

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 6557-01
Bill No.: HB 2572
Subject: Entertainment, Sports and Amusements, Department of Revenue, Taxation and Revenue - Income
Type: Original
Date: April 9, 2018

Bill Summary: This proposal establishes the Missouri Juneteenth Heritage and Jazz Festival and Memorial Fund.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
MO Arts Council	(\$3,990,000)	(\$3,990,000)	(\$3,990,000)
MO Juneteenth Heritage & Jazz Festival Fund	\$3,990,000	\$3,990,000	\$3,990,000
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on FTE	0	0	0

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Office of Administration Division of Budget and Planning (B&P)** assume this provision modifies §9.161 to create the "Missouri Juneteenth Heritage and Jazz Festival and Memorial Fund" and specifies Kansas City, St. Louis City, or St. Louis County as the location for the celebration of the statewide festival.

The provision also modifies §143.183:

- to extend from December 31, 2020 to December 31, 2024 the requirement that the Commissioner of Administration estimate the amount of state income tax revenues collected from nonresident members of professional athletic teams and nonresident entertainers,
- beginning in FY 2019, to reduce from 60% to 50% the amount to be transferred, subject to appropriation, from General Revenue to the Missouri Arts Council Trust Fund,
- to extend the end date for the transfer to the Missouri Arts Council Trust Fund from FY 2020 to FY 2026, and
- for FY 2019 to FY 2026 by adding a transfer, subject to appropriations, from the General Revenue Fund to the Missouri Juneteenth Heritage and Jazz Festival and Memorial Fund in the amount of the greater of \$2 million or 10% of the annual estimate of taxes generated from the nonresident entertainer and professional athletic team income tax.

Budget and Planning notes this does not extend the end dates for other amounts transferred under section 143.183. This proposal will not directly impact General and Total State Revenues or the calculation of Article X, Section 18(e).

Officials at the **Department of Natural Resources** assume this bill would allow the current law allocating ten percent of the annual nonresident entertainer and athletes' taxes to the Department's Historic Preservation Revolving Fund to sunset in 2021 without an extension and directs the funds to other purposes (Juneteenth Heritage and Jazz Festival and Memorial). Currently, the nonresident tax provides funding to the State Historic Preservation Revolving Fund (and other cultural programs outside the Department) and is used to not only administer the Historic Preservation Revolving Fund program, but also provide a match to federal funding obtained through the Historic Preservation Fund (HPF) Grant to administer the State Historic Preservation Office (SHPO). If this provision of the law sunsets, this particular source of matched state funding for the federal grant would no longer be available; therefore, other sources of funding would need to be obtained in order to match and secure the federal grant. Without an adequate state match, the federal grant may not be awarded to the SHPO.

ASSUMPTION (continued)

Since fiscal year 2000, the SHPO has depended on ten percent of the annual estimate of taxes generated from the nonresident entertainer and professional athletic team income to support its programs and have the revenue necessary to be eligible to receive matched federal funding. With the exception of a small transfer from the Department of Economic Development (roughly 10% of SHPO's revenue), it is the only source of state funding the SHPO utilizes.

Officials at the **Missouri Arts Council (MAC)** assume §143.183.5(7) of this legislation would require the greater of \$2,000,000 or ten percent of the annual estimate of taxes generated from the nonresident entertainer and professional athletic team income tax to be transferred from General Revenue to the MO Juneteenth Heritage and Jazz Festival and Memorial Fund. The funding for this program would come from current funding for the MO Art's Council (MAC). The loss in funding for MAC will result in far fewer grants, reduced programs in communities, and fewer arts education programs. This legislation will cost the State of MO jobs and have a ripple effect in communities where the arts attract business, tourists, and residents. The total economic impact of the arts, currently over \$1 billion will be reduced.

Officials at the **Department of Economic Development** defer to the Missouri Arts Council for fiscal impact.

Officials at the **Department of Revenue, Office of the Secretary of State** and the **Office of the State Treasurer** each assume there is no fiscal impact from this proposal.

Oversight notes that §9.161.2 states that if any funds are appropriated by the General Assembly for a statewide Juneteenth festival that festival must be in Kansas City, St. Louis City or St. Louis County. Oversight assumes this provision would not have a fiscal impact.

Oversight notes that currently §143.183, allows for the revenues from the nonresident tax on athletes and entertainers (A&E funds) to be distributed to cultural entities in Missouri - 60% of the funds to the Missouri Arts Council Trust Fund (0262); and 10% each to the Library Networking Fund (0822) for public libraries to purchase library materials; 10% to the Missouri Humanities Council Trust Fund (0177); 10% to the MO Public Broadcasting Corporation Special Fund (0887) for public television and public radio stations; and 10% to the Missouri Department of Natural Resources for the Missouri Historic Preservation Revolving Fund (0430).

ASSUMPTION (continued)

The nonresident tax on athletes and entertainers has brought in the following amounts:

FY 2018 (as of date)	\$22,036,517
FY 2017	\$36,881,364
FY 2016	\$41,798,273
FY 2015	\$41,079,962
FY 2014	\$35,585,312

Using the projected estimate of FY 2018 of \$39,900,000 the funds are projected to receive in FY 2018 the following amounts:

Missouri Arts Council Trust Fund	\$23,940,000
Library Networking Fund	\$ 3,990,000
Missouri Humanities Council Trust Fund	\$ 3,990,000
MO Public Broadcasting Corporation Special Fund	\$ 3,990,000
Missouri Historic Preservation Revolving Fund	\$ 3,990,000

Oversight notes this proposal would stop the 60% transfer to the Missouri Arts Council at the end of FY 2018. Starting with FY 2019 and going through FY 2026, the Missouri Arts Council would receive 50% of the transfer of the A&E funds. This provision would result in a reduction of \$3,990,000 (\$23,940,000 FY 2018 projected amount minus \$19,950,000).

Oversight notes that §9.161.3 creates the Missouri Juneteenth Heritage and Jazz Festival and Memorial Fund. This fund is to receive the greater of \$2 million or ten percent of the annual estimate of the money generated from the nonresident entertainer and professional athlete income tax. This transfer is to occur each year from FY 2019 through FY 2026. Oversight notes that this fund would receive \$3,990,000 (10% of annual A&E funds).

FISCAL DESCRIPTION

Currently, the Missouri Arts Council Trust Fund receives, in addition to its annual budget, 60% of the annual estimate of taxes generated from the nonresident entertainer and professional athletic team income tax. However, no more than \$10 million can be appropriated to the council in any fiscal year. This bill reduces the amount the trust fund receives to 50% of the estimated revenues received from the tax and removes the council's appropriation cap.

For fiscal years 2019 to 2026, the bill requires the greater of \$2 million or 10% of the annual estimate of revenue generated by the tax to be annually transferred from the General Revenue Fund to the newly created Missouri Juneteenth Heritage and Jazz Festival and Memorial Fund for the Missouri Juneteenth Heritage and Jazz Festival and Memorial to be celebrated in either St. Louis, St. Louis County, or Kansas City. Any moneys in the fund at the end of the biennium will not revert to the General Revenue Fund.

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
Department of Natural Resources
Department of Revenue
Missouri Arts Council
Office of Administration Division of Budget and Planning
Office of the Secretary of State
Office of the State Treasurer

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April 9, 2018