

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0363H.06C
 Bill No.: HCS for SS for SCS for SB Nos. 3 & 69
 Subject: Economic Development; Department of Economic Development; Administrative Rules
 Type: Original
 Date: April 19, 2023

Bill Summary: This proposal modifies provisions governing business organizations.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
General Revenue Fund**	Could exceed (\$10,027,717)	Could Exceed (\$11,161,829)	Could Exceed (\$11,471,238)
Total Estimated Net Effect on General Revenue	Could exceed (\$10,027,717)	Could Exceed (\$11,161,829)	Could Exceed (\$11,471,238)

*Oversight notes that this proposal provides for waiving of regulations (depending upon sandbox participants) potentially resulting in a loss to general revenue, various state funds, and to local political subdivisions. Additionally, this proposal may require additional FTE for DED under Section (s) 620.3800 "Office of Entrepreneurship", and 620.3900 Regulatory Sandbox Act.

**Oversight notes the above expense to the general revenue include estimation of the SOS FTE (75) due to changes to the Uniform Limited Liability Company Act.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Various State Funds (OA, MDC, etc.)	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
Technology Trust Fund (SOS 0266)	(\$600,000)	(\$650,000)	(\$700,000)
Total Estimated Net Effect on <u>Other</u> State Funds	Could Exceed (\$600,000)	Could Exceed (\$650,000)	Could Exceed (\$700,000)

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
General Revenue Fund – DED	3 FTE	3 FTE	3 FTE
General Revenue Fund – SOS	75 FTE	75 FTE	75 FTE
Total Estimated Net Effect on FTE	78 FTE	78 FTE	78 FTE

- 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 2024	FY 2025	FY 2026
Local Government	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)

FISCAL ANALYSIS

ASSUMPTION

Section 34.195 Right to Start

In response to the similar proposal, HB 237 – 2023, officials from the **Office of Administration (OA)** noted:

FMDC provided a revised response for Section 34.195. This bill requires OA to file a report annually with the General Assembly about the number of contracts awarded to contractors who have been in business for less than 3 years. This will require FMDC to examine each of its awarded contractors to determine how long they have been in business and to track such information in order to create the report. FMDC estimates that this will take approximately 1 hour per awarded contract. FMDC awards approximately 500 contracts per year. FMDC estimates that it will take approximately 200 hours of initial work to develop and implement these changes. Therefore, the estimate impact to staff time from this section is 700 hours at a rate of \$36.70 totaling \$25,690.

Officials from FMDC revised its original response where it noted the need for 2 FTE; however, at this time the FMDC assumes this section will require OA to provide a report to the General Assembly with recommendations on improving access and resources for new Missouri businesses. FMDC assumes it would be part of OA's effort at creating this report. FMDC estimates that assisting with this report will require approximately 100 hours of staff time totaling \$3,690. For any newly awarded contracts after the bill goes into effect, OA/FMDC assumes it will also need to update its bid/contract forms in order to gather necessary information from contractors and update its internal policies and procedures to set standards about how this determination will be made. FMDC estimates that it will take approximately 200 hours of initial work to develop and implement these changes. The estimate impact to staff time from this section is 300 hours at a rate of \$36.70 totaling \$11,010.

At this time, it is believed that the additional staff time and resources can be absorbed by FMDC. However, if there are multiple pieces of legislation passed where FMDC has responded that the costs can be absorbed, FMDC would need to reevaluate to see if additional staff and associated expenses would then be required.

Oversight notes the officials from OA assume the proposal will have a direct fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect an OA's estimated impact in the fiscal note as one time cost in FY 2024. (The proposal states the provision shall begin FY 2025; however, it promulgates rules that the OA should have the report ready prior to the FY 2025)

Officials from the **Office of Administration – Budget & Planning (B&P)** assume this section shall be known as the "Right-to-Start Act" which requires the commissioner of the office of administration to file a report with the general assembly no later than June 30, 2025, and annually thereafter that includes the number of contracts, percentage of the number of contracts, total dollar amount of all contracts, and percentage of the total dollar amount awarded to businesses, including minority-owned businesses that have been in operation for less than three years. This section will not impact TSR or the calculation under Article X, Section 18(e).

Officials from the **Department of Economic Development (DED)** assume 34.195. Establishes the "Right-to-Start Act", requiring reporting to the Office of Administration by state agencies. DED assume this provision will have no fiscal impact to DED.

Officials from the **Department of Revenue (DOR)** assume this proposal requires the Commissioner of the Office of Administration to file a report about new businesses and state contracts. This will not fiscally impact the DOR.

Section 135.460, 287.037, 347.700 – 347.1228 Repeals the Missouri Limited Liability Company Act and establishes the Uniform Limited Liability Company Act

Officials from the **Department of Economic Development (DED)** assume the proposal shall be known, and may be cited as, the "Uniform Limited Liability Company Act". Language in Section(s) 135.460; 287.037; 347.700 to 347.720; 356.071 related to limited liability companies is modified accordingly.

Officials from the **Department of Revenue (DOR)** assume this section(s) modifies a sectional references and creates the Uniform Limited Liability Act. This will not have a fiscal impact on DOR.

Officials from the **Office of the Secretary of State (SOS)** assume the Section 347.1028 requiring registered agent letter of consent at application will require review/manual processing of each filing. This change will not only require additional FTE, it will stop all filings that currently auto process from doing so.

347.1060. 3 requires rejections be provided within 15 business days. This would require all LLC's filings to be processed within 15 days resulting in the addition of FTE positions. Current processing time is 15-30 business days.

The corporations division currently has 5 individuals who can be considered dedicated to processing LLC filing. Each can process an estimated 5,200 filings per year. With an increase in all filings requiring manual review and the requirement of no less than 15 days to process SOS anticipates needing not less than **10** new FTE in the division.

347.1064 implements an annual report requirement for LLC's which would result in approximately 900,000 reports each year. This would require additional FTE to meet the 15 day requirement referenced in 347.1060, Section 3 as well as a new form and system modifications. It is estimated that 35% of the 900,000 entities will file a report. This will result in 60 FTE for processing and 5 FTE for supervisors.

FTE Salary Corp Spec I costs of \$35,268 per position plus benefits
FTE Supervisor Salary costs of \$ 48,132 per position plus benefits
FTE Equipment costs estimated at \$1,200

The Secretary of State reserves the right to offset or request additional resources for estimated fiscal note impacts during the budget process.

Oversight notes the SOS assume the proposal will require 70 FTE (Corporation Specialist I at \$35,268 annually plus fringe benefits and E&E) due to the Section(s) 347.1060 3 (10 FTE) ,and 347.1064 (60 FTE).

Oversight notes the SOS assume additional need for and additional 5 FTE, due to the change in Section 347.1064 (Corporation Supervisor IV at \$48,132 annually, plus fringe benefits and E&E).

Officials from the **SOS** also note the proposal does not contain filing fees which will result in a reduction of revenue, additional postage cost and will require additional FTE.

Filing fees collected for FY 2020-2022:

2020: General Revenue - \$3,014,661 Tech Fee - \$399,710 – Total - \$3,414,371
2021: General Revenue - \$3,721,682 Tech Fee - \$542,115 – Total - \$4,263,797
2022: General Revenue - \$4,913,152 Tech Fee - \$644,010 – Total - \$5,557,162

SOS estimate the next three years based on the last three years for revenue loss as shown below:

FY2024: General Revenue - \$5,000,000 Tech Fee - \$600,000
FY2025: General Revenue - \$5,250,000 Tech Fee - \$650,000
FY2026: General Revenue - \$5,500,000 Tech Fee - \$700,000

Lastly, SOS note all changes to software would require working with a third party vendor and/or the Information Technology department.

Oversight notes, with additional information from the SOS via e-mail, the SOS collects a technology trust fund fee on all filings regarding a fee in Chapter 347. If the GR fee is removed (347.179) then SOS cannot charge the tech fee under 347.740.

Section 347.740. Additional fee — expiration date. — The Secretary of State may collect an additional fee of five dollars on each and every fee required in this chapter. All fees collected as provided in this section shall be deposited in the state treasury and credited to the secretary of state's technology trust fund account. The provisions of this section shall expire on December 31, 2026.

As the proposed language would not provide for any fees, a negative is shown on the fiscal summary for Technology Trust Fund, this is its own line item and does not go into GR. The fiscal note excel spreadsheet breaks this out and the word doc worksheet also breaks it out called Tech Fee by year in the same row as the GR.

Tech Fee is appropriated/authorized to the SOS by chapter 28.

Oversight notes the officials from the SOS assume the proposal will have direct fiscal impact on their organization and the general revenue fund. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect the SOS estimated impact in the fiscal note.

Section(s) 356.071, 407.205, 407.2110

Oversight notes Section 356.071 requires that the name of a professional corporation or of a foreign professional corporation must be identified by a special abbreviation.

Officials from the **Department of Economic Development (DED)** note:

Section 407.205 Establishes requirements for businesses offering automatic renewal offers or continuous services offers to consumers. No fiscal impact to DED.

Section 407.2110 Establishes that lessors of technology products can return the equipment in person. No fiscal impact to DED.

Oversight notes 407.205 thru 407.2110 clarify language where Missouri business initial order for the automatic renewal or continuous service and return of goods and services to the physical location(s) of the business if available.

Oversight notes this specific section (407.205) contains a delayed effective date of July 1, 2024. 2024.

Oversight note DED assume the above provisions will have no impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for DED for these sections of the proposal.

Section 431.202 A Reasonable Covenant in Writing for Health Care Professionals

Officials from the **DED** assume Section 431.202 modifies language restricting the use of non-compete covenants for health care professionals. DED assume this provision will have no fiscal impact to DED.

Oversight notes the proposal states that no "facility" in this state shall require any "health care professional" who is working in a non-research role to sign any covenant not to compete as a condition of employment. Oversight assumes this provision would not have a direct fiscal impact on the state or local political subdivisions.

Section 536.050, 536.300-303 - Modifies requirements related to small business impacts, and repeals the Small Business Regulatory Fairness Board

Officials from the **Department of Economic Development (DED)** assume this provision will have no fiscal impact to DED.

Oversight notes the DED assumes this provision will have no fiscal impact on their organization. Oversight assumes this would not have a direct fiscal impact on the state or local political subdivisions.

Oversight assumes the removal of sections 536.303, 536.310, 536.315, 536.323, 536.325, and 536.328 could result in a savings to state agencies, including the Department of Economic Development. Oversight will reflect this potential savings as \$0 or Unknown to the General Revenue Fund.

Section 620.3800. Creates within DED the "Office of Entrepreneurship"

Officials from the **Department of Economic Development (DED)** note:

DED is responsible for administering the "Office of Entrepreneurship" and shall employ an individual to promote policies and initiatives to support the growth of entrepreneurship in the state. The Office of Entrepreneurship is also responsible for preparing a report for the general assembly making recommendations on improving access and resources for new Missouri businesses that have been in operation for less than three years. DED will need 1.0 FTE to administer the Office of Entrepreneurship.

Oversight notes the officials from the DED assume the proposal will directly impact their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect DED's 1 FTE impact in the fiscal note.

Officials from the **Office of Administration – Budget & Planning (B&P)** assume this section would create the "Office of Entrepreneurship" under DED. This section will not impact TSR or the calculation under Article X, Section 18(e). **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for B&P for this section.

Officials from the **Department of Revenue (DOR)** assume this proposal will not fiscally affect the Department. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for DOR for this section.

Sections 620.3900 – 620.3930 Regulatory Sandbox

Officials from the **Department of Economic Development (DED)** note:

Section 620.3905.1 states that the regulatory relief office will be administered by a sandbox program director. DED has estimated personal service costs by taking a mid-range salary of a typical Program Director (Designated Principal Assistant) at DED who oversees an office but does not supervise staff. DED also believes additional review (e.g., reviews of state laws) would require a legal counsel FTE. If DED determines that additional staff are needed to administer the sandbox program, DED will request additional 2 FTE through the normal budget process.

Oversight notes that DED assumes the proposal will have a direct fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, **Oversight** will reflect DED's FTE costs for a Division Program Director at \$80,000 and a Legal Counsel at \$62,508 annually to fulfill compliance under Section 620.3900 and 2 FTE Economic Development Specialist at \$74,666 annually under Section 620.3800, in the fiscal note.

Officials from the **Office of Administration – Budget & Planning** note:

An applicant shall remit to the regulatory relief office an application fee of three hundred dollars per application for each innovative offering. It is not specified in the bill where this money will be deposited, therefore B&P assumes it will be GR. This will have an unknown positive impact on GR and TSR.

Section 536.300 has been modified removing a requirement that a small business impact statement be submitted prior to submitting proposed rules and a reference to sections 536.300 to 536.310.

This bill would also provide that during the demonstration period, a sandbox participant shall not be subject to the enforcement of state laws or regulations identified in the written agreement between the regulatory relief office and the sandbox participant. There is not enough information on what laws or regulations may be waived or what impact such a waiver might have on TSR.

Section(s) 536.300 to 536.310, 536.315, 536.323, 536.325, and 536.328, which refer to small businesses and the "Small Business Regulatory Fairness Board" are repealed.

Oversight notes that an applicant shall remit to the regulatory relief office an application fee of \$300 per application for each innovative offering. Therefore, Oversight will reflect a potential positive fiscal impact on the General Revenue Fund for this application fee.

Oversight, for the purpose of this fiscal note, retrieved average patent filings in the State of Missouri to estimate how many entrepreneurs would potentially be participating in this pool. According to the [U.S. Patent and Trademark Office](#) – Patent Technology Monitoring Data (PTMT) there were on average 868 patents filed by Missourians annually from FY 2000 to FY 2015.

Oversight notes that the proposal assesses a \$300 fee that must be paid in order to participate in this program. Oversight assumes that the fee structure could potentially result in additional revenue of \$260,400 (\$300 x 868 potential innovative entrepreneurs). Therefore, for purpose of this fiscal note, **Oversight** will reflect a positive unknown amount to the General Revenue Fund

Oversight assumes that the fee paid to participate will be remitted to GR for purpose of this fiscal note, and as shown above the amounts collected could reach the \$250,000 threshold.

Officials from the **Department of Revenue (DOR)** note:

The proposal would create a new government entity, the “regulatory relief office,” which may enter into agreements to essentially waive the requirements of Missouri’s statutes and regulations on certain participating businesses. This office is allowed to make suggestions as to which state laws and regulations are burdensome, but does not define burdensome. This is concerning for DOR as most people would consider taxes burdensome. Depending on the laws waived this could result in increased costs to DOR for tracking these participants and changes to their individual income tax system. These computer changes are estimated at \$7,193.

The proposal directs the regulatory relief office to consult with applicable agencies, regarding the acceptance of the applicant in the sandbox and the agreement of rules to be waived. The agencies are asked to notify the office if the applicable agency has previously investigated, sanctioned, or pursued legal action against the applicant. The office is allowed to enter into agreement with the applicant to participate in the sandbox and have rules waived. The proposed legislation prohibits these agreements from exempting an applicant “from any income, property, or sales tax liability unless such applicant otherwise qualifies for an exemption from such tax.” This may require DOR to provide information on their relationships with a participating business to the regulatory relief office. Some of this information is currently protected under DOR’s confidentially laws. At this time, DOR is unable to determine if there is additional costs from this provision.

This proposal says that the sandbox agreement cannot exempt an applicant from income, property or sales tax liability. Property tax is handled by the State Tax Commission. DOR has numerous other tax types besides the income tax and sales tax exempted under this proposal. Examples include, withholding tax, tire and battery fee taxes, use taxes, marijuana taxes and more that do not appear protected under this proposal. Allowing participants in the program to not pay taxes will result in a loss of state and local revenue.

This proposal gives the regulatory relief office authority to waive state law and regulations. DOR is concerned this would result in filing deadlines being moved or changes for some filers and not others, or payments being waived. This would result in a negative fiscal impact to state and local revenue.

At this time, DOR is unable to estimate an exact fiscal impact from this proposal. DOR could possibly need additional FTE to work with the regulatory relief office depending on the number of participants, as well as have losses to state and local revenue if participants are allowed to not pay taxes.

Officials from the **Department of Commerce and Insurance (DCI)** assume Section(s) 620.3900 to 620.3930 could have potential Unknown fiscal impact on DCI depending on the number of businesses and individuals that would request to participate in the Sandbox Program.

Oversight assumes DCI is provided with core funding to handle a certain amount of activity each year. Oversight assumes DCI could absorb the costs related to this proposal at this time. If multiple bills pass which require additional staffing and duties at substantial costs, DCI could request funding through the appropriation process.

In response to the similar proposal, SB 69 – 2023, officials from the **Department of Labor and Industrial Relations (DOLIR)** assumed the proposal under the Regulatory Sandbox Act provisions 620.3900 and specifically under 620.3915.5 (3) and .6 proposes requirements for applicable agencies to review applications and a timeframe to complete reporting regarding an application for participation in the Regulatory Sandbox program. Unknown impact however, there appears to be an impact to agencies that would be required to meeting the reporting requirements of this legislation.

In response to the previous version of the bill, officials from the **Missouri Department of Agriculture (MDA)** defer to the OA for the potential fiscal impact of this proposal.

Oversight notes that in response to the similar proposal, SB 69 – 2023, officials from the MDA noted the proposal, specifically Section 620.3905 (3) 2 could result in a loss of fee funds to the Missouri Department of Agriculture. If fees are not required to be paid in accordance with current regulations, guidelines, and policies, the fee-fund revenue to the Department could substantially decrease. The fee funds support many FTE within MDA, in accordance with their respective divisions and the fees associated with such; the loss of fee funds could result in the need for reductions in staff due to unavailability of funding. This loss in fee-fund revenue will result in a need for general revenue to support these necessary positions across the state of Missouri.

In response to the previous version of the bill, officials from the **Missouri Department of Conservation (MDC)** assumed the proposal will have an unknown fiscal impact on their organization.

Oversight notes that the Conservation Sales Tax funds are derived from one-eighth of one percent sales and use tax pursuant to Article IV Section 43 (a) of the Missouri Constitution, thus MDC's sales taxes are constitutional mandates. Additionally, Oversight notes the Park, Soil, and Water Sales Tax funds are derived from the one-tenth of one percent sales and use tax pursuant to Article IV Section 47 (a) thus DNR's sales taxes are constitutional mandates.

Oversight notes, in response to the previous version of the bill, officials from the DOR, the DOLIR, the MDA, the B&P, the DCI, and the MDC each assume the proposal would allow for selected companies, who participate in the Sandbox program, to receive relief from various taxes, which would have an effect on General Revenue and Other State Funds. Additionally, the DOR assumes the need for additional FTE to ensure compliance with this proposal. **Oversight** does not have any information to the contrary. Therefore, **Oversight** will reflect a potential (\$0 or unknown) negative impact to the General Revenue and Other State Funds, as a result of reduction in a various tax revenues and potential FTE costs for various state agencies, in the fiscal note.

Oversight notes that there are few examples of various agency costs in similar Sandbox proposals filed in the States of Utah, Ohio, Nebraska, Nevada, and the Arizona. Each fiscal note addresses the difficulty of projecting any costs associated with the proposals. However, a recent fiscal note submitted to the Nebraska Legislature for consideration of similar bill LB 1127 ([Nebraska Sandbox proposal - 2022](#)) from various agencies claiming costs associated with the proposal, are provided in the [Table 1](#).

Oversight notes that the Missouri Sandbox proposal requires, among other duties, the Administrator to:

- Act as a Liaison between private businesses and agencies of the State
- Consult with each affected agency
- Establish Program to enable a person to obtain legal protections
- Review State Laws
- Create a framework for analyzing the risk level of the health, safety, and financial well-being of consumers
- Propose and enter into reciprocity agreements
- Enter into agreements with or adopt best practices of corresponding federal regulatory agencies and other states
- Create and maintain the Department's website
- Create and submit annual reports to the governor and general assembly

Oversight notes that there are many other duties required from the Sandbox Office under this proposal. Therefore, it is probable that the agencies tasked with the regulatory implementation of this program, such as DOR or DED, will need additional FTE in order to provide the regulatory framework and compliance procedures for this Act.

Oversight notes that Missouri population is at least 3 times greater (6.6M – Missouri population / 1.94M – Nebraska Population) than that of Nebraska, thus the costs could potentially reach a higher level of expenditure in Missouri. Therefore, for purpose of this fiscal note, **Oversight** will note an unknown negative impact to the General Revenue and Other State Funds, which could potentially exceed \$250,000 in various FTE and forgone tax revenue costs to various state funds in the fiscal note.

Table 1.

AGENCY	FY 2023	FY 2024
Department of Economic Development	\$ 520,380.00	\$ 641,930.00
Department of Banking and Finance	\$ 223,025.00	\$ 215,325.00
Board of Engineers and Architects	\$ 3,300.00	\$ 3,300.00
Department of Environment and Energy	\$ 202,371.00	\$ 202,371.00
Department of Agriculture	\$ 77,500.00	\$ 77,500.00
Liquor Control Commission NFI NFI	No Fiscal Impact	No Fiscal Impact
Motor Vehicle Industry Licensing Board No discernable impact No discernable impact	No Discernable impact	No Discernable impact
Nebraska State Electrical Division Indeterminable Indeterminable	Indeterminable	Indeterminable
Board of Barber Examiners Indeterminable Indeterminable	Indeterminable	Indeterminable
Attorney General NFI NFI	No Fiscal Impact	No Fiscal Impact
Nebraska Real Estate Commission Negligible to significant Negligible to significant	Negligible to Significant	Negligible to Significant
Supreme Court NFI NFI	No Fiscal Impact	No Fiscal Impact
Department of Labor NFI NFI	No Fiscal Impact	No Fiscal Impact
Department of Administrative Services	\$ 71,200.00	\$ 77,000.00
Department of Insurance	\$ 168,900.00	\$ 173,317.00
Total	\$ 1,127,776.00	\$ 1,217,426.00
FTE total	9.5	10.5

In response to the similar version of the proposal, HB 2587 – 2022, officials from the **Office of the Governor (GOV)** assumed the proposal adds to the governor’s current load of appointment duties. Individually, additional requirements should not fiscally impact the Office of the Governor. However, the cumulative impact of additional appointment duties across all enacted legislation may require additional resources for the Office of the Governor.

In response to the previous version of the bill, officials from the **Missouri State Senate** assumed the proposal will have a negative fiscal impact to the senate contingent appropriation to reimburse 2 senators for travel to meetings of the General Regulatory Sandbox Program Advisory Committee. Details are in the attached analysis. In summary, it will cost approximately \$281.60 per meeting.

Oversight notes the Missouri State Senate assumes no fiscal responsibility for the other committee members.

Oversight notes that the Missouri State Senate assumed the proposal will have a direct fiscal impact on their organization. **Oversight** assumes the impact to the SEN will not be material and therefore, will no reflect a negative fiscal impact in the fiscal note for SEN for these sections.

Section 536.300 Administrative Rules

Officials from the **Department of Revenue (DOR)** note:

This removes the requirement to file a small business impact statement with DED on the day administrative rules are filed with JCAR. This will not have a fiscal impact on DOR.

Oversight notes the officials from the Joint Committee on Administrative Rules (JCAR) assume the proposal will have no impact on their respective organizations. Therefore, **Oversight** will reflect a zero impact in the fiscal note for JCAR for this section.

Bill as whole:

Senate Amendment(s) I and II offer language clarification in Section 620.3915 and Section 34.195 and will not fiscally affect the overall cost stemming from the proposal.

Officials from the **Attorney General's Office**, the **Department of Elementary and Secondary Education**, the **Department of Mental Health**, the **Department of Natural Resources**, the **Department of Corrections**, the **Department of Social Services**, the **Missouri Department of Transportation**, the **Office of the State Public Defender**, the **Department of Public Safety** (the **Highway Patrol**, the **Gaming Commission**, the **Director's Office**, and the **State Emergency Management Agency**), the **Missouri House of Representatives**, the **Office of the State Auditor**, the **Joint Committee on Public Employee Retirement**, the **Office of Legislative Research**, the **Office of Legislative Oversight**, the **Missouri Lottery**, the **Missouri Consolidated Health Care Plan**, the **Missouri Higher Education Loan Authority**, the **Office of the State Auditor**, the **Missouri State Employee's Retirement System**, the **State Tax Commission**, and the **Joint Committee on Education** 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 organizations.

In response to a previous version of the bill, officials from the **Department of Higher Education and Workforce Development**, the **Department of Public Safety** (the **Capitol Police**, the **Alcohol & Tobacco Control**, the **Fire Safety**, the **Missouri National Guard**, and the **Veterans Commission**), the **Missouri Ethic Commission**, the **MODOT – Patrol Employees' Retirement System**, the **Office of Administration - Administrative Hearing Commission**, the **Office of Governor**, each assumed 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 organizations.

In response to a previous version of the bill, officials from the **City of Kansas City**, the **City of Jefferson**, the **City of O'Fallon**, and the **City of Springfield** each assumed this proposal would not have a direct 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 local political subdivisions.

In response to a previous version of the bill, officials from the **Metropolitan St. Louis Sewer District – 7B Sewer**, the **South River Drainage District – 7D Levee**, and the **Little Blue Valley Sewer District – 7B Sewer** each assume this proposal would not have a direct 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 local political subdivisions.

Oversight notes many counties and cities assess sales or use taxes on the sale of goods in Missouri. The tax remitted to various local political subdivisions serves the local political subdivisions needs. DOR assumes the companies could receive relief from various taxes. DOR noted that the bill forbids exemption from income tax, sales taxes or property taxes. However, the local political subdivisions impose other taxes. Therefore, **Oversight** will note a potential unknown negative impact to the local political subdivision funds in the fiscal note, depending upon sandbox participants and applications.

<u>FISCAL IMPACT – State Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
GENERAL REVENUE FUND			
<u>Cost – OA – Section 34.195 Right To Start Act p. 3</u>	(\$40,390)	\$0	\$0
<u>Reduction of Revenue – Section 347.1028 (reduction in filing fees) p. 5</u>	(\$5,000,000)	(\$5,250,000)	(\$5,500,000)
<u>Costs – SOS – changes in Section(s) 347.1060 3., and 347.1064 p. 4-5</u>			
Personnel Service	(\$2,257,850)	(2,736,514)	(2,763,879)
Fringe Benefits	(\$1,818,832)	(2,192,735)	(2,202,972)
Expense & Equipment	(\$90,000)	\$0	\$0
Other Expense (Postage)	(\$502,500)	(\$618,075)	(633,527)
<u>Total Costs - SOS</u>	<u>(\$4,669,182)</u>	<u>(\$5,547,324)</u>	<u>(\$5,600,378)</u>
FTE Change	75 FTE	75 FTE	75 FTE
<u>Revenue Gain – \$300 Fee Paid to participation in the Sandbox program (p.7) §620.3915.2</u>	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
<u>Savings – various state agencies removal of Sections 536.303 – 536.328 related to the Small Business Regulatory Fairness Board (p.6)</u>	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown

<u>Cost</u> – Reduction in Revenues – various tax not paid (p.8)	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
<u>Cost</u> – DOR– FTE necessary to comply with the proposal (p.9)	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
<u>Costs</u> – DED 2 FTE for Section 620.3905 & 1 FTE for Section 620.3800 (p.6)			
Personnel Service	(\$180,977)	(\$221,515)	(\$225,946)
Fringe Benefits	(\$106,668)	(\$129,627)	(\$131,284)
Expense & Equipment	(\$30,500)	(\$13,363)	(\$13,630)
<u>Total Costs</u> -	<u>(\$318,145)</u>	<u>(\$364,505)</u>	<u>(\$370,860)</u>
FTE Change	3 FTE	3 FTE	3 FTE
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>Could exceed</u> <u>(\$10,027,717)</u>	<u>Could Exceed</u> <u>(\$11,161,829)</u>	<u>Could Exceed</u> <u>(\$11,471,238)</u>
Estimated Net FTE Change on General Revenue	78 FTE	78 FTE	78 FTE
OTHER STATE FUNDS			
<u>Loss of Revenues</u> - to various State Funds – various tax or fees not paid OA, MDC, DCI, MDA (p.5)	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
<u>Cost</u> – SOS – Technology Trust Fund (0266) (Limited Liability Company Changes) (p. 5)	(\$600,000)	(\$650,000)	(\$700,000)
NET EFFECT ON THE OTHER STATE FUNDS	<u>Could Exceed</u> <u>(\$600,000)</u>	<u>Could Exceed</u> <u>(\$650,000)</u>	<u>Could Exceed</u> <u>(\$700,000)</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
LOCAL POLITICAL SUBDIVISIONS			
<u>Loss of Revenues - to various local funds –various tax not paid (p.12)</u>	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>
NET EFFECT ON THE LOCAL POLITICAL SUBDIVISIONS	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>

FISCAL IMPACT – Small Business

Small businesses, who will participate in the Sandbox program, will be able to receive potential tax and/or fee reductions and regulation exemptions.

FISCAL DESCRIPTION

The proposal modifies provisions relating to business organizations.

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 Elementary and Secondary Education
- Department of Higher Education and Workforce Development
- Department of Mental Health
- Department of Natural Resources
- Department of Public Safety
 - Office of the Director
 - Capitol Police
 - Alcohol & Tobacco Control
 - Fire Safety, the Gaming Commission
 - Missouri Highway Patrol
 - Missouri National Guard

L.R. No. 0363H.06C

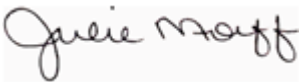
Bill No. HCS for SS for SCS for SB Nos. 3 & 69

Page **17** of **17**

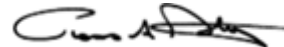
April 19, 2023

- State Emergency Management Agency

Veterans Commission
Department of Social Services
Missouri Ethic Commission
Missouri Department of Transportation
MODOT – Patrol Employees’ Retirement System
Missouri House of Representatives
Department of Transportation
Office of Administration - Administrative Hearing Commission
Office of Missouri Governor
Office of the State Auditor
Joint Committee on Public Employee Retirement
Office of Legislative Research
Office of Legislative Oversight
Joint Committee on Education
City of Kansas City
Jefferson City
City of O’Fallon
City of Springfield



Julie Morff
Director
April 19, 2023



Ross Strobe
Assistant Director
April 19, 2023