

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

**L.R. NO.** 1134-01  
**BILL NO.** SB 340  
**SUBJECT:** Economic Development Department; Governor & Lt. Governor; Veterans  
**TYPE:** Original  
**DATE:** February 19, 2001

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON STATE FUNDS</b>			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
General Revenue*	(\$1,399,717)	(\$1,447,139)	(\$1,406,842) to (\$3,406,842)
Veterans' Comm. Capital Improvement Trust Fund*	(unknown)	(unknown)	(unknown)
Missouri Veterans Business Council*	unknown	unknown	unknown
<b>Total Estimated Net Effect on <u>All</u> State Funds*</b>	<b>(\$1,399,717)</b>	<b>(\$1,447,139)</b>	<b>(\$1,406,842) to (\$3,406,842)</b>

\* Subject to Appropriation

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

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

Numbers within parentheses: ( ) indicate costs or losses

This fiscal note contains 6 pages.

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Department of Economic Development (DED)** did not respond to our request for fiscal impact, however, in response to similar legislation from last year, DED assumed the proposal would create the Missouri Veterans Business Council within the DED and authorizes \$2 million in tax credits. The DED is to conduct an outreach program for veterans wanting to start a new or expand an existing business, make grants and loans, and administer the tax credit program. The DED assumed the \$2 million in tax credits are authorized beginning in January, 2003, and, therefore, would be claimed beginning in FY 2004.

The DED stated there are 563,000 veterans in Missouri according to the Missouri Veterans Commission. The DED assumed that approximately half of those are of an age to start or operate a business. The DED assumed the Office of Veterans Business will be established within the DED. This office will have similar certification authority to the OA/Minority Procurement Office, however, this office will have more responsibility. The DED estimated it will need 10 FTE to coordinate the activities created by this proposal. The DED assumed it will provide technical assistance to veteran businesses, and will be responsible for financial and incentive packages.

The DED assumed that no promotion could begin without appropriation. The bill would go into effect in August of 2001 (FY 2002) and DED assumed the loans and grants could be made immediately upon funding of the program. Tax credit donations would not be in the Missouri Veterans Business Council Fund, but funds could be placed there from the Missouri Veterans Commission Capital Improvement Trust Fund.

The DED assumed the need for one (1) Market Development Program Coordinator, one (1) Clerk Typist II, one (1) Planner II, three (3) Economic Development Program Specialists II's, one (1) Accountant I, one (1) Public Information Specialist I, and two (2) National Marketing Specialists II's.

The DED also assumed there will be expenses associated with board meetings for the newly created Missouri Veterans' Business Council. There will be 15 board members and the DED assumed a minimum of 4 meetings per year. The annual expenses related to board meetings was estimated by the DED to be \$14,620.

The DED also assumed an appropriation of \$1,000,000 from the General Revenue Fund will be required to implement the Microloan program and to provide seed capital money for start-up veteran and disabled veteran owned businesses in each of the first three fiscal years.

**Oversight** assumes the DED could administer this program with an addition of two staff per specified office in Springfield, Kansas City, and St. Louis. Oversight also assumes the DED

ASSUMPTION (continued)

could contract out the necessary marketing services at a cost of \$25,000 in the first year instead of retaining staff dedicated to that purpose. Oversight has also increased the estimated expenses needed by the DED by appropriate inflationary factors and has reflected an updated fringe benefit factor.

Officials from the **Office of the Secretary of State (SOS)** assume the proposed legislation would require the printing of additional pages in the *Missouri Register* and the *Code of State Regulations* and have estimated a publishing cost of \$861 for FY 2002. Additionally, future costs are unknown and depends upon the frequency and length of rules filed, amended, rescinded or withdrawn.

While this bill alone would not require SOS to acquire additional staff, SOS assumes the cumulative effect of other bills that require rulemaking 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 appropriations process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

In response to similar legislation from last year, officials from the **Office of the State Treasurer** and the **Office of Administration** assumed the proposed legislation would have no fiscal impact on their respective agencies.

Officials from the **Missouri Gaming Commission** stated the proposed legislation would not fiscally impact their agency.

Officials from the **Department of Public Safety, Missouri Veterans' Commission** state this legislation sets up the ability to transfer funds from the Veterans' Commission Capital Improvements Trust Fund (VCCITF) to support the Missouri veterans' business council. Since this is a transfer of funds, it cannot be determined exactly how much will be transferred on an annual basis. It must be assumed the amount could be as little as zero and as much as the entire balance of the VCCITF per year (\$83,000,000).

In response to similar legislation from last year, officials from the **Department of Revenue (DOR)** stated that the number of taxpayers eligible for this credit is unknown at this time. The Division of Taxation, Personal Tax Bureau will need one Tax Processing Technician I for every 2,000 new credits claimed per year (processing) and one Tax Season Temporary for every 130,000 credits claimed per year (key entry). Also, one Tax Processing Technician I will be

ASSUMPTION (continued)

needed for six months for every 30,000 additional individual income tax errors generated from this legislation and one Tax Processing Tech I for every 3,000 pieces of correspondence generated from this legislation. The Business Tax Bureau will need one Tax Processing Tech I for every 3,680 credit claims received on corporate tax.

The DOR assumed this legislation will require modifications to the income and corporate tax systems and credit application system. The Division of Taxation estimated these modifications, including programming changes, will require 1,384 hours of contract labor, at a cost of \$41,617. Modifications to the income tax return and schedules will be completed with existing resources. State Data Center charges will increase due to the additional storage and fields to be captured. Funding in the amount of \$9,007 is requested for implementation costs and \$451 will be needed for on-going costs.

**Oversight** assumes the DOR will make necessary programming changes in FY 2003 and that additional personnel will not be required to process the potential \$2,000,000 of tax credit vouchers in FY 2004.

<u>FISCAL IMPACT - State Government</u>	FY 2002	FY 2003	FY 2004
	(10 Mo.)		
<b>GENERAL REVENUE FUND</b>			
<u>Loss</u> - Income tax credits for contributions to microloan program and revolving loan fund	\$0	\$0	\$0 to (\$2,000,000)
<u>Costs</u> - Department of Economic Development			
Personal Service (6 FTE)	(\$191,573)	(\$235,632)	(\$241,523)
Fringe Benefits	(\$63,851)	(\$78,536)	(\$80,500)
Expense and Equipment	(\$144,293)	(\$82,347)	(\$84,819)
Total <u>Costs</u> - DED	(\$399,717)	(\$396,515)	(\$406,842)
<u>Costs</u> - Department of Revenue			
Programming charges	\$0	(\$50,624)	\$0
<u>Loss</u> - Appropriation to fund the Seed Capital Funds and the Microloan Program Funds			
	(\$1,000,000)	(\$1,000,000)	(\$1,000,000)

**--SUBJECT TO APPROPRIATION--**

<u>FISCAL IMPACT - State Government</u>	FY 2002	FY 2003	FY 2004
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(continued) (10 Mo.)

**ESTIMATED NET EFFECT TO GENERAL REVENUE FUND** (\$1,399,717) (\$1,447,139) (\$1,406,842) to (\$3,406,842)

**VETERANS' COMMISSION CAPITAL IMPROVEMENT TRUST FUND**

Loss - Transfer to the Missouri Veterans' Business Council Fund (unknown) (unknown) (unknown)

**-SUBJECT TO APPROPRIATION-**

**MISSOURI VETERANS BUSINESS COUNCIL FUND**

Income - Transfer from the Veterans Capital Improvement Trust Fund unknown unknown unknown

**-SUBJECT TO APPROPRIATION-**

<u>FISCAL IMPACT - Local Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
_____	\$0	\$0	\$0

FISCAL IMPACT - Small Business

This proposal would be expected to have a direct fiscal impact on small businesses.

DESCRIPTION

This proposal establishes the Missouri Veterans' Business Council within the Department of Economic Development. The Council will consist of fifteen members each serving staggered terms of four years. Members of the council will be appointed by the Governor with the advice and consent of the Senate.

DESCRIPTION (continued)

L.R. NO. 1134-01  
BILL NO. SB 340  
PAGE 6 OF 6  
February 19, 2001

Duties of the Council include: identifying and certifying businesses owned by veterans and disabled veterans; conducting initial reviews of state policies and programs as they impact veteran owned businesses and disabled veteran owned businesses; monitoring legislative proposals; providing public information; establishing a microloan revolving loan program; writing and accepting grants; developing an outreach program; maintaining working relationships with governmental agencies; providing seed capital money for start-up veteran and disabled veteran owned businesses; and administering the Missouri Veterans' Business Council Fund.

This proposal allows a tax credit to a taxpayer equal to fifty percent of the money or property the taxpayer contributed to a Missouri Veterans' Business Council Fund not to exceed two million dollars per year in the aggregate.

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

This proposal would affect Total State Revenues.

#### SOURCES OF INFORMATION

Department of Economic Development  
Department of Revenue  
Office of the Secretary of State  
State Treasurer's Office  
Office of Administration  
Missouri Veterans' Commission  
Missouri Gaming Commission



Jeanne Jarrett, CPA  
Director  
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