COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4472-03
Bill No.: SCS for SB Nos. 895, 813, 911, 924, 922 & 802
Subject: Business and Commerce; Corporations; Economic Development; Science and Technology; Taxation and Revenue
Type: Original
Date: February 24, 2010

Bill Summary: This proposal enacts legislation relating to tax incentives for job creation.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
General Revenue	($168,503 to $61,418,503)	($130,929 to Unknown) - could exceed ($67,380,929)	($134,857 to Unknown) - could exceed ($73,984,857)
Total Estimated Net Effect on General Revenue Fund	**($168,503 to $61,418,503)**	**($130,929 to Unknown) - could exceed ($67,380,929)**	**($134,857 to Unknown) - could exceed ($73,984,857)**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Science and Innovation Reinvestment	$0	$0	$0
Missouri Technology Investment	$0	$0	$0
Total Estimated Net Effect on Other State Funds	**$0**	**$0**	**$0**

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 19 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
General Revenue	2 FTE	2 FTE	2 FTE
Total Estimated Net Effect on FTE	**2 FTE**	**2 FTE**	**2 FTE**

☒ Estimated Total Net Effect on All funds expected to exceed $100,000 savings or (cost).

☒ Estimated Net Effect on General Revenue Fund expected to exceed $100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Local Government	**$0**	**$0**	**$0**

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Economic Development (DED)** state the proposed legislation creates provisions for the establishment of Missouri Jobs for the Future districts, the new Show Me Fund program, the Missouri Science and Innovation Reinvestment Act and the Missouri Science and Innovation Authority. DED anticipates an unknown fiscal impact.

In response to Senate Bills 911 and 924 (Show-Me Fund Projects), the Department of Economic Development requested an FTE Economic Development Incentive Specialist III at an annual cost of roughly $73,000. **Oversight** will reflect this additional FTE on this fiscal note. Oversight assumes DED's estimate of expense and equipment cost for the new FTE could be overstated. If DED is able to use existing desks, file cabinets, chairs, etc., the estimate for equipment for fiscal year 2011 could be reduced by roughly $6,000.

Officials from the **Department of Higher Education (DHE)** state although this bill would have an impact on the colleges and universities with which the DHE works, it would not have a direct, foreseeable fiscal impact on the DHE.

Officials from the **Department of Insurance, Financial Institutions and Professional Registration (DIFP)** state it is unknown how many insurance companies will choose to participate in this program and take advantage of the tax credits. Premium tax revenue is split 50/50 between General Revenue and County Foreign Insurance Fund except for domestic Stock Property and Casualty Companies who pay premium tax to the County Stock Fund. The County Foreign Insurance Fund is later distributed to school districts through out the state. County Stock Funds are later distributed to the school district and county treasurer of the county in which the principal office of the insurer is located. It is unknown how each of these funds may be impacted by tax credits each year.

Officials from the **Department of Labor and Industrial Relations** assume the proposal would not fiscally impact their agency.

Officials from the **Office of the Secretary of State (SOS)** assume many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The 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 the Secretary of State's Office for Administrative Rules is less than $2,500. The SOS recognizes that this is a small amount and does not expect that additional funding

ASSUMPTION (continued)

would be required to meet these costs. However, we also recognize 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 our office can sustain with our core budget. Therefore, we reserve 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.

In response to a previous version of this proposal, officials from the **Office of Administration - Division of Accounting** and the **University of Missouri** each assumed the proposal would not fiscally impact their respective agencies.

Officials from the **Department of Revenue (DOR)** state Section 348.265.1 requires DOR to assist the Department of Economic Development to establish the base year gross wages paid by science and innovation companies to their employees and report that amount to the corporation, the governor, and the general assembly. Within 180 days after the end of each fiscal year beginning with FY 10, DED with the assistance of DOR will be required to determine and report to the governor and the general assembly the amount by which aggregate science and innovation employee's gross wages for the fiscal year exceeds the base year gross wages.

DOR will have a difficult time determining an accurate base year gross wage amount. The Department does not currently collect data which would identify science and innovation companies or employees of a university who is associated with or supports the research, development, commercialization, or business of science and technology in the state. Following passage of this legislation, the Department can make changes to our tax forms and request these companies provide additional detail to identify them as a science and innovation company. Additionally, DOR would require each university to separately identify each employee who is a science and innovation employee. However, this data would not be available by June 30, 2010.

DOR's Personal Tax section states the need for one Management Analyst Specialist I (Range 23, Step Q) for reporting purposes to work with Labor and Industrial Relations to establish a base year and report out each year the amounts that exceeds the base year. DOR assumes a cost of the FTE of roughly $70,000 per year.

DOR has access to a third party database (Info USA) that may have the potential to drill down to the employee level using NAICS codes. However, this data is up to three years old. A refresh of that data costs $50,000.

DOR states this proposal requires their agency to be more involved administratively than similar proposals from this year.

ASSUMPTION (continued)

DOR also assumes the need for one Revenue Processing Technician I for every 7,800 pieces of additional withholding correspondence processed in relation to Section 67.4000 (MO-JFF projects).

Oversight assumes the level of correspondence will not rise to the level to which an additional FTE will be required by the Department of Revenue.

Officials from the **Office of Administration - Budget and Planning (BAP)** state the proposal should not result in additional costs or savings for their division. BAP has identified the following sections which may have budget or revenue implications:

SB 895

- 196.1115.3 - Makes the MTC the administrative agent of the LSRB.
- 348.251.1 --- Definitions, in particular (3) "Base Year" is Fiscal Year 2010.
- 348.256.10 - The MTC may employ needed staff. Corporation employees shall be eligible to participate in MOSERS and MCHCP, but are not considered state employees. BAP assumes these costs will be borne by the MTC, by either the Missouri Science and Innovation Reinvestment Fund, or other funding available to MTC. BAP defers to DED /MTC for any estimated costs.
- 348.261(15) - MTC may establish a proof of concept finance program to make certain loans to qualifying companies.
- 348.261(16) - MTC may establish an angel investment finance program to make coinvestments in qualifying companies.
- 348.261(17) - MTC may establish a venture capital coinvestment fund to make investments in professionally managed venture capital funds. (Note: Other versions of this proposal also allowed for the creation of a seed capital finance program.)
- 348.263.3 --- The corporation is subject to open records laws, except as otherwise provided.
- 348.264 - The Missouri Technology Investment Fund is renamed the Missouri Science and Innovation Reinvestment Fund.
- 348.265.1 -
    - At the end of each fiscal year DED and DOR shall determine the growth in gross wages of Science and Innovation companies, as defined in this proposal by NAICS codes, as well as companies that DED and DOR may identify as qualifying organizations. They shall compare these wages to wages earned during the base year (FY 10), and the growth shall be reported to the Governor and General Assembly.

ASSUMPTION (continued)

- Based on data supplied to BAP by DED, BAP estimates that wage growth in these industries averages $200M per year, but could vary substantially. The applicable percentage and calculated transfer is presented in the table below.
- (Technical note: while language in the proposal alludes to a transfer, there is no specific language following this subsection to specifically authorize the DOR or any other agency to make a transfer from GR to the MSIRF.)
- This transfer is subject to appropriation.

Figures in Millions				
Fiscal Year	Growth from Prior Year	Growth From Base Year	Applicable Percentage	Estimated Transfer
2011	200	200	6%	12
2012	200	400	6%	24
2013	200	600	6%	36
2014	200	800	6%	48
2015	200	1000	6%	60
2016	200	1200	6%	72
2017	200	1400	6%	84
2018	200	1600	6%	96
2019	200	1800	6%	108
2020	200	2000	6%	120
2021	200	2200	6%	132
2022	200	2400	6%	144
2023	200	2600	6%	156
2024	200	2800	6%	168
2025	200	3000	5%	180
2026	200	3200	5%	160
2027	200	3400	5%	170
2028	200	3600	5%	180
2029	200	3800	5%	190
2030	200	4000	5%	200
2031	200	4200	4%	168
2032	200	4400	4%	176
2033	200	4600	4%	184
2034	200	4800	4%	192
2035	200	5000	4%	200

ASSUMPTION (continued)

BAP notes the base year is not adjusted for inflation in this proposal. Because there is no inflationary adjustment, this could lead to the redirection of normal increases in income tax growth from GR into the new fund.

SB 813

This proposal modifies various tax credit programs to allow the director of DED to increase tax incentives for qualified existing Missouri businesses. The director may increase the awards by 2 percent for every 5 years a company has been in Missouri, up to a limit of 10 percent. The programs are as follows:

99.845.15 - This section allows the DED director to increase the appropriation available for distribution via the TIF program. This proposal would not reduce general and total state revenues, but may increase appropriations. Total appropriations under the TIF program may not exceed $32M annually; $13.2M was appropriated for FY 10. It should be noted this likely violates the MO Const., Art. II Sec. 1 (Separation of Powers), Art. III Sec. 36 (Legislature to appropriate), and Art. IV Sec. 28 (Appropriations required).

135.535 - Changes in this section allow the DED director to increase the tax credit otherwise entitled under the Rebuilding Communities credit. The annual cap on this credit is $8M; however, redemptions have averaged less than $2M the last three fiscal years. This proposal may increase the issuances of this credit, and therefore the redemptions, which may decrease general and total state revenues. DED may have an estimate of increased credit redemptions as a result of this program. This program may encourage other economic activity, but B&P does not have data to estimate the induced revenues. DED may have such an estimate.

135.967.5 -- Changes in this section allow the DED director to increase the tax credit otherwise entitled under the Enhanced Enterprise Zone program. The annual cap on this credit is $24M; however, redemptions have averaged less than $2M the last three fiscal years, and are projected to less than $4M in FY 11. This proposal may increase the issuances of this credit, and therefore the redemptions, which may decrease general and total state revenues. DED may have an estimate of increased credit redemptions as a result of this program. This program encourages other economic activity, but B&P does not have data to estimate the induced revenues. DED may have such an estimate.

178.762 -- Changes in this section allow the DED director to increase the withholding credits otherwise entitled under the Job Retention Training Program. This proposal will not decrease general and total state revenues, but to the extent this program redirects withholding from existing jobs that are being retained, fewer general revenue dollars will be available for

ASSUMPTION (continued)

appropriation.

178.894 -- Changes in this section allow the DED director to increase the withholding credits otherwise entitled under the Community College New Jobs Training Program. This proposal will not decrease general and total state revenues. This program encourages other economic activity, but B&P does not have data to estimate the induced revenues. DED may have such an estimate.

620.1881 -- Changes in this section allow the DED director to increase the withholding retention, and therefore the tax credits, otherwise entitled under the Quality Jobs program. This may lead to increased tax credit issuances. The annual cap on this credit is $80M; however, redemptions are projected to be $32M in FY 11. This proposal may increase the issuances of this credit, and therefore the redemptions, which may decrease general and total state revenues. DED may have an estimate of increased credit redemptions as a result of this program. This program encourages other economic activity, but B&P does not have data to estimate the induced revenues. DED maintains that the economic benefit of the jobs created under the program offset any incentives issued.

SB 911 & 924
This proposal creates a new type of MQJ project known as Show-Me Fund Projects. These include:

- "High impact" projects that invest $10M in addition to creating 100 new jobs.
- "Technology business" projects that invest $2M in addition to creating 10 new jobs.
- "Small and Expanding Business" projects that invest $100k in addition to creating 20 new rural or 40 new urban jobs.

Qualifying companies may receive refundable tax credits equal to the projected amount of income tax withholdings for new employees 12 years, or 5 years for Small and Expanding Businesses. If the company is unable to meet the necessary Show-Me Fund financing requirements, DED may still issue Show-Me Fund credits, but they must be repaid to GR with terms and interest rates determined by DED. DED may waive the repayment requirement if the qualified company would locate the project in another state "but for" the Show-Me Fund Tax Credits.

There is an annual cap of $60M for Show-Me Fund projects, which may not concurrently receive other MQJ or BUILD incentives.

Currently, no more than $80M in MQJ credits or $25M in BUILD tax credits may be issued annually. This proposal modifies these limits to an aggregate cap of $105M for both programs.

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ASSUMPTION (continued)

DED may also issue BUILD credits as Show-Me Fund Tax Credits so long as the $25M BUILD cap is not exceeded. In the event that Show-Me Fund authorizations do not exceed $60M, then regular MQJ authorizations may total up to $80M annually.

This proposal will increase the aggregate issuance of MQJ and BUILD credits, which will increase redemptions. DED had projected $42M in FY11 redemptions for these two programs, with the amount of MQJ redemptions increasing each year. DED may have an estimate of increased credit redemptions as a result of this program.

This proposal may decrease general and total state revenues $63M ($105M aggregate cap minus the $42M in projected redemptions). This proposal encourages other economic activity, but BAP does not have data to estimate the induced revenues. DED maintains that the economic benefits of the jobs created under MQJ offset any incentives issued.

SB 922

- 67.4000.1 - Defines the MO-JFF program. Defines MO-JFF revenues as a) half the incremental increase in GR sales tax over the base year; and b) all the state income tax withheld from new employees, from facilities within the MO-JFF district. BAP does not have an estimate of the new revenues that may be generated in these districts. DED may have such an estimate.
- 67.4000.8 - MO-JFF revenues shall be transferred from GR to the appropriate municipalities. This distribution is subject to appropriation. The annual aggregate cap for MO-JFF disbursements is $60M in FY 11, increasing by 10% each year for the next five years, and then remaining constant. (BAP calculates the upper limit as $96.6M).
- 67.4000.9 - The municipalities shall deposit these revenues in the MO-JFF Projects Financing Fund. Disbursements from such fund are subject to appropriation.
- 67.4000.12 - MO-JFF revenues shall not preclude other public incentives, including TIF, CIDs, & TDDs. However, the MO-JFF revenues shall be first "captured" by the other incentives if those incentives were implemented prior to the MO-JFF certification.
- 67.4000.14 - portions of certain public salaries and expenses may be borne by the MO-JFF revenues as eligible project costs. BAP defers to DED and DOR for estimates of such costs.

This program may stimulate other economic activity, but B&P does not have data to estimate the induced revenues. The Department of Economic Development may have such an estimate.

BAP notes that the phrase "new employee" is not defined in this proposal. In the case that a new employee or a new job in a JFF district was one that was transferred from another area in the

ASSUMPTION (continued)

state, then there would be no new state income tax, and the net benefit from the project would be substantially lower.

BAP notes that there is no language in the proposal requiring a finding that a project would not happen without JFF assistance. In this case, especially given the language in 620.1895.15, it is possible the incentives may exceed the benefits of a particular project.

BAP notes that this proposal would obligate GR to a specific program, thereby increasing budget expenditures. This proposal could reduce available revenues if incentives exceed benefits.

SB 802
This proposal creates a Proof of Concept Loan Program. Loans totaling up to $1.25M each year may be issued to qualifying companies. These loans must be repaid within five years. There is no funding source specified for the program, although it will be subject to appropriation. This program will not impact general and total state revenue collections, but could reduce general revenue available for other budget items. This program may encourage other economic activity, but BAP does not have an estimate of the induced revenues. DED may have such an estimate.

In response to a previous verison of this proposal, officials from the **Missouri Consolidated Health Care Plan (MCHCP)** stated the fiscal impact on MCHCP is the product of the predicted membership magnitude of Missouri Technology Corporation (MTC) and the estimated net payment per active employee per year. MCHCP assumes the health status of MTC subscribers and their number of dependents per subscriber is similar to MCHCP's existing active employee population. Net payments for active employee subscribers are approximately $9,652 per subscriber per year based on 2010 estimates. Eventually, MTC would have retirees covered under their medical plan. Again, assuming the health status of MTC retirees and their number of dependents per subscriber is similar to MCHCP's existing retiree population; net payments for retiree subscribers are approximately $8,564 per subscriber per year based on 2010 estimates.

In response to a similar proposal from this year (HB 1511) officials from the **Missouri State Employees Retirement System (MOSERS)** stated the contribution rate for state employees is 13.81 percent.

Oversight assumes that if the employee of the authority are allowed to join MOSERS, the contribution costs would be borne by the authority and not the State.

Officials from the **Office of the State Treasurer** did not respond to our request for fiscal impact.

ASSUMPTION (continued)

SB 895 (various sections) - **Oversight** assumes an unknown amount of withholding tax revenue may be redirected from the General Revenue Fund to the new Science and Innovation Reinvestment Fund beginning with the year starting on July 1, 2011 (or FY 2012). Oversight will reflect this as a potential loss of $0 to an Unknown amount. Oversight will also assume that MTC will expend all of the proceeds deposited into the new fund

SB 813 (various sections) - **Oversight** assumes this part of the proposal gives the Department of Economic Development the ability to authorize additional benefits for certain business expansion projects. Oversight assumes the various programs specified in the proposal will still not be allowed to issue benefits over their annual limit, aggregate debt limit, or specified project appropriation. Therefore, Oversight assumes the overall potential fiscal impact for the stated programs have already been represented in prior fiscal notes. Therefore, although this proposal may result in an increased issuance of state tax credits, withholding retention or other state benefits, Oversight will assume the proposal will not result in additional fiscal impact that has not already been shown on prior fiscal notes.

SBs 911 & 924 - Section 620.1881 - This part of the proposal combines the annual tax credit issuance limits of the Missouri Quality Jobs program (currently $80 million) and the Build program (currently $25 million) into a new combined annual limit of $105 million. The annual tax credit issuances for the BUILD program for the last three years has been $7.0 million in FY 2007, $7.5 million in FY 2008 and $5.6 million in FY 2009. **Oversight** assumes this proposal could result in additional credits being issued under the new combined annual limit, greater than what would have been issued separately under each program. However, within fiscal notes from previous year, Oversight has already reflected the potential loss of income to the General Revenue Fund for each program of up to the annual limits. Therefore, for purposes of this fiscal note, Oversight will reflect a potential shift of tax credits from the BUILD program to the Missouri Quality Jobs program of $17 million ($25 million annual limit for BUILD less FY 2010 estimated issuances of $8 million).

Changes to the Quality Jobs program within the bill may also increase the utilization of the program, and consequently increase the amount of tax credits used by Missouri employers. This may result in a reduction in Total State Revenues. However, as previously stated, Oversight has already reflected a potential loss of income resulting from the Quality Jobs program of up to $80 million annually.

ASSUMPTION (continued)

SB 802 - Section 348.268 - According to a report from the Office of the State Treasurer, the FY 2009 ending balance of the Missouri Technology Investment Fund (172) was $0.57. According to the legislation, moneys for this new program shall be available from appropriations from the General Assembly from the Missouri Technology Investment Fund. The Missouri Technology Corporation may make loans to advanced technology companies of up to $1,250,000 in total each fiscal year. **Oversight** will assume the Missouri Technology Investment fund will need an appropriation from General Revenue of $1.25 million each year of the fiscal note for funding these loans. The loans shall be repaid to the Missouri Technology Corporation no later than five years from the date of the loan.

Oversight assumes this money will be reinvested in the program to fund new loans and that future appropriations from General Revenue will not be necessary to fund the program. However, Oversight assumes the repayment of these loans is beyond the scope of the fiscal note. Oversight will range the fiscal impact from $0 (program is not funded) to the annual limit of $1,250,000.

SB 922 - Section 67.4000 - this part of the proposal states the aggregate cap of MO-JFF revenues that may be appropriated for this program is $60 million in FY 2011, and shall be increased by ten percent annually for the next five years. Therefore, **Oversight** will assume a loss of General Revenue (sales tax and income tax) of $0 (no MO-JFF districts established or no additional revenue generated) to the annual limits of $60 million in FY 2011, $66 million ($60 million increased by 10%) in FY 2012, and $72.6 million ($66 million increased by 10%) in FY 2013.

Oversight assumes this proposal could have positive fiscal benefits for the state; however, Oversight considers these benefits to be indirect and have not reflected them on the fiscal note.

This proposal could reduce Total State Revenues.

FISCAL IMPACT - State Government	FY 2011 (10 Mo.)	FY 2012	FY 2013
GENERAL REVENUE			
Savings - Combining of BUILD and Quality Jobs annual aggregate limits - amount of tax credits anticipated under the $25 million annual limit for BUILD (Section 620.1881 from SBs 911 & 924)	$17,000,000	$17,000,000	$17,000,000
Loss - Additional credits from the BUILD program that will be available for use under the Quality Jobs Program (Section 620.1881 from SBs 911 & 924)	($17,000,000)	($17,000,000)	($17,000,000)
Transfer Out - to the Missouri Technology Investment Fund (Section 348.268 from SB 802)	$0 to ($1,250,000)	$0 to ($1,250,000)	$0 to ($1,250,000)
Loss - to the MO-JFF Projects Financing Fund - incremental increase in sales tax and income tax from MO-JFF projects (Section 67.4000 - SB 922)	$0 to ($60,000,000)	$0 to ($66,000,000)	$0 to ($72,600,000)
Costs - DED			
Personal Service (1 FTE)	($35,803)	($44,252)	($45,580)
Fringe Benefits	($18,775)	($23,206)	($23,902)
Expense and Equipment	($8,983)	($4,293)	($4,421)
Total Costs - DED	($63,561)	($71,751)	($73,903)
FTE Change - DED	1 FTE	1 FTE	1 FTE
Costs - DOR			
Personal Service	($30,859)	($38,141)	($39,286)
Fringe Benefits	($16,182)	($20,001)	($20,601)
Expense and Equipment	($7,901)	($1,036)	($1,067)
Refresh Data Costs	($50,000)	$0	$0
Total Costs - DOR	($104,942)	($59,178)	($60,954)
FTE Change DOR	1 FTE	1 FTE	1 FTE

FISCAL IMPACT - State Government (continued)	FY 2011 (10 Mo.)	FY 2012	FY 2013
Loss - Department of Revenue percentage of withholding taxes lost to Missouri Science and Innovation Reinvestment (Section 348.264 SB 895)	$0	$0 to (Unknown)	$0 to (Unknown)
ESTIMATED NET EFFECT TO GENERAL REVENUE FUND	**($168,503 to $61,418,503)**	**($130,929 to Unknown) - Could exceed ($67,380,929)**	**($134,857 to Unknown) - Could exceed ($73,984,857)**
Estimated Net FTE Change for General Revenue	2 FTE	2 FTE	2 FTE

MISSOURI TECHNOLOGY INVESTMENT FUND			
Transfer In - from General Revenue (Section 348.268 - SB 802)	$0 to $1,250,000	$0 to $1,250,000	$0 to $1,250,000
Cost - loans to advanced technology companies as part of the Proof of Concept Business Finance Program (Section 348.268 - SB 802)	$0 to ($1,250,000)	$0 to ($1,250,000)	$0 to ($1,250,000)
ESTIMATED NET EFFECT TO THE MISSOURI TECHNOLOGY INVESTMENT FUND	**$0**	**$0**	**$0**

FISCAL IMPACT - State Government (continued)	FY 2011 (10 Mo.)	FY 2012	FY 2013
MISSOURI SCIENCE AND INNOVATION REINVESTMENT FUND			
Income - withholding taxes redirected from the General Revenue Fund from companies within science and innovation area (Section 348.264 SB 895)	$0	$0 to Unknown	$0 to Unknown
Costs - expenditures made by the MTC; including proof of concept loans, seed capital investments, angel investments, etc. (Section 348.265 SB 895)	$0	$0 to (Unknown)	$0 to (Unknown)
ESTIMATED NET EFFECT TO THE MISSOURI SCIENCE AND INNOVATION REINVESTMENT FUND	**$0**	**$0**	**$0**

FISCAL IMPACT - Local Government	FY 2011 (10 Mo.)	FY 2012	FY 2013
LOCAL POLITICAL SUBDIVISION			
Income - from State General Revenue Fund - incremental increase in sales tax and income tax (Section 67.4000 - SB 922)	$0 to $60,000,000	$0 to $66,000,000	$0 to $72,600,000
Costs - associated with MO-JFF plans, MO-JFF projects and MO-JFF districts (Section 67.4000 - SB 922)	$0 to ($60,000,000)	$0 to ($66,000,000)	$0 or ($72,600,000)
ESTIMATED NET EFFECT TO LOCAL POLITICAL SUBDIVISIONS	**$0**	**$0**	**$0**

FISCAL IMPACT - Small Business

Small businesses that qualify for the various programs established with this proposal could be positively impacted as a result of this proposal.

FISCAL DESCRIPTION

This act allows municipalities to adopt ordinances establishing Missouri Jobs for the Future Districts for which municipalities may issue obligations to pay costs incurred to develop such area to attract business and create jobs. In order to establish Missouri Jobs for the Future Districts, municipalities must hold public hearings to adopt ordinances providing a comprehensive plan for the district and any projects which will be undertaken for the benefit of the district, and receive approval from the Department of Economic Development. The act provides notice requirements for public hearings, establishes requirements for plans and projects, and places limitations upon obligations issued to fund projects within Missouri Jobs for the Future Districts. Obligations issued to pay eligible costs incurred within a district will be repaid by appropriations from the state general revenue fund. Appropriations will be based upon the incremental increase in state general revenue collections of sales tax and income tax withholdings of employees located within the district.

Various tax incentive programs are modified to allow the director of the Department of Economic Development to increase tax incentives available for Missouri businesses upon a finding of economic benefit to the state. The act allows the director of the Department of Economic Development to increase the amount of appropriation from the economic development supplemental tax increment financing fund, for redevelopment projects or plans which result in net new jobs from the relocation, or expansion, of a Missouri business. Such appropriation may be increased by as much as two percent for every continuous five year period the company was a Missouri business up to a total increase of ten percent.

The director of the Department of Economic Development may, upon a finding of economic benefit to the state, increase the amount of incentives available for Missouri businesses under the rebuilding communities tax credit program; enhanced enterprise zone tax credit program; job retention program; new job training program; or quality jobs tax credit program by as much as two percent for each continuous five year period the business has been a Missouri business, but not to exceed a total increase of ten percent.

The act establishes the Missouri Science and Innovation Reinvestment Act. The act requires the advise and consent of the Senate for Gubernatorial appointments to the Missouri Technology

FISCAL DESCRIPTION (continued)

Corporation's board of directors and sets the terms and requirements for the various members of the board of directors. The powers and duties of the Missouri Technology Corporation are expanded to allow the corporation to assume all monies and assets of the Missouri Seed Capital Investment Board and to establish a proof of concept finance program, an angel investment finance program, and a venture capital co-investment fund. The act provides application, approval, and reporting requirements for programs established by the Missouri Technology Corporation. In addition to the exceptions to open records and meetings requirements provided under the Sunshine Act, the act authorizes the Missouri Technology Corporation to close certain meetings and records held by the corporation. The directors of the Department of Economic Development and the department of revenue must annually determine the incremental increase in gross wages paid within the state to science and innovation employees and apply a formula to such amount to determine the amount of funding necessary to administer the programs of the corporation. Once a determination is made, the directors of the Department of Economic Development and the Department of Revenue must report their findings to the Governor and the General Assembly. The act replaces the Missouri Technology Fund with the Missouri Science and Innovation Reinvestment Fund, which will receive annual appropriations made by the General Assembly, based upon recommendations made by the directors of the Departments of Economic Development and Revenue, and contributions made by private entities, the federal government, and local governments. The act requires that any contract entered into between the corporation and any not-for-profit organization must provide at least a one hundred percent match of funding received from the corporation.

The act establishes the proof of concept business finance program to be administered by the Missouri Technology Corporation. The program will provide one-time loans to eligible advanced technology companies which must be repaid within five years of the date of the loan in an amount equal to two times the amount of the loan. Early repayment will result in a proration of the repayment amount. No more than one million two hundred fifty thousand dollars will be made available for loans to advanced technology companies each fiscal year. Loans made under the program cannot exceed seventy-five thousand dollars per eligible advanced technology company and must be leveraged dollar-for-dollar by additional equity investment in the company. Loan proceeds may be used by eligible advanced technology companies for intellectual property development, building prototypes, market studies, identifying and securing a management team, and business operations.

The act creates a new type of project under the Quality Jobs Act known as show-me fund projects. Show-me fund project benefits will be available for projects which qualify as small and expanding business, high impact, or technology business projects under the Quality Jobs Act and meet certain additional job creation and capital investment requirements. In determining

FISCAL DESCRIPTION (continued)

eligibility for show-me fund benefits, the act requires the director of the department of economic development to consider factors including the creditworthiness of the company, proposed wages for employees of the company, growth potential of the company, net economic benefit to the state, and local incentives provided to the project. If the department approves a company for show-me fund benefits and enters into a contract with such company setting out performance requirements for the receipt of benefits, the company may receive refundable tax credits equal to the amount of income tax withholdings for new employees of the company over a period of years ranging between five and twelve years depending upon the type of project. The act contains provisions allowing for a recapture of tax credits in the event a company should default or fail to comply with performance requirements set by the department. No more than sixty million dollars in tax credits may be issued annually for show-me fund projects. Under current law, no more than eighty million dollars in quality jobs tax credits or more than twenty-five million dollars in BUILD tax credits may be issued annually. The act prohibits the issuance of more than a total of one hundred five million dollars in tax credits under the quality jobs and BUILD programs. The director of the Department of Economic Development is authorized to allocate BUILD tax credits for issuance as show-me fund tax credits provided that such allocation does not exceed statutory limits. The act prohibits companies from receiving show-me fund credits in conjunction with BUILD tax credits or other benefits available under the Quality Jobs Act for other types of projects.

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
Department of Economic Development
Department of Revenue
Missouri State Employee Retirement Systems
Missouri Consolidated Health Care Plan
University of Missouri
Department of Labor and Industrial Relations
Department of Insurance, Financial Institutions and Professional Registration
Department of Higher Education
Office of the Secretary of State

NOT RESPONDING:
Office of the State Treasurer

Mickey Wilson
Mickey Wilson, CPA
Director
February 24, 2010