

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0835S.03P
 Bill No.: Perfected SS for SB 2
 Subject: Economic Development; Economic Development, Department Of; Military Affairs
 Type: Original
 Date: January 27, 2021

Bill Summary: Modifies provisions relating to the Missouri Works Program.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
General Revenue*	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on General Revenue	(Unknown)	(Unknown)	(Unknown)

*Oversight notes this proposed legislation modifies provisions in which the Missouri Department of Economic Development may award incentives to industrial development authorities for qualified military projects, to include new part-time (as well as full-time) employees. Oversight assumes the changes put forth in this proposed legislation may increase utilization of the Missouri Works Program and have reflected an unknown fiscal impact. However, Oversight assumes any additional incentives awarded as a result of this proposed legislation would **not** exceed the \$250,000 per year Fiscal Review/Fiscal Oversight threshold.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on FTE	0	0	0

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration – Budget & Planning Division (B&P)** state this proposed legislation clarifies that the Missouri Works Program is available for both full-time and part-time employees for certain projects. To the extent businesses [or military projects] qualify for additional tax credits, this proposed legislation could impact General Revenue (GR) and Total State Revenue (TSR) as well as the calculation pursuant to Article X, Section 18(e). Additionally, to the extent this proposed legislation encourages other economic activity, GR and TSR may increase, but B&P cannot estimate the induced revenues.

Oversight notes this proposed legislation changes the definition of “Qualified Military Project” under the Missouri Works Program to clarify that, so long as all other statutory requirements are met, an increase of ten or more **part-time or full-time** military or civilian support personnel will qualify for the benefits under the Missouri Works Program.

This proposed legislation clarifies the aforementioned in such a way that part-time or civilian support personnel shall be converted to full-time new jobs by counting one full-time new job for every thirty-five (35) averaged hours worked per week by part-time military or civilian support personnel in jobs directly created by the qualified military project.

Furthermore, this proposed legislation modifies the provisions in which the Missouri Department of Economic Development may award tax credits to industrial development authorities for qualified military projects to the extent that tax credits may be awarded in the amount of the estimated withholding taxes associated with **part-time and full-time** employees.

Oversight notes tax credits reduce the State of Missouri’s General Revenue Fund. Oversight assumes the changes made in this proposed legislation will provide for an amount of tax credit issuances that exceed the amount of tax credit issuances that would otherwise be recognized without such changes put forth. Therefore, Oversight assumes GR will be reduced.

Oversight notes, though, that the Missouri Department of Economic Development shall not authorize tax credits for qualified military projects unless the Missouri Department of Economic Development determines the qualified military project shall achieve a net positive fiscal impact to the State of Missouri.

Oversight is unable to determine in what manner, whether directly or indirectly, qualified military projects will induce positive fiscal impact(s) to the State of Missouri.

Oversight assumes, because of the emergency clause included, this proposed legislation will go into effect July 1, 2021 (Fiscal Year 2022).

Therefore, for purposes of this fiscal note, Oversight will report a reduction to GR by an “Unknown” amount beginning in Fiscal Year 2022.

Officials from the **Missouri Department of Revenue (DOR)** state Section 620.2005 clarifies the definition of the qualified military project to require ten or more part-time or full-time military or civilian support personnel. DOR does not anticipate a fiscal impact as a result of this change in the definition of qualified military project.

DOR states section 620.2010 allows for the awarding of a tax credit in the amount equal to the estimated withholding taxes associated with both part-time and full-time jobs. DOR does not anticipate a fiscal impact on their organization as a result of the change in who qualifies for the tax credit.

In response to the previous version of this proposed legislation, officials from the **Missouri Department of Economic Development (DED)** stated DED does not anticipate the proposed legislation will have an impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will not report a fiscal impact for this organization.

<u>FISCAL IMPACT – State Government</u>	FY 2022	FY 2023	FY 2024
GENERAL REVENUE FUND			
<u>Revenue Reduction – Section 620.2005 & 620.2010 – Modification to the Missouri Works Program to include part-time employees</u>	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2022	FY 2023	FY 2024
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT – Small Business

Small businesses that qualify for the Missouri Works Program incentives with these changes would be positively impacted by this proposed legislation.

FISCAL DESCRIPTION

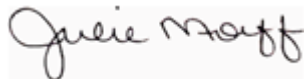
This proposed legislation modifies the Missouri Works Program to provide that, for qualified military projects, the benefit shall be based on both part-time and full-time jobs created by the project.

This proposed legislation contains an emergency clause.

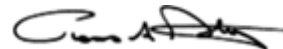
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration – Budget & Planning Division
Missouri Department of Revenue
Missouri Department of Economic Development



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Director
January 27, 2021



Ross Strobe
Assistant Director
January 27, 2021