

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4511-04
Bill No.: HCS#2 for HB 1503
Subject: Veterans, Economic Development, Department of Economic Development
Type: Original
Date: February 22, 2018

Bill Summary: This proposal establishes a fund for providing state-guaranteed small business loans to veterans.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
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 2019	FY 2020	FY 2021
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on FTE	0	0	0

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Office of Administration Division of Budget and Planning** assume this proposal would allow veterans to participate in Missouri's Linked Deposit program in order to obtain small business loans. There is no direct impact to General and Total State Revenues.

Officials at the **Department of Economic Development (DED)** assume this amends chapter 30 regarding loans to small businesses from the Treasurer's office. It also creates a new section, 620.3250. This version of the bill requires DED to provide a mentor for each project for a year and also requires DED to review and approve "a boots-to-business program" created by the small business vet.

Since DED does not administer the loans, DED cannot speculate as to how much will be spent on loans per year. However, assuming there are 100 loans per year, DED will need to hire 1 Band II Manager (\$63,618), 1 Economic Development Incentive Specialist III (\$53,136), and 10 Marketing/Business Specialists III (\$53,136) to implement the program.

The 12 FTE will require that DED pay for more space in the Truman Building, or, if that is not available, rent additional office space in Jefferson City. The cost for space for 12 FTE in the Truman Building is \$1,518/person/year for a cost of \$18,216/year. If DED is required to rent space in Jefferson City the cost is \$4,025/person/year for a total annual cost of \$48,300.

Oversight notes this proposal allows any veteran, who has a eligible veteran-owned small business as defined in this proposal, to receive a small business loan through the state treasurer's linked deposit program. Oversight assumes this portion of the proposal would have no additional fiscal impact.

Oversight notes that §620.3250.3, requires any applicant who receives a loan from an eligible lending institution be assigned a mentor and to meet with the mentor once every ninety days for one year. Oversight notes this proposal does not require DED to provide the mentors and to pay for the mentors. Oversight assumes that DED will be able to provide a list of mentors (not additional (new) state employees) in the applicants' area of the state they could work with. Oversight assumes that DED could provide the information using existing resources.

Officials at the **Missouri Veterans Commission** assume there is no fiscal impact from this proposal.

ASSUMPTION (continued)

Officials at the **Office of the State Treasurer** assume there is no fiscal impact from this proposal.

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)** stated 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 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 2019 (10 Mo.)	FY 2020	FY 2021
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
	<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, loan guarantees might make it more likely some small businesses qualify for loans.

FISCAL DESCRIPTION

This proposal would allow veterans to receive loans under the State Treasurer's linked deposit program.

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
Missouri Veterans Commission
Office of Administration
 Division of Budget and Planning
Office of the Secretary of State
Office of the State Treasurer

Ross Strope



Acting Director
February 22, 2018