COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0550-01
Bill No.: SB 172
Subject: Economic Development; Taxation and Revenue.
Type: Original
Date: January 13, 2003

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Total Estimated Net Effect on General Revenue Fund	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
None			
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 2004	FY 2005	FY 2006
None			
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Local Government	**$0**	**$0**	**$0**

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Economic Development (DED)** state the only change to State Tax Increment Financing proposed in this bill is to add distressed communities as an area (so long as blighted) where a State TIF project may be located. DED states this does not change the fiscal impact of the program or cause DED to incur any additional costs to administer the program.

Officials from the **Department of Revenue** assume the proposal would not fiscally impact their agency.

Officials from the **Office of Administration**, **City of St. Louis**, and the counties of **St. Louis**, **Jefferson**, **Warren**, **St. Charles**, **Franklin**, **Crawford**, **Lincoln**, **St. Francois**, **Ste. Genevieve**, and **Washington** did not respond to our request for fiscal impact.

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

ASSUMPTION (continued)

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.

Changes to Section 99.845 would now include redevelopments in blighted areas in distressed communities (as defined in RSMo 135.530) to participate in the state TIF program. Under the program, up to 50 percent of the new state revenues generated in the redevelopment area may be available for appropriation by the general assembly to DED's supplemental tax increment financing fund (from the general revenue fund) for distribution to the treasurer or other designated financial officer of the municipality. **Oversight** assumes the fiscal note prepared for the enabling legislation (SB 1 in Special Session in 1997) reflected the potential loss of state funds of $0 to $15 million annually starting in FY 1998. According to the DED, the anticipated State TIF funding for projects is roughly $6 million in FY 2003 and 2004 and roughly $7 million in FY 2005. Therefore, while this proposal may result in an increased utilization of the State TIF program, Oversight assumes the cap on the program has not changed from the $15 million reflected in the fiscal note for SB 1 in SS 1997, and that the amount of state funds available for allocation is subject to appropriation by the general assembly, therefore, Oversight assumes no additional fiscal impact from the changes in this section of the proposal.

FISCAL IMPACT - State Government	FY 2004	FY 2005	FY 2006

	$0	**$0**	**$0**

FISCAL IMPACT - Local Government	FY 2004	FY 2005	FY 2006
	$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 creates and defines the following new terms in the Real Property Tax Increment Allocation Redevelopment Act: "high unemployment", "low-fiscal capacity", "moderate income", and "new job".

The proposal requires that a study be a part of the basis for finding that a redevelopment area on the whole is a blighted area, a conservation area, or an economic development area, and that such area has not been subject to growth and development through private investment. This study must state that records were reviewed, inspections were made, comparisons were made, or tasks undertaken demonstrating that the property has not been developed through private enterprise over a period of time. The proposal also requires an economic feasibility analysis indicating the return on investment of the proposed development.

The proposal limits a portion of existing law concerning sharing of payments in lieu of taxes among affected political subdivisions to apply only to blighted areas.

The proposal changes criteria used to evaluate primarily retail redevelopment projects funded by tax increment financing in the City of St. Louis and in St. Louis, Jefferson, Warren, St. Charles, Franklin, Lincoln, St. Francois and Ste. Genevieve counties. Any redevelopment project consisting solely of

DESCRIPTION (continued)

public infrastructure improvements on public land, requiring less than two million dollars in TIF, and where the TIF bonds will be paid-off in less then seven years are exempt from these new criteria. Also exempt are redevelopment projects for which eligible project redevelopment costs are to be paid from that portion of the total economic activity taxes and payments in lieu of taxes imposed by the municipality only, and real or potential revenues from no other taxing jurisdictions are involved.

The proposal requires approved project areas or census blocks within these counties and the city of St. Louis to have high unemployment, low fiscal capacity, or moderate income. The proposal also limits the maximum amount of public funding for approved TIF projects to 30% of the total project costs, unless the redevelopment is occurring in certain further impoverished areas.

The proposal does not allow TIF to be used to develop sites where 25% or more of the area is vacant and has not been previously developed, qualifies as "open space" as defined in Section 67.900, RSMo, or is presently being used for agricultural or horticultural purposes, except in certain cases. If a redevelopment project is located with a majority of the project in a qualifying area and a contiguous area of lesser size meets the same criteria as the original are, then the contiguous area shall be added to the qualifying area.

Where a municipality received payments in lieu of taxes, it may be required to pay 25% of such payments to other taxing entities otherwise entitled to receive revenue from levies on real property in such municipality. Those taxing entities will divide this revenue proportionately to the collections of revenue from real property in the development area to which each such taxing entity is entitled during that tax year.

An annual submission of information regarding the approval plan shall be made to the DED, who shall submit a report to the Governor and the general assembly by the last day of April each year.

Certain counties providing emergency services pursuant to Chapter 190 shall be entitled to reimbursement from the special allocation fund for direct costs of not less than 25% but not more than 100% of that districts tax increment.

The proposal has an effective date of July 1, 2004.

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

RAS:LR:OD (12/02)

Department of Economic Development
Department of Revenue

NOT RESPONDING: **Office of Administration, City of St. Louis, Counties of St. Louis, Jefferson, Warren, St. Charles, Franklin, Crawford, Lincoln, St. Francois, Ste. Genevieve, and Washington**

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