u> - from General Revenue a portion of taxes withheld from basic industries participating in Missouri Quality Jobs Program Act (Section 620.189)			
	Unknown	Unknown	Unknown
<u>Cost</u> - distribution of incentive payments to qualified participating companies (Section 620.189)			
	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT TO THE QUALITY JOBS PROGRAM INCENTIVE PAYMENT FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

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

DESCRIPTION

The proposal provides quarterly cash payments of up to 5% of new taxable payroll to qualifying manufacturing and service companies based on their new payroll investment (minimum \$2.5 million). The proposal requires minimum thresholds for the number new jobs created. In order to qualify, companies must be a basic industry as defined by the act, must offer basic health insurance coverage and pay at least 50% of the cost, and must meet minimum average wage requirements. Payments are made directly to the company for up to 10 years. A lower payroll threshold is available for certain projects or as a result of location in targeted areas.

The proposal establishes the Incentive Approval Committee laying out the composition and the duties. The "Quality Jobs Program Incentive Payment Fund" is established and formulas are provided for calculating the disbursement of cash payments. Penalty provisions for false or fraudulent claims are included.

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

SOURCES OF INFORMATION

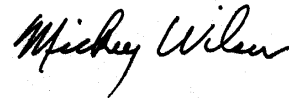
Department of Economic Development
Department of Insurance
Office of the Secretary of State
Department of Revenue
State Tax Commission
Department of Natural Resources
Office of the State Treasurer
Department of Public Safety

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SOURCES OF INFORMATION (continued)

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