

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0922-06
Bill No.: SCS for SB 238 and 250
Subject: Taxation and Revenue, Tourism
Type: Original
Date: February 16, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Division of Tourism Supplemental Revenue Fund	\$0	\$0	\$0
General Revenue	\$0 to (Unknown)	(\$2,322,430) to (Unknown)	(\$4,067,850) to (Unknown)
Total Estimated Net Effect on <u>All</u> State Funds	\$0 to (Unknown)	(\$2,322,430) to (Unknown)	(\$4,067,850) to (Unknown)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
None			
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 6 pages.

FISCAL ANALYSIS

ASSUMPTION

Division of Tourism Supplemental Revenue Fund:

Officials from the **Department of Economic Development - Division of Tourism (DED)** state that this part of the proposal will allow for additional funding to their agency to better promote Missouri's tourism industry to the traveling public. The DED assumes this proposal contains four major changes to the formula used to determine additional funding to the Division of Tourism;

- for FY 2003 and beyond, the funding formula that determines the growth in the funding of the Tourism Supplemental Revenue Fund will use 2% as an inflation factor,
- the \$3,000,000 maximum increase in any one year will be indexed to the growth in sales of tourist-oriented goods and services,
- the 17 SIC codes that define tourist-oriented goods and services will be changed such that the current inactive SIC code 8420 (Botanical and Zoological Gardens) will be replaced with the SIC code 7510 (Automotive Rentals), and
- the growth in the sales of tourist-oriented goods and services is anticipated at 3.935%. This is the average growth of sales in those 17 SIC codes over the last four years.

The Division of Tourism assumes this will result in an increase in funding from the General Revenue fund to the Tourism Supplemental Revenue fund of \$2,322,430 in FY 2003 and \$4,067,850 in FY 2004. The DED also assumes these extra amounts transferred to their division will be spent on tourism advertising, and therefore will result in a total decrease in state funds in FY 2003 and FY 2004 by those amounts. DED also assumes the increased tourism advertising and promotion from these funds will result in an unknown additional tourism related tax revenue for both the state and the local governments.

Officials from the **Department of Revenue** and the **Office of Administration** assume that this part of the proposal would have no administrative impact to their respective agencies.

Officials from the **Office of the State Treasurer** state that they defer to the response from the Department of Economic Development - Division of Tourism.

Oversight assumes the Division of Tourism will spend all of the additional funds that are transferred to the Tourism Supplement Revenue Fund on advertising for the state, and therefore show a zero net effect to that fund, but an overall cost to the state by the amounts transferred out of the General Revenue fund. Oversight also assumes the increased tax revenue for both the state and local governments may be beyond the scope of this fiscal note, and have therefore, not

ASSUMPTION (continued)

included the possible additional tax revenue.

Missouri Cultural Tourism Development Act:

Officials from the **Department of Economic Development (DED)** state this part of the proposal would establish the “Cultural Tourism Development Program”, wherein the Department of Economic Development (Community Development, Division of Tourism and the Missouri Arts Council), the Department of Transportation, the Department of Natural Resources and the Secretary of State’s Office would collaborate to award grants and loans to qualifying projects, for the purpose of increasing, developing and enhancing visitor experiences in Missouri which are involved with artistic, heritage or historical offerings and are important to the state’s economy.

The DED assumes that this act would be implemented in their office. The DED also assumes that the grant and loan program would be established at up to \$2 million annually. The DED requests three (3) FTEs to administer this program; one (1) Community Development Program Specialist (at \$40,716 annually) to oversee the new program by developing guidelines, managing the program and supervising staff, one (1) Community Development Field Representative II (at \$36,012 annually) to assist in promoting this new program, and one (1) Clerk Typist II (at \$20,472 annually) to provide clerical support.

Officials from the **Department of Natural Resources (DNR)** assume their involvement as described in the proposed act would be providing input for the grant and loan program, developing criteria for technical assistance from the program and developing criteria for awards from the grant and loan program. It is assumed that this level of activity could be handled with existing resources.

The DNR also states, however, if the program requires a substantial increase in workload for the current staff of the Division of State Parks, Historic Preservation Program, the department may need to request additional resources.

Officials from the **State Treasurer's Office** , **Department of Revenue** and the **Department of Transportation** assume this proposal would have no fiscal impact on their respective agencies.

Officials from the **Office of Secretary of State (SOS)** assume there would be costs due to additional publishing duties related to the Department of Economic Development’s authority to promulgate rules, regulations, and forms. SOS estimates the division could require approximately 32 new pages of regulations in the Code of State Regulations at a cost of \$27.00 per page, and 48 new pages in the Missouri Register at a cost of \$23.00 per page. Costs due to this proposal would be \$1,968, however, the actual fiscal impact would be dependent upon the

ASSUMPTION (continued)

actual rule-making authority and may be more or less. Financial impact in subsequent fiscal years would depend entirely on the number, length, and frequency of the rules filed, amended, rescinded, or withdrawn. SOS does not anticipate the need for additional staff as a result of this proposal; however, the enactment of more than one similar proposal may, in the aggregate, necessitate additional staff.

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. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Oversight assumes additional rental space would not be required by the DED. Oversight also assumes that funding for the Missouri Cultural Tourism Revenue Act is subject to appropriation and the amount is unknown at this time.

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
GENERAL REVENUE			
<u>Transfer Out</u> - to Tourism Supplemental Revenue fund	\$0	(\$2,322,430)	(\$4,067,850)
<u>Loss*</u> - General Revenue Funds Appropriations of Grant/Loan funds	\$0 to (unknown)	\$0 to (unknown)	\$0 to (unknown)
<u>Costs*</u> - DED			
Personal Service (3 FTE)	\$0 to (\$83,025)	\$0 to (\$102,121)	\$0 to (\$104,674)
Fringe Benefits	\$0 to (\$27,672)	\$0 to (\$34,037)	\$0 to (\$34,888)
Expense and Equipment	\$0 to <u>(\$44,905)</u>	\$0 to <u>(\$33,353)</u>	\$0 to <u>(\$34,353)</u>
<u>Total Costs</u> - DED	\$0 to (\$155,602)	\$0 to (\$169,511)	\$0 to (\$173,915)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	\$0 to <u>(Unknown)</u>	(\$2,322,430) to <u>(Unknown)</u>	(\$4,067,850) to <u>(Unknown)</u>

*- SUBJECT TO APPROPRIATION -

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
DIVISION OF TOURISM SUPPLEMENTAL REVENUE FUND			
<u>Transfer In</u> - from General Revenue	\$0	\$2,322,430	\$4,067,850
<u>Costs</u> - additional advertising and promotion for Missouri tourism	<u>\$0</u>	<u>(\$2,322,430)</u>	<u>(\$4,067,850)</u>
ESTIMATED NET EFFECT ON DIVISION OF TOURISM SUPPLEMENTAL REVENUE FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
	\$0	\$0	\$0

FISCAL IMPACT - Small Business

This proposal will provide the Division of Tourism additional funds to promote tourist destinations, attractions and events, resulting in more business and having a positive impact on tourism businesses, including small businesses, in the state of Missouri.

DESCRIPTION

This proposal would revise the Tourism Supplemental Revenue Fund. Three changes are made to the fund: 1) The inflation component is reduced to two percent; 2) The cap is changed from \$3 million to an increasing cap of the previous year's maximum plus any percentage of positive growth in retail sale of tourism-oriented goods and services in the fiscal year three years prior to the fiscal year in which the transfer is made; and 3) The SIC code for "Botanical & Zoological Gardens" has been replaced with the SIC code for "Automobile Rentals Without Drivers."

This proposal also creates the "Cultural Tourism Development Program" within the Department of Economic Development. The goal of this program is to increase visitor enjoyment and visitor expenditures associated with artistic, heritage and historical offerings in the state.

The Department of Economic Development will work in conjunction with the Division of

DESCRIPTION (continued)

Tourism, Missouri Humanities Council, Missouri Arts Council, Department of Transportation, Department of Natural Resources, Secretary of State's office, and other entities to administer the grant and loan program. No single award for a project shall exceed ten percent of the total awards for a single year.

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
 Division of Tourism
Department of Revenue
Office of the State Treasurer
Office of Administration
Department of Natural Resources
Office of the Secretary of State
Department of Transportation



Jeanne Jarrett, CPA
Director
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