

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0733-03
Bill No.: SCS for HB 196
Subject: Economic Development Department; Economic Development; Tax Credits
Type: Original
Date: May 3, 2013

Bill Summary: This proposal establishes the Missouri Works Training Program and modifies provisions relating to unemployment compensation.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
General Revenue	\$0	\$0	\$0
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 13 pages.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Missouri Job Development Fund*	\$0	\$0	\$0
Missouri Community College Job Training Program Fund*	\$0	\$0	\$0
Missouri Community College Job Retention Training Fund*	\$0	\$0	\$0
Missouri Works Job Development	\$0	\$0	\$0
Missouri Works Community College New Jobs Training	\$0	\$0	\$0
Missouri Works Community College Job Retention Training	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

* These three funds are being deleted in this proposal.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on FTE	0	0	0

Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

§§ 100.293 and 135.284 Jobs Now Recommendation Committee

Oversight assumes there is no fiscal impact from this provision.

§ 135.800 Tax Credit Accountability Act

Oversight assumes there is no fiscal impact from this provision.

§ 288.040 Unemployment Compensation

Officials at the **Department of Labor and Industrial Relations** assume there is no fiscal impact from this proposal.

§§ 620.800, 620.803, 620.806 and 620.809 Missouri Works New Job Tax Credit

Officials at the **Office of Administration - Budget and Planning (BAP)** assume this proposal establishes the MO Works Training Program, which streamlines and renames the state's workforce training programs. The benefits provided by these programs are not capped in statute, but are limited by annual appropriation authority. To the extent modifications increase participation in the training programs, General or Total State Revenues could be reduced, but not by more than annual appropriation authority allows. This program may encourage other economic activity, but BAP does not have the data to estimate the induced revenues.

Officials at the **Department of Economic Development** assume there is no fiscal impact from this proposal.

Officials at the **Department of Agriculture, Department of Higher Education, Department of Natural Resources, Department of Revenue, Missouri Senate, Office of the Governor** and the **Office of State Treasurer** each assume there is no fiscal impact to their organization from this proposal.

In response to a previous version of this proposal, officials at the Metropolitan Community College assumed there was no fiscal impact from this proposal.

No other Community College responded to **Oversight's** request for impact.

ASSUMPTION (continued)

Oversight assumes this proposal creates a new jobs credit and a retained jobs credit that allow a credit from withholding taxes. This proposal creates the following funds:

Missouri Works Job Development Fund - which shall receive money from the General Assembly, gifts, and other sources. **Oversight** assumes that all money received by this fund will be distributed per this proposal.

Missouri Works Community College New Jobs Training Fund - which shall receive money from the new jobs credits, gifts, and other sources. **Oversight** assumes that all money received by this fund will be distributed to community colleges per this proposal.

Missouri Works Community College Job Retention Training Fund - which shall receive money from the retained jobs credits, gifts, and other sources. **Oversight** assumes that all money received by this fund will be distributed per this proposal.

Officials from the **Department of Economic Development (DED)** expanded upon their original 'No Fiscal Impact' response and stated the legislation proposes new programs that are replacements for the old ones. The provisions of the new programs are substantially similar to the old programs; therefore, there would not be a fiscal impact.

DED stated the existing program had the following expenditures (transfers from the General Revenue Fund into the Missouri Jobs Development Fund (MJDF)):

FY 2009	\$10,213,850
FY 2010	\$ 9,643,027
FY 2011	\$ 9,646,979
FY 2012	\$ 9,646,979
FY 2013	\$ 7,235,235

ASSUMPTION (continued)

The following is a summary of the deletion of the existing programs and the enactment of their replacements:

Current Programs (being deleted)	New Programs (new language)
Mo Job Development Fund (§§ 620.470 - 620.481)	Mo Works Job Development Fund
Mo Community College Jobs Training Program (§§ 178.892 - 178.896)	Mo Works Community College New Jobs Training Fund
Mo Community College Job Retention Training Fund (§§ 178.760 - 178.764)	Mo Works Community College Job Retention Training Fund

Based upon the assurance from DED that the programs are substantially similar and wouldn't create an additional fiscal impact, **Oversight** will reflect a cost to the General Revenue Fund of the new Mo Works Job Development Fund program and a savings from the deletion of the Mo Job Development Fund program that offset each other and net to zero. Oversight will use the average of the four complete fiscal years provided by DED of the MJDF program (FY 2009 - FY 2012) of \$9.8 million.

The Missouri Job Development Fund, the Missouri Community College Jobs Training Fund, and the Missouri Community College Job Retention Training Fund are each being deleted in this proposal.

§ 620.1881 Quality Jobs

Oversight assumes there is no fiscal impact from this provision.

§ 620.1910 Manufacturing Jobs

Oversight assumes there is no fiscal impact from this provision.

Bill as a Whole

Officials at the **Joint Committee on Administrative Rules** assume there is no fiscal impact from this proposal.

Officials from the **Office of the Secretary of State (SOS)** state 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

ASSUMPTION (continued)

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 \$2,500. 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 the 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.

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.

<u>FISCAL IMPACT - State Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
GENERAL REVENUE			
<u>Savings</u> - DED §§ 620.470 - 620.481 - deletion of the Mo Job Development Fund program	\$8,166,666	\$9,800,000	\$9,800,000
<u>Transfer Out</u> - § 620.806 - Missouri Works Job Development Fund	<u>(\$8,166,666)</u>	<u>(\$9,800,000)</u>	<u>(\$9,800,000)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

**MISSOURI COMMUNITY
 COLLEGE JOBS RETENTION
 TRAINING FUND**

<u>Savings</u> - DED Program deleted under Sections 178.760 - 178.764 - no additional expenditures	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
<u>Losses</u> - DED Program deleted - no additional funding	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>
ESTIMATED NET EFFECT TO THE MISSOURI COMMUNITY COLLEGE JOBS RETENTION TRAINING FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - State Government FY 2014 FY 2015 FY 2016
 (continued) (10 Mo.)

**MISSOURI COMMUNITY
 COLLEGE JOB TRAINING
 PROGRAM FUND**

Savings - Program deleted under Sections 178.892 - 178.896 - no additional expenditures \$0 to Unknown \$0 to Unknown \$0 to Unknown

Losses - DED
 Program deleted - no additional funding \$0 to
(Unknown) \$0 to
(Unknown) \$0 to
(Unknown)

**ESTIMATED NET EFFECT TO THE
 MISSOURI COMMUNITY
 COLLEGE JOB TRAINING
 PROGRAM FUND** **\$0** **\$0** **\$0**

**MISSOURI JOB DEVELOPMENT
 FUND**

Savings - Program deleted under Sections 620.470 - 620.481 - no additional expenditures \$8,166,666 \$9,800,000 \$9,800,000

Losses - DED
 Program deleted - no additional funding from the General Revenue Fund (\$8,166,666) (\$9,800,000) (\$9,800,000)

**ESTIMATED NET EFFECT TO THE
 MISSOURI JOB DEVELOPMENT
 FUND** **\$0** **\$0** **\$0**

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2014 (10 Mo.)	FY 2015	FY 2016
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MISSOURI WORKS JOB DEVELOPMENT FUND

<u>Transfer In</u> - § 620.806 - from General Revenue for providing financial assistance to companies that create new jobs	\$8,166,666	\$9,800,000	\$9,800,000
<u>Transfer In</u> - § 620.806 - gifts, contributions, grants or bequests received	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
<u>Transfer Out</u> - § 620.806 - to companies for the training programs	(\$8,166,666 to <u>Unknown</u>)	(\$9,800,000 to <u>Unknown</u>)	(\$9,800,000 to <u>Unknown</u>)

ESTIMATED NET EFFECT ON MISSOURI WORKS JOB DEVELOPMENT FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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MISSOURI WORKS COMMUNITY COLLEGE NEW JOBS TRAINING FUND

<u>Transfer In</u> - § 620.809 - new jobs credits	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
<u>Transfer In</u> - § 620.809 - gifts, contributions, grants or bequests received	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
<u>Transfer Out</u> - § 620.809 - to community colleges for training programs	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>

ESTIMATED NET EFFECT ON MISSOURI WORKS COMMUNITY COLLEGE NEW JOBS TRAINING FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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FISCAL DESCRIPTION (continued)

College New Jobs Training Fund which was formerly the Missouri Community College Job Training Program Fund, and the Missouri Works Community College Job Retention Training Fund which was formerly the Missouri Community College Job Retention Training Program Fund. The department must, to the maximum extent practicable, prioritize funding to assist qualified companies in targeted industries. The bill specifies the requirements for a qualified company to receive benefits under the program, how the benefits will be calculated, and the penalties for failure to meet any requirements under the program. These provisions will expire July 1, 2019, unless reauthorized by the General Assembly.

The provisions regarding the Missouri Job Training Joint Legislative Oversight Committee are repealed and the Missouri Works Job Training Joint Legislative Oversight Committee is established consisting of three members of the House of Representatives appointed by the Speaker and three members of the Senate appointed by the President Pro Tem. An annual report must be submitted by October 1 to the Governor, Speaker of the House of Representatives, and President Pro Tem of the Senate regarding all assistance provided to industries under these provisions during the preceding fiscal year.

Section 288.040, which has no direct fiscal impact, has an emergency clause.

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 Agriculture
Department of Economic Development
Department of Higher Education
Department of Natural Resources
Department of Revenue
Joint Committee on Administrative Rules
Metropolitan Community College
Missouri Senate
Office of Administration
 Budget and Planning
Office of the Governor
Office of the Secretary of State
Office of State Treasurer

JH:LR:OD

SOURCES OF INFORMATION (continued)

Not Responding:

Jefferson Community College
Moberly Area Community College
State Fair Community College
St. Charles Community College
St. Louis Community College
Three Rivers Community College



Ross Strope
Acting Director
May 3, 2013