

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3896H.12C
Bill No.: HCS for SS No. 3 for SCS for SB 758
Subject: Business and Commerce; Economic Development; Economic Development,
Department Of
Type: Original
Date: April 27, 2022

Bill Summary: This proposal modifies provisions relating to state programs for businesses.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
General Revenue Fund*	\$100,000 - \$300,000 or (Unknown)	\$100,000 - \$300,000 or (Unknown)	\$100,000 - \$300,000 or (Unknown)
Total Estimated Net Effect on General Revenue	\$100,000 - \$300,000 or (Unknown)	\$100,000 - \$300,000 or (Unknown)	\$100,000 - \$300,000 or (Unknown)

*§8.250 - Represents a range of savings from being allowed to advertise on a website instead of a newspaper.

*§620.803 - Oversight notes that Section 620.803, allows for a new type of service within the Missouri One Start Program – ‘recruitment services’ provided by the Missouri employers. Oversight assumes the amount could reach the \$250,000 threshold in GR transfers into the Missouri One Start Job Development Fund.

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
MISSOURI ONE START COMMUNITY COLLEGE NEW JOB TRAINING FUND (0563)	\$0	(Unknown)	\$0
MISSOURI ONE START COMMUNITY COLLEGE NEW JOB RETENTION TRAINING FUND (717)	\$0	(Unknown)	\$0
MISSOURI ONE START COMMUNITY COLLEGE TRAINING FUND	\$0	Unknown	Unknown
MISSOURI ONE START JOB DEVELOPMENT FUND (0600)*	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
Total Estimated Net Effect on <u>Other</u> State Funds	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown

*§620.803- Oversight notes that Section 620.803 allows for a new type of tax credit for the Recruitment Services provided by the Missouri employers. The Development Fund is the only fund receiving money from GR.

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

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
Total Estimated Net Effect on FTE	0	0	0

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

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

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Due to time constraints, **Oversight** was unable to receive some agency responses in a timely manner and performed limited analysis. Oversight has presented this fiscal note on the best current information that we have or on information regarding a similar bill(s). Upon the receipt of agency responses, Oversight will review to determine if an updated fiscal note should be prepared and seek approval to publish a new fiscal note.

Section 8.250 – Public Contracts

In response to a previous version, officials from the **Office of Administration - Facilities Management, Design and Construction (OA-FMDC)** stated this section of the proposal would permit OA-FMDC to place invitations to bid for construction projects on its website or MissouriBUYS for a period of ten days or more rather than advertising in the newspaper. On average, for the period from FY19-FY21, FMDC spent \$101,990 per year on newspaper advertising. However, this number is lower than in the past given that many construction projects have been on hold during this timeframe. FMDC's advertising costs averaged around \$300,000 per year in the past when more capital improvement projects were being completed. FMDC expects a saving of \$100,000 to \$300,000 per year from this change.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect the estimated savings provided by OA-FMDC.

Section 8.690 – Public project delivery methods

In response to a previous version of the bill, **OA-FMDC** stated this would have given OA-FMDC the ability to utilize the construction manager-at-risk and design-build procurement methods for design and construction of capital improvement projects. This bill would have given the state the ability to utilize additional modern, industry standard procurement tools for design and construction that are currently used in the private sector as well as by the political subdivisions of the state. This bill would have given the state additional flexibility for the design and construction of state projects, which FMDC anticipated would increase efficiency and reduce risk, administrative costs, and construction timeframes for some projects. This could have been particularly important given the number of American Rescue Plan Act (ARPA) projects that the state will likely need to complete in the coming years.

This bill would have required OA-FMDC to establish new procurement methods and procedures, and create new contract documents for construction management-at-risk and design-build procurement. FMDC estimates that this would have taken approximately 1,500 hours of contract staff time (\$37 per hour totaling \$55,500) and an additional 250 hours of Legal Counsel time (\$42 per hour totaling \$10,500). FMDC anticipates that these impacts could have been absorbed with existing staff and resources.

Officials from the OA-FMDC assumed the cost of this section of the proposal can be absorbed with existing staff and resources. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these sections.

OA-FMDC also stated that while there would be initial effort by FMDC's Contracts Unit and the OA legal team in the first year or two of implementation, FMDC anticipates that these costs would be offset by time savings within its Project Management Unit and Construction Administration Unit. This would also help FMDC manage capacity issues if a larger number of projects need to be completed in a shorter time frame than what FMDC typically experiences. For example, FMDC currently has the capacity to manage around \$700 million in projects over a four-year period or \$350 million in a two-year period with existing Project Management and Construction Administration staff. If FMDC receives funding for several large projects that bring its project total to \$850 million, FMDC would need an estimated \$3 million for additional staff over the next 4 years. However, because the increased workload is short-term in nature, it would be beneficial for FMDC to have the ability to pay a contractor for these services rather than hiring additional staff or delaying project completion. The actual fiscal impact of this bill is unknown as it will depend upon a number of factors including the number and type of projects FMDC receives funding for, construction prices, and whether these new procurement methods are utilized consistently.

In response to a previous version, officials from the **Department of Corrections (DOC)** stated this proposal modifies various provisions relating to public contracts. It amends the language in chapter 8 (dealing with public construction contracts) and chapter 34 (public procurement), which apply to the department's procurement practices. The bill removes the requirement to post bid opportunities in the newspaper and allows the publication of notice to appear on the public entity's website. The bill also amends the requirements for bidding manager-as-agent and design-build construction contracts. Finally, the bill changes the language of 34.100 to allow the commissioner of OA to delegate single feasible source authority to an agency for contracts totaling \$10,000 and below, instead of \$5,000 and below.

There is a potential unknown cost savings, as these changes could speed up the process for construction and construction projects, as well as potentially increase the efficiency of the procurement and construction processes.

In response to a previous version, officials from the **Office of Administration - Budget and Planning** stated since there is a "Guaranteed Maximum Price" set when using a Construction Manager-At-Risk model, there could be some cost savings for state projects utilizing this method since the contractor assumes the liability if there are overrunning costs. Similarly, the design-build model could produce cost-savings given the potential for increased efficiency working through one contractor instead of several.

Oversight assumes there would be some positive benefit to the state as a result of modifying various provisions relating to public contracts and public procurement methods in this proposal;

however, Oversight notes the language in the proposal is permissive in nature and therefore will not reflect these benefits in the fiscal note.

§311.028 – Ozark Highlands spirits

In response to a similar proposal from this year (HCS for HB 2621), officials from the **Department of Economic Development**, the **Department of Natural Resources**, and the **Department of Public Safety - Division of Alcohol and Tobacco Control** 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 this section.

§§620.800 - 620.2475 – Missouri One Start Program

Officials from the **Department of Revenue (DOR)** assume the proposal stops the Missouri One Start Community College New Jobs Training Fund and the Missouri One Start Community College Job Retention Training Fund and replaces them with the Missouri One Start Community College Training Fund. This fund will receive both the new and retained job credits. DOR is required to develop new forms for the reporting of these credits. The creation of the new form is estimated at \$10,000.

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

In response to a similar proposal from this year (HCS for HB 2418), officials from the **Office of Administration – Budget & Planning (B&P)** assumed if more projects utilize the training programs, these projects could also apply for other tax credits. If more tax credits are issued, there could be an unknown decrease in General Revenue. Conversely, to the extent, this proposal encourages other economic activity, General and Total State Revenue may be impacted, but B&P cannot estimate the induced revenues.

In response to a similar proposal from this year (HCS for HB 2418), officials from the **Department of Economic Development (DED)** assumed the proposal will have no fiscal impact on their organization.

Oversight, through e-mail conversation with DED in response to the similar proposal, received additional information with explanation as follows:

Section 620.803, RSMo, adds the definition of “recruitment services” to the Missouri One Start Job Development Fund program. This is a service currently offered with the funds appropriated to Missouri One Start to assist companies with their hiring needs. Adding the recruitment

definition solidifies this service as a core component of the Missouri One Start program. This will not be an increase in funds to the program, but rather an additional core service offered within the funds appropriated to Missouri One Start. This program is funded through a GR transfer to the Missouri One Start Job Development Fund.

Section 620.809, RSMo, creates a new Fund, the “Missouri One Start Community College Training Fund” that will start July 1, 2023. This fund will combine two current funds, the MOS Community College New Jobs Training Program (NJTP) and the MOS Community College Job Retention Training Program (JRTP) into one new training fund. The eligibility criteria for the NJTP and JRTP will remain the same. With appropriation authority for one combined fund instead of two separate appropriations—one for new jobs training projects and one for retained jobs training projects—Missouri One Start will have flexibility as between the two types of projects in any fiscal year. The source of the funds will remain unchanged. It comes from diverting a portion of the employer withholdings taxes (roughly 2%) on the new/retained jobs approved within the training projects. DOR diverts the withholding taxes into the respective fund. DED, pursuant to appropriations, pays the diverted funds to the company’s designated training account established by the community college. The local community college will reimburse approved training expenditures to the company from the designated account.

Expenditure Table by Fund

FY	NJTP Appropriation Authority	NJTP Expended	JRTP Appropriation Authority	JRTP Expended
17	\$16M	\$4,379,900.75	\$10M	\$6,028,757.02
18	\$16M	\$5,600,210.89	\$10M	\$3,520,566.20
19	\$16M	\$4,714,604.03	\$10M	\$2,780,863.37
20	\$16M	\$3,674,337.44	\$11M	\$2,905,596.50
21	\$16M	\$7,153,984.97	\$11M	\$6,795,308.91

Oversight notes Section 620.803.1 states: The department, specified as DED under the proposal language, shall establish a "Missouri One Start Program" to assist companies with recruitment services. Furthermore, Section 620.806.3 states: Funds in the Missouri One Start Job Development Fund shall be appropriated, for recruitment services.

Oversight notes that the “recruitment services” allows employers to receive potentially more credits paid by the Missouri One Start Development Fund. Missouri One Start Development fund receives funds directly from the general revenue fund. Therefore, **Oversight** will reflect a range from \$0 (no additional employees are being recruited beyond the current recruitment levels already being paid for) to Unknown reduction to the GR (additional employees are being recruited beyond current levels and more GR funds are being transferred into the Job Development Fund where less money collected through withholding are now being diverted to the Missouri One Start Development Fund).

Oversight notes that average expenditure per worker, from Missouri One Start Job Development Fund, totaled \$322.52 (\$7,108,352/22,040) in FY 2017- FY 2019 period. Additionally, there were more than 22,040 workers helped throughout the same period. Oversight notes it would take only 775 existing or additional workers to reach \$250,000 in spending due to the new Recruitment Program participation. Therefore, it is probable that the GR will have an additional expenditure that reaches over the \$250,000 threshold.

Oversight notes that the Missouri One Start Community College Training Fund is replacing Missouri One Start Community College New Jobs Training Fund and the Missouri One Start Community College Job Retention Training Fund.

Oversight notes the proposal specifies the Missouri One Start Community College New Jobs Training Fund and the Missouri One Start Community College Job Retention Training Fund both shall receive withholding credits from DOR until June 30, 2023. All the unobligated credits received on and after July 1, 2023, shall be transferred to the new fund, Missouri One Start Community College Training Fund, created by the proposal. Therefore, **Oversight** will show an unknown positive amount impact to the Missouri One Start Community College Training Fund beginning FY 2024 and forward.

Lastly, **Oversight** will show Unknown amount (unobligated funds) being transferred from Missouri One Start Community College New Jobs Training Fund and the Missouri One Start Community College Job Retention Training Fund into the Missouri One Start Community College Training Fund beginning FY 2024.

For informational purpose, **Oversight** included all actual expenditures under all three programs below:

	FY 2017	FY 2018	FY 2019
Missouri One Start Job Development Fund (0600)			
Actual Expenditures	\$ 11,175,945	\$ 4,497,242	\$ 5,651,870
Companies Assisted	\$ 328	\$ 148	\$ 197
Workers Trained	31,003	16,666	18,451
Missouri One Start Community College New Jobs Training Program (0563)			
Actual Expenditures	\$ 4,379,901	\$ 5,600,211	\$ 4,714,604
Companies Assisted	15	16	12
Workers Trained	4,923	5,990	5,720
Annual Cap	\$ 16,000,000	\$ 16,000,000	\$ 160,000,000
Missouri One Start Community College Job Retention Training Program (717)			
Actual Expenditures	\$ 9,028,757	\$ 3,520,566	\$ 2,780,863
Companies Assisted	17	9	12
Workers Trained	6,212	3,957	4,634
Annual Cap	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000

Source: https://oa.mo.gov/sites/default/files/FY_2021_DED_Budget_Request_Gov_Rec.pdf

Oversight excluded FY 2020 and 2021 due to the COVID-19 participations (fluctuations) within any of the programs under the proposal.

In response to a similar proposal from this year (HCS for HB 2418), officials from the **Office of Administration**, the **Office of Administration – Administrative Hearing Commission**, the **Missouri Department of Transportation**, the **Department of Elementary and Secondary Education** each assumed the proposal will have no fiscal impact on their organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies for these sections.

In response to a similar proposal from this year (HCS for HB 2418), officials from the **University of Missouri System** and the **Missouri State University** both assumed the proposal will have no fiscal impact on their organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for those agencies for these sections.

In response to a similar proposal from this year (HCS for HB 2418), officials from the **City of Kansas City** and the **City of Springfield** both assumed the proposal will have no fiscal 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 those cities.

Bill as a whole

Officials from the **Department of Higher Education and Workforce Development**, the **Department of Public Safety – Capitol Police**, **Gaming Commission**, **Missouri National Guard**, **State Emergency Management Agency**, the **Missouri Department of Agriculture**, the **Missouri Lottery Commission**, the **Missouri Consolidated Health Care Plan**, the **Missouri Office of Prosecution Services**, the **State Tax Commission**, the **Office of the State Treasurer**, the **Office of Legislative Research**, the **Oversight Division** and the **Missouri Senate** 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 agencies.

In response to a previous version, officials from the **Department of Economic Development**, the **Department of Health and Senior Services** the **Department of Natural Resources**, the **Department of Corrections**, the **Department of Revenue**, the **Department of Public Safety (Capitol Police, Alcohol & Tobacco Control, Fire Safety, Missouri Highway Patrol,)**, the **Office of the Governor**, the **Missouri Department of Transportation**, the **Missouri Department of Conservation**, the **Missouri Department of Conservation**, the **Missouri Ethics Commission**, the **Office of Prosecution Services**, the **Office of Administration (Administrative Hearing Commission)**, the **Office of the State Public Defender**, the **Missouri House of Representatives** and the **Office of the State Auditor** each assumed the proposal will have no fiscal impact on their respective organizations for this proposal.

Officials from **Claycomo** assume the proposal will have no fiscal 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 the City of Claycomo.

In response to a previous version, officials from **Springfield**, **Kansas City** and **St. Louis Budget Division** 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 agencies.

Oversight notes that the above mentioned agencies have stated the proposal would not have a direct fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note for these agencies.

Officials from the **Department of Mental Health** defer to the Office of Administration for the potential fiscal impact of this proposal.

In response to a previous version, officials from the **Department of Commerce and Insurance**, the **Department of Public Safety – Office of the Director** and the **Department of Social Services** deferred to the Office of Administration for the potential fiscal impact of this proposal.

SEQ CHAPTER \h \r 1

In response to a previous version, officials from the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

In response to a previous version, officials from the **Office of the Secretary of State (SOS)** noted many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. 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 SOS for Administrative Rules is less than \$5,000. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with its core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Oversight only reflects the responses received from state agencies and political subdivisions; however, other cities, counties, colleges and universities were requested to respond to this proposed legislation but did not. A listing of political subdivisions included in the Missouri Legislative Information System database is available upon request.

<u>FISCAL IMPACT – State Government</u>	FY 2023 (10 Mo.)	FY 2024	FY 2025
GENERAL REVENUE FUND			
<u>Savings</u> – OA §8.250 p.3 Website (electronic) instead of newspaper advertising	\$100,000- \$300,000	\$100,000- \$300,000	\$100,000- \$300,000
<u>Cost</u> – §620.806.3 - new ‘Recruitment Program’ – revenues being diverted into the Missouri One Start Development Fund (p.6-9)	<u>\$0 or</u> <u>(Unknown)</u>	<u>\$0 or</u> <u>(Unknown)</u>	<u>\$0 or</u> <u>(Unknown)</u>
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	<u>\$100,000-</u> <u>\$300,000 or</u> <u>(Unknown)</u>	<u>\$100,000-</u> <u>\$300,000 or</u> <u>(Unknown)</u>	<u>\$100,000-</u> <u>\$300,000 or</u> <u>(Unknown)</u>
MISSOURI ONE START COMMUNITY COLLEGE NEW JOB TRAINING FUND (0563)			
<u>Revenue Decline</u> – §620.809.4- Unobligated funds flowing to the new fund (p. 6-9)	<u>\$0</u>	<u>(Unknown)</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON THE MISSOURI ONE START COMMUNITY COLLEGE FUND	<u>\$0</u>	<u>(Unknown)</u>	<u>\$0</u>
MISSOURI ONE START COMMUNITY COLLEGE NEW JOB RETENTION TRAINING FUND (717)			

<u>Revenue Decline</u> – §620.809.4 Unobligated fund flowing to the new fund (p. 6-9)	<u>\$0</u>	<u>(Unknown)</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON THE MISSOURI ONE START COMMUNITY COLLEGE JOB RETENTION TRAINING FUND	<u>\$0</u>	<u>(Unknown)</u>	<u>\$0</u>
MISSOURI ONE START JOB DEVELOPMENT FUND (0600)			
<u>Revenue Gain</u> – §620.806.3 – payment for the Recruitment Program from GR (p. 6-9)	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>
ESTIMATED NET EFFECT ON THE MISSOURI ONE START JOB DEVELOPMENT FUND	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>
MISSOURI ONE START COMMUNITY COLLEGE TRAINING FUND			
<u>Revenue Gain</u> – §620.809.3- Money flowing from both funds (p. 6-9)	<u>\$0</u>	<u>Unknown</u>	<u>Unknown</u>
NET ESTIMATED EFFECT ON THE MISSOURI ONE START COMMUNITY COLLEGE TRAINING FUND	<u>\$0</u>	<u>Unknown</u>	<u>Unknown</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2023 (10 Mo.)	FY 2024	FY 2025
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT – Small Business

Small businesses that make or sell Ozark Highland liquor could be impacted by this proposal.

Some of the small businesses would be allow to obtain tax credits associated with training, new job creation, and recruitment, and as a result of this proposal.

FISCAL DESCRIPTION

This proposal modifies provisions relating to state programs for businesses.

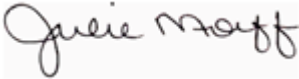
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Commerce and Insurance
Department of Economic Development
Department of Elementary and Secondary Education
Department of Higher Education and Workforce Development
Department of Health and Senior Services
Department of Mental Health
Department of Natural Resources
Department of Corrections
Department of Labor and Industrial Relations
Department of Revenue
Department of Public Safety
Department of Social Services
Office of the Governor
Joint Committee on Administrative Rules
Missouri Lottery Commission
Legislative Research
Oversight Division
Missouri Department of Agriculture
Missouri Department of Conservation
Missouri Ethics Commission
Missouri House of Representatives
Missouri Department of Transportation
Missouri Office of Prosecution Services
Office of Administration
Facilities Management, Design and Construction
Office of the State Courts Administrator
Office of the State Auditor
Missouri Senate
Office of the Secretary of State

L.R. No. 3896H.12C
Bill No. HCS for SS No. 3 for SCS for SB 758
Page **15** of **15**
April 27, 2022

Office of the State Public Defender
State Tax Commission
City of Springfield
Kansas City
St. Louis Budget Division



Julie Morff
Director
April 27, 2022



Ross Strobe
Assistant Director
April 27, 2022