

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4211-01
Bill No.: Truly Agreed To and Finally Passed HB 1506
Subject: Economic Development; Department of Economic Development
Type: Original
Date: June 2, 2014

Bill Summary: This proposal establishes a rural regional development grant program.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	\$0 to (\$5,000,000)	\$0 to (\$5,000,000)	\$0 to (\$5,000,000)
Total Estimated Net Effect on General Revenue Fund	\$0 to (\$5,000,000)	\$0 to (\$5,000,000)	\$0 to (\$5,000,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
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 2015	FY 2016	FY 2017
Local Government	\$0 to \$5,000,000	\$0 to \$5,000,000	\$0 to \$5,000,000

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Office of Administration's Division of Budget and Planning (BAP)** assume this proposal would not fiscally impact BAP. This legislation authorizes the Department of Economic Development to issue grants up to \$5 million per fiscal year for rural regional development, subject to appropriation. This proposal would not impact General or Total State Revenue.

Officials at the **Joint Committee on Administrative Rules** and the **Office of Administration's Division of Accounting** each assume there is no fiscal impact to their respective organizations from this proposal.

Officials at the **Department of Economic Development (DED)** assume §620.750 creates the rural regional development grant programs that offer \$150,000 grants to regional development organizations. The program is subject to appropriation and has a \$5,000,000 cap. DED will administer the program. DED assumes a negative impact ranging from \$0 - \$5,000,000.

DED will also require one additional FTE to administer the program. The FTE would be responsible for reviewing applications, accepting applications, creating guidelines and implementation of the programs.

Oversight assumes that due to the limited number of grants issued each year, the Department of Economic Development could absorb the administration of this proposal with existing staff.

This proposal states it is subject to appropriation by the General Assembly, with a maximum of \$5 million annually. **Oversight** will reflect the impact as \$0 (no money appropriated) to the maximum allowed annually.

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 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

ASSUMPTION (continued)

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 2015 (10 Mo.)	FY 2016	FY 2017
GENERAL REVENUE			
<u>Cost - Department of Economic Development - rural regional development grants</u>	\$0 to <u>(\$5,000,000)</u>	\$0 to <u>(\$5,000,000)</u>	\$0 to <u>(\$5,000,000)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUNDS	\$0 to <u>(\$5,000,000)</u>	\$0 to <u>(\$5,000,000)</u>	\$0 to <u>(\$5,000,000)</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
RURAL REGIONAL DEVELOPMENT GROUP FUNDS			
<u>Transfer In - Rural Regional Development groups - grants from General Revenue</u>	\$0 to <u>\$5,000,000</u>	\$0 to <u>\$5,000,000</u>	\$0 to <u>\$5,000,000</u>
ESTIMATED NET EFFECT ON RURAL REGIONAL DEVELOPMENT GROUP FUNDS	\$0 to <u>\$5,000,000</u>	\$0 to <u>\$5,000,000</u>	\$0 to <u>\$5,000,000</u>

FISCAL IMPACT - Small Business

Small businesses in the rural regional development area may be positively impacted.

FISCAL DESCRIPTION

This bill creates rural regional development grants. The total grants are not to exceed \$5 million on an annual basis.

After a rural regional development group is awarded the grant, the group must:

- (1) Track job creation and investment in a region using quantitative measures of progress toward preestablished goals;
- (2) Establish a process for enrolling commercial and industrial development sites in the region in the state-certified sites program or maintain a list of state-certified commercial and industrial development sites in the region;
- (3) Measure the skills of the region's workforce;
- (4) Provide an organizational chart demonstrating that private businesses and local governmental and educational officials are involved in the group; and
- (5) Provide documentation of the group's financial activities for the current year.

Grants cannot exceed \$150,000 and no more than two grants can be awarded annually to any one of the 19 regions created by Chapter 251, RSMo. Grants to groups in operation for two years or more must provide or raise a \$1 match for every \$3 of state funds provided by the grant, including the value of in-kind services, supplies, or equipment. Grants to groups in operation for less than two years must provide or raise a \$1 match for every \$1 of state funds provided by the grant.

The Grant Recipient must annually report to the Governor; the Director of the Department of Economic Development; the Committee on Commerce, Consumer Protection and the Environment of the Senate; the Committee on Economic Development of the House of Representatives; and any successor committees the allocation of the grants and how the funding was used.

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
Joint Committee on Administrative Rules
Office of Administration
 Division of Accounting
 Division of Budget and Planning
Office of the Secretary of State



Mickey Wilson, CPA
Director
June 2, 2014

Ross Strobe
Assistant Director
June 2, 2014