

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0002-02
Bill No.: Perfected SCS for SB 1
Subject: Economic Development; Tax Credits
Type: Original
Date: December 4, 2013

Bill Summary: This proposal authorizes incentives for aerospace industry job creation under existing programs except with a separate incentives cap.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2014 (6 Months)	FY 2015	FY 2016
General Revenue*	\$0	\$0	\$0
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

* Oversight assumes an impact after FY 2016, of up to \$150 million annually.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2014 (6 Months)	FY 2015	FY 2016
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2014 (6 Months)	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 (6 Months)	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 (6 Months)	FY 2015	FY 2016
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Division of Budget and Planning (BAP)** assume this proposal should not result in additional costs or savings to BAP. This proposal may reduce General and Total State Revenues and/or require additional appropriations for tax increment financing. The impact would be from \$0 to \$150 million per year; the timing of this impact is unknown but would not occur until new jobs are created. BAP defers to Department of Economic Development for more specific information on the timing of the incentive payments.

This proposal will encourage other economic activity that will have a positive impact on General and Total State Revenues. BAP cannot estimate the induced revenues and defers to Department of Economic Development for an estimate. This proposal will have an unknown impact on 18e.

Officials at the **Department of Revenue** assume this proposal would not have an administrative impact on their department. This legislation may reduce Total State Revenue by \$0 to as much as \$150 million annually. The incentives in the legislation will create a positive economic impact, and the Department defers to the Department of Economic Development for that information.

Officials at the **Department of Economic Development (DED)** assume Section 620.2500 RSMO, proposes that an aerospace project will be eligible for a separate maximum funding cap of up to \$150 million annually for projects approved under four tax incentive programs administered by DED. All four of the above programs are performance-based, meaning that the actual amount of the incentive the company may receive is based on the actual number of new jobs created, the wages of those jobs, the amount of new capital investment, and the cost of training workers.

If the proposed legislation is enacted and an eligible aerospace project ensues, Total State Revenue will have a positive fiscal impact withstanding the \$0-\$150 million in allowable incentives. Since each of the four programs have requirements for a positive net state fiscal benefit, meaning that state General Revenue paid to the state as a result of the new job creation and capital investment, exceeds the amount provided in incentives. Thus, DED assumes a positive fiscal impact ranging from \$0-\$270 million over the term.

DED assumes the earliest that the incentives could be claimed by an eligible project would be 2018, based on the requirement of a minimum of 2,000 employees.

Oversight assumes the expansion of these programs outlined in this proposal may have a positive impact on the state. However, Oversight considers this to be indirect impact of the proposal and will not reflect it in this fiscal note.

Oversight assumes this proposal contains an emergency clause and therefore, the fiscal note will reflect that this proposal could begin as early as January 1, 2014, which is Fiscal Year 2014. Oversight will reflect a six month impact for Fiscal Year 2014.

Oversight assumes there would be no impact during the fiscal years reflected in this fiscal note. However, Oversight agrees with DED that if a company qualified for these incentives they could begin receiving the benefits as early as Fiscal Year 2018. The amount of incentives received would be based on the number of employees hired and could not, per this proposal, exceed \$150 million.

Oversight assumes the amendments would not have any fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2014 (6 Mo.)	FY 2015	FY 2016
GENERAL REVENUE			
<u>Revenue Reduction*</u> - due to expansion of existing tax credit programs	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
* Oversight assumes an impact after FY 2016, of up to \$150 million annually.			

<u>FISCAL IMPACT - Local Government</u>	FY 2014 (6 Mo.)	FY 2015	FY 2016
	<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; however, a large number of small businesses could be indirectly impacted if the aerospace expansion occurs.

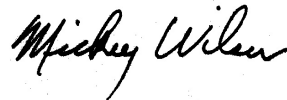
FISCAL DESCRIPTION

This legislation authorizes incentives for aerospace industry job creation under existing programs except with a separate incentives cap.

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

SOURCES OF INFORMATION

Office of Administration's Division of Budget and Planning
Department of Economic Development
Department of Revenue



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Director
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