COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3111-03
Bill No.: SB 672
Subject: Cities, Towns and Villages; Counties; Economic Development; Education, Elementary and Secondary; Political Subdivisions; Taxation and Revenue.
Type: Original
Date: January 11, 2006

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on General Revenue Fund	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on Other 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 2007	FY 2008	FY 2009
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Local Government	**$0**	**$0**	**$0**

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Revenue** and the **Office of the State Courts Administrator** each assume the proposal would not fiscally impact their agencies.

Officials from the **Department of Economic Development (DED)** state the bill should have no fiscal or administrative impact on their agency. It mainly affects local TIFs with stricter guidelines for participation. DED states the proposal could impact state TIFs, however the impact (positive or negative) is unknown/can not be projected at this time.

Officials from the **Office of Secretary of State (SOS)** assume there would be costs due to additional publishing duties related to the Department of Economic Development's authority to promulgate rules, regulations, and forms. SOS estimates the division could require approximately 12 new pages of regulations in the Code of State Regulations at a cost of $27.00 per page, and 18 new pages in the Missouri Register at a cost of $23.00 per page. Costs due to this proposal are estimated to be $738, however, the actual fiscal impact would be dependent upon the actual rule-making authority and may be more or less. Financial impact in subsequent fiscal years would depend entirely on the number, length, and frequency of the rules filed, amended, rescinded, or withdrawn. SOS does not anticipate the need for additional staff as a result of this proposal, however, the enactment of more than one similar proposal may, in the aggregate, necessitate additional staff.

ASSUMPTION (continued)

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Officials from the cities of **St. Louis**, **Kansas City**, **Maryland Heights** and **St. Joseph** did not respond to our request for fiscal impact. Officials from the counties of **St. Louis**, **Clay** and **Greene** also did not respond to our request for fiscal impact.

In response to a similar proposal from 2005 (SB 282), officials from the **Kansas City School District** assumed the proposed changes should generate additional revenue for their district.

In response to a similar proposal from 2005 (SB 282), officials from the **St. Louis Public Schools** assumed the proposal would not fiscally impact their agency.

Oversight assumes the local political subdivisions could absorb the costs of developing the reports regarding the economic feasibility analysis of the projects. Oversight also assumes the municipalities could also absorb the cost of developing the annual reports to the Department of Economic Development.

Oversight has not shown the fiscal impact of sharing payments in lieu of taxes between municipalities and other taxing entities since it would result in a zero fiscal impact overall. However, the municipalities that must share the payments would be negatively impacted and the various other taxing entities would be positively fiscally impacted.

Oversight has also not reflected a fiscal impact to local political subdivisions for their entitlement to reimbursement from the special allocation fund of the municipality for direct costs of providing emergency services. This provision would net to an overall zero fiscal impact to local political subdivisions in the counties and city specified.

Oversight has also assumed no fiscal impact resulting from the various changes made to the criteria of tax increment financing.

FISCAL IMPACT - State Government	FY 2007 (10 Mo.)	FY 2008	FY 2009
	$0	**$0**	**$0**

FISCAL IMPACT - Local Government	FY 2007 (10 Mo.)	FY 2008	FY 2009
	$0	**$0**	**$0**

FISCAL IMPACT - Small Business

This proposal could have a fiscal impact to small businesses if they are in a potential tax increment financing district.

DESCRIPTION

This proposal adds the definitions of "central business district", "high unemployment", "low fiscal capacity", "moderate income", "new job", and "retail project" to Missouri's tax increment finance statutes and modifies the definition of economic activity taxes (EATS) to exclude from the definition any voter approved sales taxes imposed for specific purposes or projects.

The proposal prohibits the adoption, by municipal ordinance, of a redevelopment plan without findings documented by substantial and competent evidence on the record satisfying a reasonable person standard. Such finding must include an affidavit signed by the developer including a study stating that records were reviewed, inspections and comparisons were made, or tasks undertaken demonstrating that the property has not been developed through private enterprise over a period of time. The study must be signed by a responsible party and be of sufficient specificity to allow the tax increment finance commission or the municipality, or both, to conduct any necessary investigation.

An economic feasibility analysis and a pro forma financial statement indicating the return on investment that may be expected without public assistance will be required for all redevelopment projects involving "Super TIF" funds, or local TIF projects with more than two hundred fifty thousand dollars in tax increment financing. The financial statement must include any assumptions made, and analysis demonstrating the amount of assistance necessary to bring the

DESCRIPTION (continued)

return on investment into a range deemed attractive to private investors. The amount of such assistance will be equal to the estimated reimbursable project costs.

All documents relating to the study and other current requirements must be published 30 days prior to the adoption of the TIF plan. A resident may enjoin such adoption by initiating an action in circuit court or 5% of registered voters may petition to have the plan delayed until the voters of the municipality can vote on the issue.

This proposal extends the applicability of the increment pass through of fifty percent of new state revenues derived from a "Super TIF" exclusively to projects in blighted areas located in distressed communities.

After July 1, 2007, a redevelopment project, located entirely or partially within metropolitan statistical areas of the state, will qualify if: the host municipality or school district has low fiscal capacity; the census block group containing the proposed redevelopment area has high unemployment; the municipality and census block group containing the redevelopment area are characterized by moderate income. Tax increment financing may only be used if the municipality has made a finding that the area is blighted or a conservation area and it is located in the central business district; it includes only those parcels of real property directly and substantially benefitted by the proposed redevelopment plan; it can be renovated through one or more redevelopment plans; the establishments in the area have generally suffered from stagnant or declining taxable sales or corporate receipts during the previous three years; it is contiguous, although it may contain up to three noncontiguous areas provided each area meets all applicable requirements; and the area does not exceed ten percent of the entire area of the municipality.

Tax increment financing in specific areas will be limited to the greater of five percent of the total estimated redevelopment costs or thirty percent of the infrastructure costs for projects that are primarily retail. Use of tax increment financing is prohibited to develop sites in which twenty-five percent or more of the area is vacant and has not previously been developed, or qualifies as open space, or is being used for agricultural or horticultural purposes. These prohibitions are subject to limited exceptions.

The proposal provides for twenty-five percent of the property tax increment to be passed on to taxing entities entitled to receive revenue from property tax revenues throughout the entire repayment period of the project. Where a project includes residential uses, absent a recommendation to the contrary from commission members representing the affected school boards, the real property tax increment attributable to the residential portion of the project will pass through to the affected school districts.

DESCRIPTION (continued)

Taxing entities providing emergency services will be reimbursed for direct costs. Such reimbursement may not be less than twenty-five percent nor more than one hundred percent of the district's increment.

The proposal adds reporting requirements for municipalities and developers engaged in tax increment financing projects. The department of economic development will be required to submit a report to the Governor and the General Assembly identifying the number of redevelopment areas, the amount of public investment in each, the benefit derived from each project, and the economic impact of the project on each taxing district.

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 the State Courts Administrator
Office of the Secretary of State
Kansas City Public Schools
St. Louis Public Schools

NOT RESPONDING: cities of St. Louis, Kansas City, Maryland Heights, St. Joseph; counties of St. Louis, Clay and Greene

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Director
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