

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 5949-01  
Bill No.: HB 1898  
Subject: Entertainment, Sports and Amusements; Revenue Dept.; Taxation and Revenue - Income  
Type: Original  
Date: March 19, 2012

Bill Summary: This proposal would create the Missouri Juneteenth Heritage Memorial Fund, and would change the distribution of funds from the professional athletes and entertainers tax.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Missouri Juneteenth Heritage Fund	Up to \$3,000,000	Up to \$3,000,000	Up to \$3,000,000
Missouri Arts Council Trust Fund	(Up to \$3,000,000)	(Up to \$3,000,000)	(Up to \$3,000,000)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

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

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

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).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Office of the Secretary of State (SOS)** assume many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the Secretary of State's Office for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Officials from the **Joint Committee on Administrative Rules** assume that this proposal would not have a fiscal impact to their organization in excess of existing resources.

Officials from the **Office of the State Treasurer** and the **Department of Revenue** assume this proposal would have no fiscal impact on their organizations.

Officials from the **Office of Administration, Division of Budget and Planning (BAP)**, assume this proposal would not result in a fiscal impact to their organization.

BAP officials stated that this proposal would change the distribution of funds received from the nonresident professional athletes and entertainers' tax. The proposal would change the allocation for the Missouri Arts Council from sixty percent to fifty percent. The proposal would also provides for ten percent of the nonresident professional athletes and entertainers' tax to be transferred to the Missouri Juneteenth Heritage and Jazz Festival and Memorial Fund.

ASSUMPTION (continued)

Officials from the **Department of Economic Development, Missouri Arts Council (MAC)**, assume this proposal would have an unknown impact up to \$3 million on the General Revenue Fund.

Currently MAC is designated to receive 60% of earnings from the Non-resident Athletes and Entertainers tax. At current revenues of approximately \$30 million annually this would result in an allocation of \$18 million if fully funded.

Reducing MAC to 50% of earnings would result in funding of \$15 million, a loss of up to \$3 million annually. The direct funding of this event would have significant fiscal impact on the Missouri Arts Council (MAC) through reduced funding into the Missouri Arts Council Trust up to \$3 million per year if fully funded. Some of our programs would be eliminated or severely reduced, which would directly impact funding to over 500 grantees in over 100 communities. Since nearly all MAC funds are granted to the arts with matching funds required, this could impact the state more than \$6 million.

MAC received zero appropriations for the past two years (FY 2011 and FY 2012) from the legislature. This legislation would put an even greater stress on the MAC budget.

Officials from the **City of Kansas City** stated that this proposal would cause no direct increase in revenue; however, use of the proposed Missouri Juneteenth Heritage Memorial Fund to sponsor events in Kansas City would likely encourage tourism in the City. Tourism is an important element of the City's economy and tax revenues from increased hotel stays, restaurant purchases and other purchases could be expected.

Officials from **Jackson County** and the **City of Independence** did not respond to our request for information.

**Oversight** notes this proposal would change the allocation of proceeds from the nonresident athletes and entertainers tax. The allocation to the Missouri Arts Council would be reduced from sixty percent to fifty percent, and the proposal would require an amount equal ten percent of the annual estimate of taxes generated to be transferred to the Missouri Juneteenth Heritage Fund.

ASSUMPTION (continued)

**Oversight** also notes that reported collections from the nonresident athletes and entertainers tax are approximately \$30 million per year, and that program revenues actually transferred to the Missouri Arts Council have been substantially lower than amounts which would be indicated by current provisions. Based on the expected continuation of smaller transfers to the Missouri Arts Council, Oversight assumes that ten percent of program revenues could be allocated and transferred to the Missouri Juneteenth Heritage Fund without further reducing the amount appropriated and transferred to the Missouri Arts Council. However, for fiscal note purposes, Oversight will indicate a transfer up to \$3 million per year for the Juneteenth Heritage Fund and a corresponding reduction in transfers up to \$3 million per year to the Missouri Arts Council Trust Fund. Finally, Oversight assumes this proposal would become effective in FY 2013 and could result in transfers from revenues received during FY 2013. Oversight will include a fiscal impact for FY 2013, FY 2014, and FY 2015.

Because the proposal would not change the total amount allocated to cultural entities from program revenues, Oversight will not indicate an impact to the General Revenue Fund.

<u>FISCAL IMPACT - State Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
<b>MISSOURI ARTS COUNCIL TRUST FUND</b>			
<u>Reduced allocation of program revenues -</u> Professional Athletes and Entertainers Tax Program	<u>(Up to</u> <u>\$3,000,000)</u>	<u>(Up to</u> <u>\$3,000,000)</u>	<u>(Up to</u> <u>\$3,000,000)</u>
<b>ESTIMATED NET EFFECT ON THE MISSOURI ARTS COUNCIL TRUST FUND</b>	<b><u>(Up to</u></b> <b><u>\$3,000,000)</u></b>	<b><u>(Up to</u></b> <b><u>\$3,000,000)</u></b>	<b><u>(Up to</u></b> <b><u>\$3,000,000)</u></b>

**MISSOURI JUNETEENTH  
 HERITAGE FUND**

Allocation of program revenues -

Professional Athletes and Entertainers Tax Program	<u>Up to</u> <u>\$3,000,000</u>	<u>Up to</u> <u>\$3,000,000</u>	<u>Up to</u> <u>\$3,000,000</u>
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**ESTIMATED NET EFFECT ON  
 MISSOURI JUNETEENTH  
 HERITAGE FUND**

<u>Up to</u> <u>\$3,000,000</u>	<u>Up to</u> <u>\$3,000,000</u>	<u>Up to</u> <u>\$3,000,000</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
	<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

The proposed legislation would create the Missouri Juneteenth Heritage Memorial Fund, and would change the distribution of funds from the professional athletes and entertainers tax.

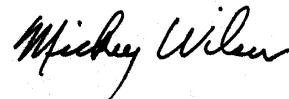
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of the Secretary of State  
Office of the State Treasurer  
Joint Committee on Administrative Rules  
Office of Administration  
    Division of Budget and Planning  
Department of Economic Development  
    Missouri Arts Council  
Department of Revenue  
City of Kansas City

NOT RESPONDING

**Jackson County**  
**City of Independence**



Mickey Wilson, CPA  
Director  
March 19, 2012