

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1142-02
Bill No.: Perfected SCS for SB 184
Subject: Economic Development; Department of Economic Development
Type: Original
Date: April 10, 2019

Bill Summary: This proposal modifies provisions relating to job training.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
General Revenue	(\$118,412)	(\$128,912)	(\$128,912)
Total Estimated Net Effect on General Revenue	(\$118,412)	(\$128,912)	(\$128,912)

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

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
MO One Start Job Development	\$52,500	\$63,000	\$63,000
Missouri One Start Community College New Jobs Training	\$0	\$0	\$0
Missouri One Start Community College Job Retention Training	\$0	\$0	\$0
Community Colleges	\$1,365,000 to (\$1,365,000)	\$1,365,000 to (\$1,365,000)	\$1,365,000 to (\$1,365,000)
Total Estimated Net Effect on <u>Other</u> State Funds	\$52,500	\$63,000	\$63,000

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Federal Funds*	(\$342,489)	(\$342,489)	(\$342,489)
Total Estimated Net Effect on <u>All</u> Federal Funds	(\$342,489)	(\$342,489)	(\$342,489)

*Program costs transferred to the MO One Start Program.

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
General Revenue	1 FTE	1 FTE	1 FTE
Federal DWD	3 FTE	3 FTE	3 FTE
Total Estimated Net Effect on FTE	4 FTE	4 FTE	4 FTE

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 2020	FY 2021	FY 2022
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials of the **Office of Administration Division of Budget and Planning (B&P)** assume this proposal will not directly impact General Revenue. However, if more projects utilize the training programs, these projects could also apply for other tax credits. If more tax credits are issued, there could be an unknown decrease in General Revenue. Conversely, to the extent this proposal encourages other economic activity, General and Total State Revenue may be impacted, but B&P cannot estimate the induced revenues.

Officials of the **Department of Economic Development (DED)** assume this proposal would have no fiscal impact on the Department.

Oversight notes this proposal is similar to LR1063-01 HB 469. Oversight received a “no impact” response on December 31, 2018 for this proposal and the same “no impact” response on January 16, 2019 for HB 469. Oversight had additional questions on HB 469 and received a response to those questions on January 28, 2019. This fiscal note uses the same responses for DED as HB 469.

In response to the previous version, and after questioning, **DED** stated that currently, the Missouri Job Development Fund, the New Jobs Training Program, and the Job Retention Training Programs are located in the budget of DED's Division of Workforce Development. These programs are being renamed the Missouri One Start Program and a new unit is being built around these existing programs.

DED assumes this bill uses the 3 existing programs - the Missouri Job Development Fund, the New Jobs Training Program and the Job Retention Training Program - and the changes in this bill therefore do not result in an increase to General Revenue. The Governor's Executive budget calls for an increase in funding for these programs however, this is not a result of or in any way correlated to the changes in this bill. DED assumed the several structural changes in the bill would not result in an increase in General Revenue.

Officials at the **Department of Revenue (DOR)** assume there is no fiscal impact from this proposal.

Oversight notes that DOR have stated the proposal would not have a direct fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note for this organization.

ASSUMPTION (continued)

Oversight notes that this proposal is changing the name of the Missouri Works Training Programs to Missouri One Start Program. Additionally, this proposal is changing the name of the Missouri Works Job Development Fund to the Missouri One Start Job Development Fund. Oversight assumes there is a net zero impact from the name changes.

In response to the previous version, and after questioning, **DED** stated this proposal changes the 15% administrative fee for community colleges to a performance-based measure; however the bill does not call for a change in the total amount that would be spent on administration of the program. DED stated these funds are limited to the core budget appropriation as well, included in HB 7 and in no way changed by this bill.

Oversight notes in §620.800(27)(f) this proposal changes from 15% for administrative expenses to a “reasonable amount determined by the Department.” Oversight notes the Missouri Works New Jobs Training Program spent \$5.6 million in FY 2018 from the Community College New Jobs Training Fund (0563) and the Missouri Works Retained Jobs Training Program spent \$3.5 million in FY 2018 from the Community College Job Retention Training Fund (0717). Under current law \$1,365,000 (15%) could have been spent for administrative expenses of community colleges. DED assumes that by using a performance-based system, they could reduce the administrative expenses and reinvest that savings into other companies. Oversight notes DED could raise or lower the rate and assumes the rate will not exceed 30%, therefore, Oversight will show this as a (\$1,365,000) to \$1,365,000 for community colleges.

Oversight notes that §620.806.3 requires petition review and contracts with community colleges in lieu of the guaranteed 15% payment. Oversight assumes that existing and reallocated staff will be able to handle these additional duties.

In response to the previous version, and after questioning, **DED** noted this proposal removes the limit on how much can be spent to market the program; however, this proposal does not call for additional funds for this purpose. These funds would be spent out of the program's core budget, which is included in HB 7 and in no way changed by this bill.

Oversight notes this proposal, in §620.803, removes the limit of \$50,000 to contract with external entities for advertising, marketing and promoting this program. DED stated they have not used funding for external contracting for marketing but will need to do so if Missouri One Start can compete with other states to effectively market regionally and nationally. Oversight notes that any funding used for marketing would be an increase in administrative costs to the program. Oversight assumes \$50,001 - \$250,000 will be spent for external marketing.

ASSUMPTION (continued)

In response to the previous version, and after questioning, **DED** noted this proposal adds the ability to add interest if determined to be needed for clawback repayments. Over the last 5 years, \$562,520 has been collected in clawback repayments. Of that amount, \$344,967 was collected from New Jobs withholding repayments and the funds were returned to General Revenue DOR's withholding unit. The remaining \$217,553 was collected from Missouri Job Development Fund Projects, and deposited into the Missouri Job Development Fund (0600). This interest would be paid to the state, and would not result in a negative fiscal impact to the state.

Oversight notes this proposal in §620.803.8 allows DED to recapture all benefits awarded under the MO One Start Program. DED stated all three existing programs have Clawback provisions which pertain to them - Missouri Job Development Fund is a grant program and New Jobs Training/Job Retention Training Programs use the diversion of withholding credits. There have been occasions in the past when DED recovered funds. The new language strengthens the Clawback provision to include the ability to add interest if necessary when repayment is required. Repayment would be in play if the company didn't create/maintain the jobs and/or moved the jobs out of state. Oversight assumes a 5% interest rate pursuant to DOR's interest rate and estimates an increase in interest revenue for each fund and notes that \$5,625 ($\$562,620 \times 5\% / 5$ years) annually could have been recouped previously. Oversight notes that any money that is Clawbacked from the New & Retained Jobs Funds is withholding tax money and would be forwarded to DOR to be deposited with all other withholding funds. Any interest recovered from the withholding tax would be forwarded to General Revenue. Any funds from the Job Development program would be deposited into the Job Development program and any interest from that program would be also deposited into the fund.

Officials of the **Office of the State Treasurer (STO)** assume this proposal is taking interest earnings from General Revenue and placing them with the renamed Missouri One Start Job Development Fund (0600). Currently, earnings on this fund are posted to General Revenue. Estimated costs to General Revenue are:

FY 2020	\$52,500
FY 2021	\$63,000
FY 2022	\$63,000

Oversight will show the loss to General Revenue and gain to the Missouri One Start Job Development Fund of the interest estimated by the STO.

In response to the previous version, and after questioning, **DED** noted there are currently 8 staff assigned to the 3 programs that will form Missouri One Start. In addition, 4 staff from the Division of Workforce Development Administration currently provide some support to these

ASSUMPTION (continued)

three programs, and will be reassigned organizationally. These positions are and will continue to be funded out of federal workforce development funds. Their positions will not be back-filled at the Division of Workforce Development, resulting in no net change in General Revenue. Funding for these FTEs is included in HB 7, and in no way changed by this bill.

Oversight notes that DED states the transfer of 4 FTE would not have a fiscal impact; however, there could be an increase. The Executive Budget for FY 2020 proposes moving the current 8 FTE to the MO One Start Program and additionally moving 1 FTE from General Revenue and 3 from Federal Funds to the MO One Start Program. Oversight assumes these 4 positions were no longer needed due to policy decisions that are external to the provisions of this bill. Oversight will show the transfer of the 4 new employees (salary, fringe and equipment) to the program in the fiscal note.

Oversight notes that §620.809(4) allows employees in retained jobs with a company to train with the potential employees that will be filling the new jobs. Oversight is unable to determine if this would result in a decrease in the number of training programs that could be funded.

Officials at the **Joint Committee on Administrative Rules (JCAR)** assume this proposal is not anticipated to cause a fiscal impact beyond current appropriations.

Oversight assumes JCAR will be able to administer any rules resulting from this proposal with existing resources.

Officials from the **Office of the Secretary of State (SOS)** assume 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 \$5,000. 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.

ASSUMPTION (continued)

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 require additional resources.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other community colleges were requested to respond to this proposed legislation but did not. For a general listing of political subdivisions included in our database, please refer to www.legislativeoversight.mo.gov.

<u>FISCAL IMPACT - State Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
GENERAL REVENUE			
<u>Loss</u> - STO §620.806- Fund investment interest now retained by the MO One Start Job Development Fund	(\$52,500)	(\$63,000)	(\$63,000)
<u>Transfer In</u> - DED §620.803.8 - clawback money with interest from MO One Start CC New Jobs Training Fund	\$0 to Could exceed \$5,625	\$0 to Could exceed \$5,625	\$0 to Could exceed \$5,625
<u>Transfer In</u> - DED §620.803.8 - clawback money with interest from MO One Start CC Retained Jobs Training Fund	\$0 to Could exceed \$5,625	\$0 to Could exceed \$5,625	\$0 to Could exceed \$5,625
<u>Cost</u> - DED §620.800 one FTE MO One Start Division (1 FTE)	(\$65,912)	(\$65,912)	(\$65,912)
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(\$118,412)</u>	<u>(\$128,912)</u>	<u>(\$128,912)</u>

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2020 (10 Mo.)	FY 2021	FY 2022
MISSOURI ONE START JOB DEVELOPMENT FUND			
<u>Revenue</u> - STO §620.806- Fund investment interest retained by the Fund	\$52,500	\$63,000	\$63,000
<u>Administrative Increase</u> - DED §620.803.5 - removal of cap on what marketing contracts can cost	\$50,001 to \$250,000	\$50,001 to \$250,000	\$50,001 to \$250,000
<u>Program Distribution Decrease</u> - DED 620.803.5 marketing contract increased administrative costs	<u>(\$50,001 to \$250,000)</u>	<u>(\$50,001 to \$250,000)</u>	<u>(\$50,001 to \$250,000)</u>
ESTIMATED NET EFFECT ON MISSOURI ONE START JOB DEVELOPMENT FUND	<u>\$52,500</u>	<u>\$63,000</u>	<u>\$63,000</u>

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2020 (10 Mo.)	FY 2021	FY 2022
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**MISSOURI ONE START
 COMMUNITY COLLEGE NEW
 JOBS TRAINING FUND**

<u>Revenue</u> - DED §620.803.8 - clawback money with interest payments	\$0 to Could exceed \$5,625	\$0 to Could exceed \$5,625	\$0 to Could exceed \$5,625
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<u>Transfer Out</u> - DED §620.803.8 - clawback money with interest is withholding taxes and forwarded to General Revenue	<u>\$0 to (Could exceed \$5,625)</u>	<u>\$0 to (Could exceed \$5,625)</u>	<u>\$0 to (Could exceed \$5,625)</u>
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**ESTIMATED NET EFFECT ON
 MISSOURI ONE START
 COMMUNITY COLLEGE NEW
 JOBS TRAINING FUND**

	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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**MISSOURI ONE START
 COMMUNITY COLLEGE JOB
 RETENTION TRAINING FUND**

<u>Revenue</u> - DED §620.803.8 - clawback money with interest payments	\$0 to Could exceed \$5,625	\$0 to Could exceed \$5,625	\$0 to Could exceed \$5,625
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<u>Transfer Out</u> - DED §620.803.8 - clawback money with interest is withholding taxes and forwarded to General Revenue	<u>\$0 to (Could exceed \$5,625)</u>	<u>\$0 to (Could exceed \$5,625)</u>	<u>\$0 to (Could exceed \$5,625)</u>
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**ESTIMATED NET EFFECT ON
 MISSOURI ONE START
 COMMUNITY COLLEGE JOB
 RETENTION TRAINING FUND**

	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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<u>FISCAL IMPACT - State Government</u> (continued)	FY 2020 (10 Mo.)	FY 2021	FY 2022
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FEDERAL FUNDS

Cost - DED §620.800 three FTE to MO One Start Division (3 FTE)	<u>(\$342,489)</u>	<u>(\$342,489)</u>	<u>(\$342,489)</u>
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ESTIMATED NET EFFECT ON FEDERAL FUNDS	<u>(\$342,489)</u>	<u>(\$342,489)</u>	<u>(\$342,489)</u>
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COMMUNITY COLLEGES

Administrative Change - §620.800(27) removal of the 15% cap on administrative expenses	<u>\$1,365,000 to</u> <u>(\$1,365,000)</u>	<u>\$1,365,000 to</u> <u>(\$1,365,000)</u>	<u>\$1,365,000 to</u> <u>(\$1,365,000)</u>
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ESTIMATED NET EFFECT ON COMMUNITY COLLEGES	<u>\$1,365,000 to</u> <u>(\$1,365,000)</u>	<u>\$1,365,000 to</u> <u>(\$1,365,000)</u>	<u>\$1,365,000 to</u> <u>(\$1,365,000)</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This act modifies several provisions relating to the Missouri Works Training Program.

This act renames the program the Missouri One Start Program. Current law allows administrative expenses equal to fifteen percent of total training costs. This act limits such expenses to a reasonable amount determined by the Department of Economic Development. In promulgating rules and regulations governing the Missouri One Start Training Program, this act requires the Department to consider such factors as the potential number of new jobs to be created, the amount of new capital investment in new facilities and equipment, the significance of state benefits to the qualified company's decision to locate or expand in Missouri, the economic need of the affected community, and the importance of the qualified company to the economic development of the state.

This act allows the Department to require a qualified business to repay all benefits if such business fails to maintain the new or retained jobs within five years of approval of benefits or if such business leaves the state within five years of approval of benefits.

This act allows the Department to contract with other entities, including businesses, industries, other state agencies, and political subdivisions of the state for the purpose of implementing a training project under the program.

Upon appropriation of funds to the Missouri One Start Job Development Fund, this act allows a local education agency to petition the Department to utilize the Fund to create or improve training facilities, equipment, staff, expertise, programming, and administration. The Department may award moneys from the Fund for reimbursement of training project costs and services as it deems necessary.

This act gives the Department the discretion to determine the appropriate amount of funds to allocate to a training project from the Missouri One Start Community College New Jobs and Retained Jobs Training funds.

Any agreement or obligation entered into by the Department that was made under the provisions of the Missouri Works Training Program prior to the effective date of this act shall remain in effect according to the provisions of such agreement or obligation.

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



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April 10, 2019

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