

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3957S.01I
 Bill No.: SB 772
 Subject: Department of Economic Development; Boards, Commissions, Committees and Councils
 Type: Original
 Date: January 19, 2022

Bill Summary: This proposal establishes the Community Investment Corporation Development Act.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
General Revenue Fund*	(Unknown, Could Exceed \$149,376)	(Unknown, Could Exceed \$156,616)	(Unknown, Could Exceed \$159,156)
Total Estimated Net Effect on General Revenue	(Unknown, Could Exceed \$149,376)	(Unknown, Could Exceed \$156,616)	(Unknown, Could Exceed \$159,156)

*This program is subject to appropriation. Oversight assumes the appropriation level could exceed the \$250,000 threshold.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
Community Investment Corporation Fund*	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

*Oversight assumes the transfer-in and transfer-out will net zero (\$0)

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
General Revenue Fund	2 FTE	2 FTE	2 FTE
Total Estimated Net Effect on FTE	2 FTE	2 FTE	2 FTE

*Oversight notes the estimated cost for DED FTE would be subject to appropriation

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

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
Local Government	Unknown	Unknown	Unknown

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Economic Development (DED)** note §620.850 establishes the "Community Investment Corporation Development Act", which creates the Community Investment Corporation Development Commission within DED.

Subject to appropriation, DED shall develop and maintain a program to make grants to communities seeking to establish community investment corporations and encourage them to become self-sustaining from land rentals and other fees within the first five years of their formation. The Commission shall seek funding from local, state, federal, and private sources to make grants and loans and otherwise enhance the development of community investment corporations. DED staff shall advise the commission of all available sources of funding for economic development that it is aware of and shall assist the commission and community investment corporations in securing such funding. Funds received pursuant to this act shall be deposited into the Community Investment Corporation Fund, which is created by the act.

DED will need to hire 2.0 FTE Economic Development Specialist at \$43,556 annually per each to administer the act.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect DED estimated cost in the fiscal note.

Officials from the **Office of Administration – Budget & Planning (B&P)** assume this proposal states that subject to appropriation, the DED shall provide staff and administrative support services to the commission. This proposal also permits the DED, subject to appropriation, to develop and maintain a program to make grants to communities seeking to establish community investment corporations and encourage them to become self-sustaining from land rentals and other fees within the first five years of their formation. The procedures for grant application shall be established by the department by rule. Since these costs are subject to appropriation, the cost to the state could range from \$0 (no appropriation is made) to an unknown amount.

B&P assumes that any funds sought and obtained by the Community Investment Corporation Development Commission from local, state, federal, and private sources shall be deposited into the newly created Community Investment Corporation Fund. This could result in an impact to TSR ranging from \$0 (no funds obtained/deposited) to an unknown amount.

Oversight notes this proposed legislation establishes, within DED, the Community Investment Corporation Development Commission.

The Community Investment Corporation Development Commission shall consist of eleven (11) members who shall be appointed by the Governor, with advice and consent of the Missouri Senate.

Oversight notes this proposed legislation permits the Missouri Department of Economic Development, subject to appropriation, to provide staff and administrative support services to the Community Investment Corporation Development Commission.

Oversight assumes, for purposes of this fiscal note, any appropriation for the Missouri Department of Economic Development to provide staff and administrative support services to the Community Investment Corporation Development Commission will be appropriated from the General Revenue Fund to the Community Investment Corporation Fund.

Oversight notes this proposed legislation states the Community Investment Corporation Development Commission shall seek funding from local, state, federal, and private sources to make grants, loans, and otherwise enhance the development of community investment corporations.

Oversight will report a cost (transfer-out) to the General Revenue Fund equal to an unknown amount as a result of the provision allowing appropriation to the Community Investment Corporation Fund for administrative costs incurred by DED and for the grant program created within DED.

Oversight will report a transfer-in to the Community Investment Corporation Fund equal to an unknown amount as a result of any appropriation from the General Revenue Fund to the Community Investment Corporation Fund.

Oversight assumes the revenue gain (transfer-in) and the revenue reduction (transfer-out) to the Community Investment Corporation Fund will net zero (\$0). Oversight notes, though, that the fund **could** recognize continuous positive balances should the Missouri Department of Economic Development not need to provide administrative support to the Community Investment Corporation Development Commission and/or no communities seek to establish community investment corporations. For purposes of this fiscal note, Oversight assumes revenue deposited/transferred into the Community Investment Corporation Fund will be used/transferred-out in the same fiscal year.

Oversight will report a revenue gain to Local Political Subdivisions equal to \$0 (no funds available) to an unknown amount as a result of the distribution of grants from the Missouri Department of Economic Development to communities seeking to establish community investment corporations.

Officials from **Department of Revenue, Joint Committee on Administrative Rules, State Tax Commission, Office of the State Treasurer, Ozark Foothills Regional Planning Commission** and, **City of Springfield** each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these entities.

In response to the similar proposal, SB 460 (2021), officials from the **Office of the Secretary of State (SOS)** noted many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. 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 SOS for administrative rules is less than \$5,000. SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, 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 SOS can sustain with SOS's core budget. Therefore, 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 proposed legislation. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriations process.

<u>FISCAL IMPACT – State Government</u>	FY 2023 (10 Mo.)	FY 2024	FY 2025
GENERAL REVENUE FUND			
<u>Cost – DED (p. 3)</u>			
Salary	(\$72,610)	(\$88,875)	(\$90,652)
Fringe Benefits	(\$49,001)	(\$59,385)	(\$59,981)
Equipment & Expense	(\$27,765)	(\$8,356)	(\$8,523)
<u>Total Cost - DED</u>	(\$149,376)	(\$156,616)	(\$159,156)
FTE Change - DED	2 FTE	2 FTE	2 FTE
<u>Transfer-Out – Section 620.850 – Appropriation To Community Investment Corporation Fund – (p. 4,5)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(Unknown, Could Exceed \$149,376)</u>	<u>(Unknown, Could Exceed \$156,616)</u>	<u>(Unknown, Could Exceed \$159,156)</u>
Estimated Net FTE Change on Other State Funds	2 FTE	2 FTE	2 FTE
<u>FISCAL IMPACT – State Government (continued)</u>	FY 2023 (10 Mo.)	FY 2024	FY 2025
COMMUNITY INVESTMENT CORPORATION FUND			
<u>Transfer-In – Section 620.850 – Appropriation From General Revenue – p. 4,5</u>	Unknown	Unknown	Unknown
<u>Revenue Gain – Section 620.850 – Gifts and grants Obtained By Community Investment Corporation Development Commission – (p. 4,5)</u>	Unknown	Unknown	Unknown
<u>Revenue Reduction/Transfer-Out – Section 620.850 – Grants</u>			

To Communities Seeking Community Investment Corporations – (p. 4,5)	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON COMMUNITY INVESTMENT CORPORATION FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2023 (10 Mo.)	FY 2024	FY 2025
LOCAL POLITICAL SUBDIVISIONS			
<u>Revenue Gain – Section 620.850 – Receipt of Grants From Missouri Department of Economic Development (p. 5)</u>	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>

FISCAL IMPACT – Small Business

This proposed legislation could potentially positively impact small businesses operating as a community investment corporation.

FISCAL DESCRIPTION

This act establishes the "Community Investment Corporation Development Act", which creates the Community Investment Corporation Development Commission within the Department of Revenue. The Commission shall consist of eleven members to be appointed by the Governor, with the advice and consent of the Senate.

The Commission shall gather information and make annual reports to the Governor and the General Assembly regarding the establishment and operation of community investment corporations. The act defines community investment corporations as a for-profit, citizen-owned, professionally managed real estate planning and development corporation or land cooperative

that may receive title to land, natural resources, physical infrastructure, or facilities donated by a not-for-profit organization or government entity; borrow money on behalf of its shareholders for the purposes of carrying out the mission of the corporation, and enable each citizen whose principal residence is situated in an area for which future development will be controlled by a community investment corporation to acquire, free as a right of citizenship, an equal, lifetime, non-transferable, private property ownership stake in the development of the area, as described in the act.

Annual reports submitted by the Commission shall include recommendations on policies relating to the creation and operation of community investment corporations, related tax reforms, studies, assistance to local communities, applying for and accepting private funds, and annual financial accounting reports, as described in the act.

Subject to appropriation, the Department of Economic Development shall develop and maintain a program to make grants to communities seeking to establish community investment corporations and encourage them to become self-sustaining from land rentals and other fees within the first five years of their formation. The Commission shall seek funding from local, state, federal, and private sources to make grants and loans and otherwise enhance the development of community investment corporations. Funds received pursuant to this act shall be deposited into the Community Investment Corporation Fund, which is created by the act.

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

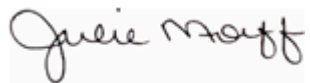
Department of Economic Development
Office of Administration – Budget & Planning
Department of Revenue
Joint Committee on Administrative Rules
State Tax Commission
Office of the State Treasurer
Ozark Foothills Regional Planning Commission
City of Springfield

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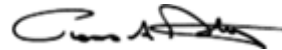
January 19, 2022

A handwritten signature in black ink that reads "Julie Morff". The signature is written in a cursive style and is placed on a light gray rectangular background.

Julie Morff

Director

January 19, 2022

A handwritten signature in black ink that reads "Ross Strobe". The signature is written in a cursive style and is placed on a light gray rectangular background.

Ross Strobe

Assistant Director

January 19, 2022