

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4298S.04C
Bill No.: SCS for SB 674
Subject: Department of Economic Development
Type: Original
Date: March 30, 2022

Bill Summary: This proposal creates a grant program for employers to enhance cybersecurity.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
General Revenue Fund*	Up to (\$10,074,687)	Up to (\$10,078,307)	Up to (\$10,079,577)
Total Estimated Net Effect on General Revenue	Up to (\$10,074,687)	Up to (\$10,078,307)	Up to (\$10,079,577)

*Oversight notes this program is subject to appropriation of up to \$10 million cap annually.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

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
General Revenue Fund	1 FTE	1 FTE	1 FTE
Total Estimated Net Effect on FTE	1 FTE	1 FTE	1 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 2023	FY 2024	FY 2025
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from **Department of Economic Development (DED)** note the proposal creates a one-time grant to any employer for the purpose of enhancing cybersecurity.

Grants shall not exceed 90% of the total cost of the cybersecurity enhancement.

In making grants to employers, DED shall distribute an equal number of awards to the following groups of employers:

- Employers with at least one but not more than forty-nine employees;
- Employers with at least fifty but not more than two hundred and forty-nine employees; and
- Employers with more than two hundred and forty-nine.

Subject to appropriation, no more than \$10M shall be distributed in any fiscal year.

The proposal does not include an effective date or a sunset date.

DED will need to hire 1.0 FTE Economic Development Incentive Specialist (\$43,566 annually) to administer the act.

Oversight notes the Delloite Company published article [Reshaping the cybersecurity landscape](#) and provided data showing that companies in U.S. spent about 10.9% of their IT budget on cybersecurity on average, up from 10.1% a year earlier. The survey was conducted in 2020. This equaled about 0.48% of company revenue on average, again up from 0.34%. In terms of spending per employee, respondents spent about \$2,700 on average per full-time employee (FTE) on cybersecurity, increasing from about \$2,300 last year.

Oversight notes that this proposal does not have an effective date or sunset date. Oversight will assume, for purpose of this fiscal note, the proposal will be effective as of August 28, 2022. The proposal makes one time grant to any qualified employer but the total of all grants in a given year shall not exceed \$10 million.

Oversight assumes that DED's assumption regarding the FTE cost is probable and will reflect DED's FTE costs on the fiscal note.

Officials from the **Office of Administration – Budget & Planning (B&P)** assume that if appropriations are made for this new program, resources may be reduced for other priorities.

Officials from the **Department of Revenue, Department of Commerce and Insurance, City of Kansas City, and City of Springfield**, and the **City of Saint Louis – Budget Division** 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 entities.

<u>FISCAL IMPACT – State Government</u>	FY 2023 (10 Mo.)	FY 2024	FY 2025
GENERAL REVENUE FUND			
<u>Cost – DED Section 620.2550</u>			
Salary	(\$36,305)	(\$44,437)	(\$45,326)
Fringe Benefits	(\$24,500)	(\$29,692)	(\$29,990)
Equipment & Expense	(\$13,882)	(\$4,178)	(\$4,261)
Total Cost - DED	(\$74,687)	(\$78,307)	(\$79,577)
FTE Change	1 FTE	1 FTE	1 FTE
<u>Cost – Cybersecurity Grant not exceeding shown amount -Section 620.2550</u>	<u>Up to (\$10,000,000)</u>	<u>Up to \$10,000,000</u>	<u>Up to \$10,000,000</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>Up to (\$10,074,687)</u>	<u>Up to (\$10,078,307)</u>	<u>Up to (\$10,079,577)</u>
Estimated Net FTE Change on General Revenue	1 FTE	1 FTE	1 FTE

<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

Certain companies will be able to obtain Cybersecurity Grant money to enhance their Cybersecurity measures and must match at least ten percent (10%) of the grant.

FISCAL DESCRIPTION

This act allows the Department of Economic Development (DED) to distribute one-time grants to employers for the purpose of enhancing cybersecurity, as defined in the act. Grants are limited to \$15,000 per employer and require a 10% match from the employer. In distributing grants, DED shall distribute an equal amount of awards to the following groups of employers:

- Employers with 1-49 employees;
- Employers with 50-249 employees; and
- Employers with more than 249 employees.

DED is required to create an on-line application form as part of its website which is to be the sole means of applying for grants. Employers seeking a grant must fill out the application along with documents outlining how it plans to enhance cybersecurity, including plans for how the grant money will be spent and how it plans to cover the remaining 10% cost for its cybersecurity enhancement. The act limits the factors that DED may consider in assessing an employer's funding plans.

Applications must be accepted by DED beginning October 1, 2022.

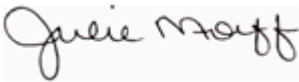
Any employer that receives funds pursuant to this act must submit documentation to DED, not later than one year after receiving the funds, showing how the funds were spent.

The act limits the amount that may be distributed under this act to \$10 million each fiscal year.

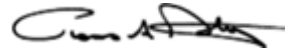
In the case of employers with employees and locations in more than one state, grant funds distributed pursuant to this act may only be used for locations in Missouri and employees residing in Missouri.

SOURCES OF INFORMATION

Department of Economic Development
Office of Administration – Budget & Planning
Department of Revenue
Department of Commerce and Insurance
City of Kansas City
City of Springfield
City of Saint Louis – Budget Division



Julie Morff
Director
March 30, 2022



Ross Strobe
Assistant Director
March 30, 2022