

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2330-01
Bill No.: HB 1029
Subject: Economic Development; Science and Technology
Type: Original
Date: April 6, 2009

Bill Summary: This proposal establishes the Science and Innovation Reinvestment Act.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
General Revenue	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
Total Estimated Net Effect on General Revenue Fund	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Science and Innovation Reinvestment	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on FTE	0	0	0

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 2010	FY 2011	FY 2012
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Revenue, Department of Higher Education** as well as the **Office of Administration - Administrative Hearing Commission** each assume the proposal would not fiscally impact their respective agencies.

Officials from the **Office of the State Treasurer** state if the proposal were written correctly, their agency would not incur a fiscal impact.

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. Oversight will reflect this as a potential loss of \$0 to an Unknown amount. Oversight will also assume that the authorities will expend all of the proceeds deposited into the new fund

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.

<u>FISCAL IMPACT - State Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
GENERAL REVENUE			
<u>Loss - Department of Revenue</u>			
percentage of withholding taxes lost to Science and Innovation Reinvestment Fund	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>
ESTIMATED NET EFFECT TO GENERAL REVENUE FUND	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2010 (10 Mo.)	FY 2011	FY 2012
 SCIENCE AND INNOVATION REINVESTMENT FUND			
<u>Income</u> - withholding taxes redirected from the General Revenue Fund from companies within science and innovation area	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
<u>Costs</u> - expenditures made by the science and innovation authority	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>
 ESTIMATED NET EFFECT TO THE SCIENCE AND INNOVATION REINVESTMENT FUND	 <u>\$0</u>	 <u>\$0</u>	 <u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This bill establishes the Missouri Science and Innovation Reinvestment Act and the Missouri Science and Innovation Authority to create, attract, retain, expand, and enhance existing and new science and innovation companies. The authority, with an 11-member board of directors appointed by the Governor, has the duties and rights of an independent instrumentality of the state, including perpetual existence. The authority's powers include:

FISCAL DESCRIPTION (continued)

- (1) Executing contracts with science and technology enterprises, acquiring or selling facilities to be used for research, development, sponsoring, or commercialization of science and innovation, issuing bonds, and spending the moneys in the newly created Science and Innovation Reinvestment Fund to own and possess patents, copyrights, trademarks, and proprietary technology;
- (2) Making loans, grants, and investments; participating in joint ventures; and creating nonprofit entities to administer grants and trusts;
- (3) Owning patents and proprietary technology developed at any facility it owns or operates and compensating the employee who makes the discovery or develops the patent; and
- (4) Licensing, selling, contributing, or providing science and innovation intellectual property to third parties and promoting and facilitating the transfer of technology by assisting with patent filings and managing sales and marketing.

Board members serve three-year terms and may be reappointed once. The board must elect officers as specified in the bill and appoint a president to serve as the chief executive officer. The board must establish an executive committee, a scientific advisory board, and a commercialization advisory board with powers and duties as specified in the bill. The bill specifies the procedures for hiring employees, resolving grievances, and establishing retirement policies.

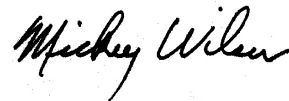
Money will be deposited into the Science and Innovation Reinvestment Fund by the Director of the Department of Revenue, beginning July 1, 2010, and continuing for the next 25 years, equal to a specified percentage of withholding taxes multiplied by the difference of all withholding taxes on science and innovation employees for the prior year minus the 2007 base year taxation. The authority must report annually to the General Assembly and the Governor on the distribution of funds, the growth of science research in the state, and recommendations for additional legislation. The bill contains provisions regarding the authority's issuance and redemption of bonds; how the Open Meetings and Records Law, commonly known as the Sunshine Law, relates to certain authority dealings; the establishment of a conflict of interest policy; and the tax-exempt status of the authority. The board of directors will be prohibited from selling the authority or its substantial assets without authorization of the General Assembly; however, the authority is not required to submit its capital projects for review.

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

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SOURCES OF INFORMATION

Department of Revenue
Department of Higher Education
Office of Administration
Office of the State Treasurer

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, slightly slanted style.

Mickey Wilson, CPA
Director
April 6, 2009