

MISSOURI STATE AUDITOR'S OFFICE
FISCAL NOTE (06-20)

Subject

Initiative petition from Steven L. Reed regarding a proposed constitutional amendment modifying Section 36(a) of Article IV relating to economic development. (Received March 15, 2006)

Date

April 4, 2006

Description

Article IV, Section 36(a), currently places the Department of Economic Development in charge of administering all programs provided by law relating to the promotion of the economy of the state, the economic development of the state, trade and business, and other activities and programs impacting on the economy of the state.

This initiative petition would add technology development to the Department of Economic Development's responsibilities. A one year state sales tax of one tenth of one percent will provide additional money for the promotion and development of "Technology Parks" in Missouri. Any city or county in Missouri will be able to apply for a Certified Technology Park or Zone classification from the Department of Economic Development. The sales/use tax would be levied and imposed for the privilege of storing, using or consuming within this state any article of tangible personal property as set forth and provided in the "Compensating Use Tax Law" and, except as to the amount of the tax, subject to the provisions of and to be collected as provided in the "Compensating Tax Law" and subject to the rules and regulations promulgated in connection therewith.

The amendment is to be voted on in November, 2006, or at a special election called by the governor.

Public comments and other input

The State Auditor's Office received input from Department of Economic Development, the Department of Revenue, the Governor's Office, and the Office of Administration.

Assumptions

Officials from the Department of Revenue indicated the petition would not have an administrative impact on the department.

Officials from the Department of Economic Development (DED) indicated the petition would have a fiscal impact on their department. The DED assumes the need for an

Economic Development Incentive Specialist II and an Economic Development Incentive Coordinator plus associated E&E and miscellaneous program costs for printing, mailing, and other costs. The DED is unable to project when the measure may be placed on a ballot and if passed. Costs are based on normal implementation time of August 28 within FY 2007. The DED provided no estimate of the revenue that may be generated by this tax increase.

The DED will have to accept applications for review and approve projects as well as monitor the projects approved. The DED will have to develop application forms and perform other administrative duties associated with this new program.

The DED estimates the petition will cost the department \$158,262 to unknown in FY 2007.

Officials from the Office of Administration (OA) indicated the petition's approval would not result in any costs or savings to the OA or the Governor's Office. Collection costs may be incurred, but OA defers to the Department of Revenue for an estimate of these costs.

There is a statewide impact to the General Revenue Fund. The language in the petition is substantially similar to the language in Article IV Section 47(a)-sales and use tax for soil and water conservation and for state parks. This is a one tenth of one percent retail sales tax. Budget and Planning (B&P) therefore assumes that a similar amount of tax revenue would be collected for economic development purposes.

B&P assumes that if the proposal is approved by voters that it is implemented from January 1, 2007 through December 31, 2007. B&P assumes the sales tax proposed in this petition is in addition to the current state sales taxes provided by law, although the petition is not explicitly clear.

Total revenues from the DNR sales tax in FY 2005 were \$77.2 million. Projected regular sales tax growth rates for FY2006, FY 2007, and FY 2008 are 3.8%, 3.5%, and 3.5%, respectively.

Based on these projected growth rates the revenue from this sales tax would be \$84.4 million for the year it is in effect (\$41.5 million for FY 2007 – January 1, 2007 to June 30, 2007 and \$42.9 million for FY 2008 – July 1, 2007 to December 31, 2007).

Fiscal Note Summary

This proposed constitutional amendment will impose an additional sales tax of one-tenth of one percent for one year. The additional revenues of approximately \$84 million will be used for the promotion and development of Technology Parks in Missouri.