

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1575-02
Bill No.: HCS for HB 546
Subject: Boards, Commissions, Committees, Councils; Economic Development
 Department; Housing
Type: Original
Date: March 9, 2011

Bill Summary: This proposal requires the Missouri Housing Development Commission to have its offices and staff in Cole County and requires the executive director or chief executive officer to reside within 40 miles of Jefferson City.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Missouri Housing Trust Fund	(\$2,696,023)	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	(\$2,696,023)	\$0	\$0

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
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 2012	FY 2013	FY 2014
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Office of the Governor** assume that there is no fiscal impact from this proposal.

Officials at the **Department of Economic Development's Missouri Housing Development Commission** (MHDC) assume this bill would require the MHDC to locate all offices within Cole County by July 1, 2012.

MHDC assumes that funds for a legislatively mandated move would be paid by the state through the appropriations process using General Revenue. The costs for such a move fall into the following categories, which are discussed below: breaking the current lease in St. Louis, hiring movers to move the contents of both offices to Jefferson City, employee relocation expenses, unemployment claims costs, consulting fees or temporary labor, and recruiting costs.

MHDC currently leases office space of approximately 30,000 square feet in Kansas City and 13,000 square feet in St. Louis. The Kansas City lease ends 1/31/2012, so there would no cost associated with breaking that lease. However, the St. Louis lease runs through 7/31/2016, so there would be costs associated with early termination of the St. Louis lease. Based on the termination language in the lease agreement, the estimated to cost to break the St. Louis lease is approximately \$1.4 million.

There also would be costs associated with packing and moving the contents of the Kansas City and St. Louis offices to Jefferson City. The exact amount of fees is unknown, but based on an estimate received in 2008 from a Kansas City moving company, the moving costs are estimated to exceed \$100,000.

MHDC follows the state employee relocation policy set by the Office of Administration (Policy B-4, Payment of Relocation and Recruitment Expense). That policy allows for a lump-sum relocation payment of 10% of an employee's salary, plus payment for 30 days of temporary lodging in a hotel or apartment including utilities costs. In order to cause as little disruption as possible to the programs administered by MHDC and the Missourians who depend upon them for affordable housing, it is assumed that MHDC will ask all employees to relocate and provide the relocation payment as an incentive to do so. If all employees were to utilize the relocation expense, it would cost \$900,432. This is based on \$604,182 for salaries (10% of \$6,041,822 total payroll) and \$296,250 for lodging (\$79 a night for hotels multiplied by 30 days and 125 employees).

At least some of MHDC employees will opt to leave employment with MHDC rather than

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ASSUMPTION (continued)

relocate to Jefferson City and will qualify for unemployment benefits should they make that choice. Missouri unemployment benefits are calculated by use of a formula that has a maximum payment of \$320 per week which can last for 26 weeks and can be extended under some circumstances. All MHDC employees will qualify for the payment of \$320 weekly payment or \$8,320 total (\$320 x 26 weeks).

It is impossible to know how many employees would be willing to relocate to Jefferson City and how many would opt to leave employment and therefore qualify for unemployment assistance. For many employees, family considerations, such as their spouse's employment situation, children's education and the inability to sell their home at a price reflecting their investment in the house, will factor into the decision. While the person choosing not to relocate will not receive a relocation expense, they will receive the unemployment benefit. For most employees, the unemployment benefit of \$8,320 would exceed the relocation benefit of 10% of their salary plus a month of temporary housing. If we assume conservatively that one-third (41) of our employees would move and two-thirds (84) would not be willing to move, we could estimate relocation expenses at \$297,143 (\$900,432 x 33%) and unemployment claims expenses at \$698,880 (\$8,320 x 84 employees).

Assuming a significant number of employees would leave MHDC's employment rather than relocate to Jefferson City, MHDC would incur costs to pay consultants and temporary professional labor for the purpose of business continuity. MHDC employees have very specialized knowledge which will be hard to replicate except by hiring consultants and employees from other state housing agencies. In order to continue business operations, MHDC would be required to hire consultants, tax credit professionals, finance professionals, and attorneys specializing in affordable housing. These consultants could cost as much as \$300 to \$500 per hour. It is unknown how much this item would cost in total, but it would easily exceed \$100,000.

There also will be costs associated with replacing MHDC employees who choose not to make the move to Jefferson City with other permanent employees. It is likely that a nationwide search will be required to recruit individuals with such specialized knowledge. The cost of that recruiting will, of course, depend on how many positions must be filled. If MHDC must resort to using recruiting agencies to assist in locating talent, there will likely be a recruiting fee of 30 to 40% of the annual salary of the recruited employee. In addition, MHDC would likely need to pay relocation expenses for the recruited employee from other parts of the country. There also may be some cost associated with training the new employees. Based on industry training rates, MHDC could expect to pay from \$3,000 to \$5,000 per person for that training. The total amount associated with recruiting, relocating and training new employees is unknown, but is likely to

ASSUMPTION (continued)

exceed \$100,000.

The total fiscal impact to General Revenue associated with moving the Kansas City and St. Louis MHDC offices to Jefferson City is estimated:

Breaking St. Louis lease	(\$1,400,000)
Moving costs	(\$100,000)
Relocation expenses	(\$297,143)
Unemployment expenses	(\$698,880)
Consulting / temporary labor fees	(\$100,000)
Recruiting and Training	<u>(\$100,000)</u>
Total	(\$2,696,023)

Oversight is showing the moving expenses as being paid out of the Missouri Housing Trust Fund per this proposal.

<u>FISCAL IMPACT - State Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
MISSOURI HOUSING TRUST FUND			
<u>Cost - MHDC</u>			
relocation expenses	<u>(\$2,696,023)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON MISSOURI HOUSING TRUST FUND	<u>(\$2,696,023)</u>	<u>\$0</u>	<u>\$0</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
	<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.

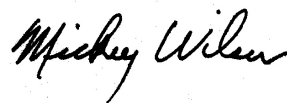
FISCAL DESCRIPTION

Beginning July 1, 2012, this bill requires the Missouri Housing Development Commission to have its offices and employees in Cole County and its executive director or chief executive officer to reside within 40 miles of Jefferson City.

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 Economic Development
Missouri Housing Development Commission
Office of the Governor



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Director
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