

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 6305-01
Bill No.: SB 994
Subject: Business and Commerce; Economic Development; Economic Development Department
Type: Original
Date: April 4, 2014

Bill Summary: This proposal creates a new program for disbursing grants through Early Stage Business Development Corporations.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	(\$54,400 to \$9,054,400)	(\$62,583 to \$9,062,583)	(\$63,267 to \$9,063,267)
Total Estimated Net Effect on General Revenue Fund	(\$54,400 to \$9,054,400)	(\$62,583 to \$9,062,583)	(\$63,267 to \$9,063,267)

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 5 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	\$0	\$0

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 proposal establishes a process for designating Early Stage Business Development Corporations in the state and directs the state to pay a total of \$9 million annually for four consecutive fiscal years to these corporations beginning in FY 2015. This legislation will not impact Total State Revenue; however, it could increase General Revenue expenditures, subject to appropriation. This proposal may encourage economic activity, but BAP does not have data to estimate induced revenues.

Officials at the **Department of Economic Development (DED)** assume this proposal will have a negative impact ranging from \$0 - \$9 million dollars; however, since this is subject to appropriation, DED assumes no impact until such approval has been met. Once the appropriation has been made DED assumes that Missouri Technology Corporation will need one additional FTE to administer the program. The FTE will be an Economic Development Incentives Specialist and will be responsible for reviewing applications of the Early State Business Development Corporations, approving applications, creating program guidelines, and distribution of appropriated funds.

Officials at the **Department of Revenue** and the **University of Missouri** each assume there is no fiscal impact to their respective organizations from this proposal.

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
GENERAL REVENUE			
<u>Revenue Reduction</u> - money for early stage business development corporations	\$0 to (\$9,000,000)	\$0 to (\$9,000,000)	\$0 to (\$9,000,000)
<u>Cost</u> - Missouri Technology Corporation - for FTE and expenses	<u>\$0 to (\$54,400)</u>	<u>\$0 to (\$62,583)</u>	<u>\$0 to (\$63,267)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(\$54,400 to \$9,054,400)</u>	<u>(\$62,583 to \$9,062,583)</u>	<u>(\$63,267 to \$9,063,267)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small businesses that receive the funding may be impacted.

FISCAL DESCRIPTION

Beginning fiscal year 2015, this act specifies that the state shall pay \$9 million per fiscal year to Early Stage Business Development Corporations (ESBDCs). ESBDCs will provide grants to business that are winners of competitions for early stage businesses, have substantial operations in Missouri or that begin operating in Missouri, and have potential for regional, national, or international sales or potential to develop new technologies.

The funding will be split so that an ESBDC in each of the three largest metropolitan statistical areas (MSAs) will each receive \$2 million, an ESBDC operating in Columbia will receive \$2 million.

ESBDCs must be not-for-profits designated by the Missouri Technology Corporation to receive funds. Not-for-profit in the three largest MSAs or Columbia must have raised at least \$2 million dollars from sources other than the state before being designated an ESBDC. Not-for-profits in other parts of the state must have raised at least \$150,000 from sources other than the state before being designated an ESBDC. Only one ESBDC will be designated in each of the three largest MSAs, one in Columbia, and two ESBDCs will be designated in other parts of the state. If more than one not-for-profit in one of the three largest MSAs or Columbia or more than two in other parts of the state apply to be an ESBDC, the not-for-profit that has raised the most funds will receive the designation for that area. Designation as an ESBDC shall be for two years. An ESBDC may reapply for an additional two years.

The act specifies a process for disbursing funds to other ESBDCs if an ESBDC is not designated in one of the three largest MSAs or Columbia or two are not designated in other parts of the state.

Grants to businesses by ESBDCs in the three largest MSAs or Columbia will not require repayment. Grants by ESBDCs in other parts of the state will be loans. ESBDCs cannot take an equity interest in business that receive grants.

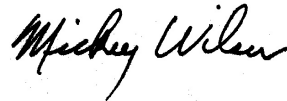
FISCAL DESCRIPTION (continued)

No funding shall be authorized under this act after fiscal year 2018 unless the act is reauthorized.

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 Revenue
Office of Administration
Division of Budget and Planning
University of Missouri



Mickey Wilson, CPA
Director
April 4, 2014

Ross Strobe
Assistant Director
April 4, 2014