

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 2026-01  
Bill No.: SB 692  
Subject: Agriculture and Animals; Cities, Towns and Villages; Economic Development;  
Taxation and Revenue.  
Type: Original  
Date: March 19, 2003

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**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>
General Revenue	\$0	\$0 to (\$112,000,000)	\$0 to (\$112,000,000)
<b>Total Estimated Net Effect on General Revenue Fund *</b>	<b>\$0</b>	<b>\$0 to (\$112,000,000)</b>	<b>\$0 to (\$112,000,000)</b>

\* Subject to appropriation. Language in the proposal indicates "may."

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>
State Supplemental Rural Development Fund **	\$0	\$0	\$0
<b>Total Estimated Net Effect on Other State Funds**</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

\*\* Income and expenses for each fiscal year net to zero.

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 9 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>
None			
<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 LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0 to \$112,000,000</b>	<b>\$0 to \$112,000,000</b>

### **FISCAL ANALYSIS**

#### **ASSUMPTION**

Officials from the **Office of the State Treasurer** assume this proposal would not fiscally impact their agency.

Officials from the **Department of Agriculture - Missouri Agriculture and Small Business Development Authority** assume this proposal would have minimal fiscal impact on their agency.

Officials from the **Department of Revenue (DOR)** state the proposal specifies that DOR would provide "the aggregate baseline year amount of state sales tax revenues and the aggregate baseline year amount of state income tax withheld on behalf of existing employees, reported by existing businesses within the development project area". Businesses currently report withholding taxes by company, not by location of employees. This provision would require businesses within the project area to provide this data by location to DOR. Without some idea of the number of businesses involved in the project area, the number of locations, employees and system changes necessary to compile this data, there would be an unknown cost to DOR to implement this legislation.

ASSUMPTION (continued)

Officials from the **Office of Administration - Budget and Planning (BAP)** had the following statements regarding the proposal;

Section 99.1003. (10) Definition of major initiative states that this act may be used for creation of renewable fuel production facilities in a municipality smaller than 100,000 persons, but project must cost at least \$3,000,000 and create at least 30 new jobs within three years. It is unknown the number of municipalities which would participate under this section.

Section 99.1045. 1 and 4. Allows a municipality to submit an application to the Missouri agricultural and small business development authority for approval of the use of other net new revenues to fund one or more development projects through state supplemental rural development financing. Other net new revenues are defined as the amount of state sales tax increment or state income tax increment or the combination of the amount of each increment. Subsection 4 states that at no time shall the annual amount of other net new revenues approved for state supplemental rural development financing exceed one hundred million dollars.

Section 99.1045. 7. Allows the Department of Economic Development, the Department of Revenue, and the Missouri agricultural and small business development authority to charge a fee to recover costs from the municipality fund for evaluation, administration and implementation of development plans. This could increase Total State Revenue.

Section 99.1048. 2. Allows the General Assembly to appropriate up to one hundred fifty million dollars into the State Supplemental Rural Development fund. This would decrease General Revenue.

Officials from the **State Tax Commission** assume this proposal would not fiscally impact their agency, but would result in an unknown amount of reductions at the local level.

Officials from the **Department of Economic Development (DED)** state the bill creates the Missouri Rural Economic Stimulus Act. It would provide funding to development projects which are defined as renewable fuel production facilities or projects. It authorizes the creation of an "authority" that will oversee the projects in a development area/district. 99.1045 3. RSMo would require DED to review the project to make sure the state benefit exceeds the cost of the project and issue a certificate of approval. DED can recover the cost of the work from the authority. Subsection 10 also requires DED to publish rules and issue forms. There would be some cost involved. 99.1048 RSMo. says DED administers the State Supplemental Rural Development Fund and disburse funds each year.

ASSUMPTION (continued)

It is unknown at what the level of appropriation would be. Funds are to be disbursed on a pro rata basis if there are not sufficient funds to cover the cost of the certificate of approvals presented. DED is also required to receive annual information on the status of the projects and prepare a report for the Governor, Speaker of the House, and the President Pro Tempore of the Senate.

DED anticipates the funding will come from funds raised by this bill but that funding will need to be appropriated from general revenue (GR) each year to cover the costs. Any funds paid for DED and DOR services would be recovered after the fact and repaid to GR. It is uncertain of the volume of development districts that will be created or projects and the level of appropriation that would be made to the State Supplemental Rural Development Fund (the appropriation has an annual cap of \$150 million). Therefore the volume of work is unknown. DED would anticipate the need for professional contract help to prepare economic analysis, one program person to coordinate and possibly some clerical assistance. Funding for forms and normal operating costs would be incurred. Additional printing costs would be incurred for preparation of annual reports. Costs listed are estimated and could be lower or higher. The total cost is just an estimation and could vary greatly depending on participation statewide.

The bill will allow the Missouri Legislative body to appropriate funding into the State Supplemental Rural Development Fund each year. Funding is not to exceed \$150,000,000 in any given year and must be a minimum of \$12 million plus what was generated in other net new revenues in the prior year. The DED assumes the appropriations will be made and that the first year will be the minimum of \$12 million and subsequent years will be \$150 million.

DED assumes cost for the two new FTE, a Economic Development Incentive Coordinator (at \$43,308 annually) and a Clerk IV (at \$26,460 annually), plus fringe benefits and other expenses, would total roughly \$140,000 per year.

**Oversight** assumes DED would not require the additional clerical position and that additional floor space would not be necessary for the one additional FTE. Oversight has, for fiscal note purposes only, changed the starting salary for the Economic Development Incentive Specialist II to correspond to other such positions within DED. This decision reflects a study of actual starting salaries for new state employees for a six month period and the policy of the Oversight Subcommittee of the Joint Committee on Legislative Research.

ASSUMPTION (continued)

**Oversight** assumes the loss of revenue for the state is \$0 to (\$100 million), since the proposal is permissive to any Missouri municipality and the Rural Economic Stimulus Authority may designate various development areas, as long as they meet the specified requirements and there is a cap on the annual amount of “other net new revenues” of \$100 million. The annual amount the General Assembly can appropriate each year from the General Revenue Fund to the State Supplemental Rural Development Fund is the lesser of net new revenues (capped at \$100 million) plus \$12 million, or \$150 million. Therefore, the most the state may appropriate from the general revenue fund to the state supplemental rural development fund in a given year is \$112 million. Oversight assumes the \$150 million alternative will not be used.

**Oversight** also assumes that all costs incurred by DOR and DED shall be paid out of the State Supplemental Rural Development Fund. Oversight also assumes the DED will, in accordance with Section 99.1045 (7) and (8), charge a fee to the various municipalities to cover their costs to administer the program. This fund could require a General Revenue appropriation if DED is not able to recoup the expenses incurred by the State. Oversight further assumes DED will disburse all of the remaining monies in the State Supplemental Rural Development Fund to the local governments in charge of the various projects. Oversight assumes the costs estimated by DED and DOR could vary significantly up or down depending upon the activity within the program.

**This proposal could impact Total State Revenues.**

<u>FISCAL IMPACT - State Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
<b>GENERAL REVENUE</b>			
<u>Transfer Out</u> - Incremental state sales and income taxes directed to the State Rural Development Fund	\$0	\$0 to (\$100,000,000)	\$0 to (\$100,000,000)
<u>Transfer Out</u> to State Supplemental Rural Development Fund	<u>\$0</u>	<u>\$0 to (\$12,000,000)</u>	<u>\$0 to (\$12,000,000)</u>

**ESTIMATED NET EFFECT ON THE  
 GENERAL REVENUE FUND \***

<b><u>\$0</u></b>	<b><u>\$0 to</u></b> <b><u>(\$112,000,000)</u></b>	<b><u>\$0 to</u></b> <b><u>(\$112,000,000)</u></b>
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**\* Subject to appropriation**

**STATE SUPPLEMENTAL RURAL  
 DEVELOPMENT FUND**

Income - DED is allowed to charge a fee and recover costs to reimburse the state for COA, DOR & DED expenses from local projects

\$146,797 to Unknown	\$159,813 to Unknown	\$175,673 to Unknown
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Costs - Department of Revenue

To determine baseline year taxes

(Unknown)	(Unknown)	(Unknown)
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Costs - DED

Personal Service (1 FTE)

(\$26,291)	(\$32,338)	(\$33,147)
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Fringe Benefits

(\$10,640)	(\$13,087)	(\$13,415)
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Expense and Equipment

<u>(\$109,866)</u>	<u>(\$125,351)</u>	<u>(\$129,111)</u>
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Total Costs - DED

<u>(\$146,797)</u>	<u>(\$159,813)</u>	<u>(\$175,673)</u>
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Transfer In from General Revenue Fund

	\$0 to	\$0 to
\$0	\$112,000,000	\$112,000,000

Transfer Out - to various local economic development projects.

	\$0 to	\$0 to
<u>\$0</u>	<u>(\$112,000,000)</u>	<u>(\$112,000,000)</u>

**ESTIMATED NET EFFECT TO THE  
 STATE SUPPLEMENTAL RURAL  
 DEVELOPMENT FUND**

<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
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FISCAL IMPACT - Local Government

FY 2004 (10 Mo.)	FY 2005	FY 2006
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**LOCAL POLITICAL SUBDIVISIONS**

RAS:LR:OD (12/02)

Transfer In - from State Supplemental  
Rural Development Fund

	<u>\$0 to</u>	<u>\$0 to</u>
<u>\$0</u>	<u>\$112,000,000</u>	<u>\$112,000,000</u>

#### FISCAL IMPACT - Small Business

This proposal would impact small businesses that are within a designated development areas as defined by the municipality's Rural Economic Stimulus Authority.

#### DESCRIPTION

This proposal creates the Missouri Rural Economic Stimulus Act. Powers in the proposal are to exercised by authorities created in the proposal. The proposal may be used for creation of renewable fuel production facilities which are in a municipality smaller than 100,000 persons and which will cost at least \$3,000,000 and create at least 30 new jobs within three years.

A Rural Economic Stimulus Authority is created in each municipality upon the enactment of an ordinance establishing a development area in accordance with the proposal. Each Authority will be governed by a Board of Commissioners which will consist of between 5 and 14 members with staggered terms of three years. One of the Commissioners will be appointed by the school district or districts within the development area for a term of three years. Commissioners will be appointed by the mayor or chief executive. In addition to the Commissioners, a non-voting advisor shall be appointed by the other taxing districts located within the development area.

The powers of the Authority shall be exercised by its Board of Commissioners and powers of the authority are specified. The Authority shall be a public body corporate and politic. Powers granted to the authority are specified, excluding the right to acquire property by eminent domain. Certain information must be included in a development plan.

Prior to the adoption of the ordinance designating the development area, adopting a development plan or adopting a development project, the authority must hold a public hearing.

#### DESCRIPTION (continued)

A municipality may adopt development financing for the development project area and a special allocation fund for the deposit of certain taxes from the development area to be apportioned or diverted pursuant to the Real Property Tax Increment Allocation Redevelopment Act if all or a

part of the development project area becomes subject to tax increment financing.

The municipality may submit the development plan to the Missouri Agricultural and Small Business Development Authority for approval of the use of tax increment financing and if submitted must contain certain information. The municipality may request certain information from the Department of Revenue which must be provided within 45 days of such request. The General Assembly may annually appropriate the lesser of other net new revenues increase plus \$12 million or \$150 million into the state supplemental rural development fund which is created.

The proposal establishes a Missouri Rural Economic Stimulus Act Joint Legislative Committee which will consist of ten members of the General Assembly, five from each body.

The Authority must make a report to the Director of the Department of Economic Development by the end of February each year. The Director shall then compile a report for submission to the Governor and General Assembly.

Every five years after the establishment of a development plan, the governing body of the authority must hold a public hearing. The Director of the Department of Economic Development shall provide information and technical assistance as requested by any municipality.

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

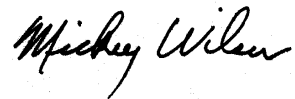
Department of Revenue  
Department of Economic Development  
Office of Administration - Budget and Planning  
State Tax Commission  
Department of Agriculture - Missouri Agriculture and Small Business Development Authority

RAS:LR:OD (12/02)



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Office of the State Treasurer

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

MICKEY WILSON, CPA  
DIRECTOR  
MARCH 19, 2003