

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4307-12
Bill No.: HCS for SS for SCS for SB 832
Subject: Counties; Economic Development; Taxation and Revenue.
Type: Original
Date: April 26, 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 <u>Other</u> 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 <u>All</u> Federal Funds	\$0	\$0	\$0

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

* Offsetting gains and losses to various local political subdivisions.

FISCAL ANALYSIS

ASSUMPTION

In response to a similar proposal from this year (HCS for SB 884), officials from the **Office of Administration - Budget and Planning** and the **Department of Revenue** each assumed the proposal would not fiscally impact their respective agencies.

Officials from the **Department of Economic Development (DED)** state the bill should have no fiscal or administrative impact on their agency. The bill makes the guidelines stricter because of the substantial changes to the definition of a "blighted area" and "conservation area." It is possible this will limit the number of projects able to apply because there are stricter requirements. The bill makes change to local and state TIF. The percentage changes from 50% to 90% for state TIF participation. Since there is a \$32 million cap on state TIF and the cap has been reached, the change will have no immediate (next three years) impact on DED. The state TIF participation is discretionary. At some point, the state could decide to participate at the higher 90% rate and realize increases and reductions in benefits (sales or withholding tax) from the program. DED does not anticipate this happening unless the state TIF cap were raised above \$32 million. The program is also subject to appropriation so, even if the cap were raised, no additional participation could be realized unless funding were available. This version reduces the claim to 15 years for the 90%.

ASSUMPTION (continued)

In response to a similar proposal from this year (HB 1070), officials from the **School District of Kansas City** assumed the proposal would result in a positive fiscal impact on the district revenue. Tighter guidelines will result in fewer projects qualifying for the incentive, and the district will receive its share of the incremental revenue from the projects.

Officials from the **Lee's Summit School District, St. Louis Public Schools**, the cities of **St. Louis, Kansas City** and **Lee's Summit**, and the counties of **St. Louis, Jackson** and **St. Charles** did not respond to our request for fiscal impact.

Oversight assumes the additional restrictions placed on future TIF projects will not fiscally impact local governments. Oversight also assumes the referendum clauses within the proposal will not fiscally impact local governments as the TIF projects are discretionary.

Oversight assumes the proposal does not make changes to the state TIF participation percentage as stated by DED.

Oversight assumes the net effect to all local political subdivisions, municipal special allocation funds and all other local taxing entities would net to zero. The proposal may result in an increase in funds to school districts and a corresponding loss to the municipal Special Allocation Fund. Therefore, Oversight will reflect the overall fiscal impact at the local level as zero.

<u>FISCAL IMPACT - State Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
LOCAL POLITICAL SUBDIVISIONS			
<u>Income</u> to School Districts - real property levies attributable to the residential portion of TIF residential developments shall pass through to school districts (99.866)	Unknown	Unknown	Unknown
<u>Loss</u> - to Municipal Special Allocation Funds - real property levies attributable to the residential portion of TIF residential developments shall pass through to school districts (99.866)	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT TO MUNICIPAL SPECIAL ALLOCATION FUNDS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small businesses within current or anticipated TIF areas could be fiscally impacted by this proposal.

DESCRIPTION

This proposal changes the laws regarding tax increment financing (TIF). In its main provisions, the bill:

- (1) States that the revenue derived from any increase in any tax within any TIF district shall be used solely for the specified purposes of the tax increase. In no event shall any such revenue be used for or diverted to any redevelopment plan or project in any TIF district.
- (2) Changes the definitions of "blighted area", "conservation area", and "redevelopment project costs";

DESCRIPTION (continued)

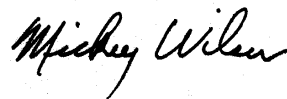
- (3) Requires redevelopment plans adopted by municipal and county governments to be approved by voters if a referendum petition is submitted according to procedures established in the bill;
- (4) States that a sales tax increase for the Jackson County Sports Authority shall not be allocated to the TIF special allocation fund;
- (5) States a TIF project shall not be authorized within a one hundred year flood plain, unless the redevelopment area actually abuts a river or major waterway and is substantially surrounded by contiguous properties with residential, industrial, or commercial zoning classifications;
- (6) Requires municipalities to pass through real property tax levies attributable to the residential portion of the TIF development to school districts (99.866); and
- (7) Requires when TIF is used in Kansas City, those receiving the financing must make all good faith efforts to use minority business enterprises or women business enterprises to help complete the project.

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 Revenue
Office of Administration
School District of Kansas City

NOT RESPONDING: Lee's Summit School District, St. Louis Public Schools, cities of St. Louis, Kansas City, and Lee's Summit, counties of St. Louis, Jackson and St. Charles



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