

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3738-01
Bill No.: SB 1008
Subject: Economic Development; Taxation and Revenue.
Type: Original
Date: March 15, 2004

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Local Government	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown)

FISCAL ANALYSIS

ASSUMPTION

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

Officials from the **Department of Economic Development (DED)** state this bill primarily impacts the local governing authorities and the developers involved in future TIF projects. The only part of the bill involving DED is contained in the new section of the statutes listed under 99.872, RSMo. This section would add to the “annual reporting requirements” for each TIF project approved after the effective date of the bill. Currently, DED is required to file an annual TIF report with the Speaker of the House and the President Pro Tem of the Senate (99.850, RSMo). This section just adds to the number of items/data that will need to be submitted to DED for this report. The cost of supplying this data will not be incurred by DED and can be incorporated into the existing report with no fiscal impact.

Officials from **St. Louis County (SLC)** state this bill would mandate a 25% pass through of payments in lieu of taxes (PILOTS) during the life of a TIF project. This could potentially increase revenues for SLC in the future, depending on the number and type of projects proposed.

ASSUMPTION (continued)

SLC also states the bill exempts sales taxes dedicated by a vote of the people for a specific purpose or project from capture by TIF funds. This could be interpreted to include the one-half cent countywide transportation sales tax. Removal of the transportation sales tax from TIF eligibility could provide a future savings for St. Louis County, although it may also deter TIF projects from occurring.

SLC also states the bill would require St. Louis County to: 1) establish a Countywide Public Finance Review Authority, 2) provide more detailed financial statement regarding return on investment for projects, 3) publish findings, and 4) undertake referenda voting on projects. Each of these would involve additional expenses for future projects proposed in St. Louis County. The County is in the process of setting up a new TIF district and has several more in the planning phase.

And finally, SLC assumes there could be an indirect loss of revenue if SB 1008 deters projects from being located in St. Louis County, but this amount cannot be estimated.

Officials from **St. Louis City, Greene County, Jackson County** and **Clay County** did not respond to our request for fiscal impact.

Oversight assumes Section 99.870 of the proposal would result in loss to some local political subdivisions (municipalities that would have to distribute 25 percent of payments in lieu of taxes) and a corresponding income to other political subdivisions (those that would receive the payments in lieu of taxes from the municipalities).

<u>FISCAL IMPACT - State Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
LOCAL POLITICAL SUBDIVISIONS			
<u>Income</u> - some political subdivisions would receive up to 25 percent of PILTS paid to municipalities.	Unknown	Unknown	Unknown
<u>Savings</u> - exemption of sales taxes dedicated by a vote of the people for a specific purpose from capture by TIF	Unknown	Unknown	Unknown
<u>Costs</u> - establishment and operational costs of the new Countywide Public Finance Review Authorities	(Unknown)	(Unknown)	(Unknown)
<u>Costs</u> - economic feasibility analysis	(Unknown)	(Unknown)	(Unknown)
<u>Costs</u> - possible referendum of county voters to approve redevelopment plans	(Unknown)	(Unknown)	(Unknown)
<u>Costs</u> - additional data and reports to be provided to the DED regarding projects	(Unknown)	(Unknown)	(Unknown)
<u>Loss</u> - some municipalities would have to pay up to 25 percent of PILTS to other local political subdivisions	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT TO LOCAL POLITICAL SUBDIVISIONS	<u>Unknown to (Unknown)</u>	<u>Unknown to (Unknown)</u>	<u>Unknown to (Unknown)</u>

FISCAL IMPACT - Small Business

Small businesses within newly created TIF projects may have additional reporting requirements.

DESCRIPTION

This proposal makes various changes designed to increase accountability for tax increment financing projects (TIF). The proposal:

RAS:LR:OD (12/02)

DESCRIPTION (continued)

- (1) Creates countywide public finance review authorities in counties where TIF is used;
- (2) Excludes sales taxes dedicated by a vote of the people to a specific purpose or project from being subject to TIF;
- (3) Modifies the definition of Economic Development area;
- (4) Defines a retail project as any redevelopment project where more than 50% of total costs are devoted to retail establishment;
- (5) Provides that the information required by current law to be included in a redevelopment plan must be substantial and competent and that which a reasonable person would believe;
- (6) Requires an economic feasibility analysis indicating the return on investment of the proposed development for project worth over \$250,000 in TIF.
- (7) All documents relating to the TIF study and other current requirements must be published prior to 30 days of the adoption of the TIF plan. A resident may enjoin such adoption by suit or 5% of registered voters may petition to have the plan delayed until the voters of the municipality can vote on the issue;
- (8) Prohibits approval of a retail project for TIF unless the local countywide public finance review authority certifies that the TIF will serve a regional public benefit because of extended absence of private investment, the project would bring under-served retail activity to the area, the retail project will result in new jobs, sales, and property taxes, and the TIF will not unfairly influence competition with other retail establishments;
- (9) Requires that infrastructure improvements supported by TIF meet the Americans with Disabilities Act requirements;
- (10) Requires that a municipality seeking to designate a TIF located wholly or partially outside its boundaries must first obtain permission from any other municipality in which the TIF would be located;
- (11) Requires that, for the life of a project, the municipality shall pay 25% of the payments in lieu of taxes to any other taxing entities entitled to receive property tax revenue in such municipality. This amount shall be divided proportionately among the other affected taxing entities. When a TIF project includes residential uses, unless the commission members

DESCRIPTION (continued)

representing the affected school board or boards say otherwise, real property tax levies attributable to the residential portion of the development shall pass through to the school district or districts;

(12) Requires that the municipality and the developer submit information to Department of Economic Development (DED) regarding the approved plan annually, to be published on the department's web site. The report shall identify the number and location of redevelopment areas, quantifying public investment in each, and assess the public benefit, as quantified in terms of tax revenue and net new job creation, and show the economic impact of the project on each taxing district which is at least partially within the boundaries of the redevelopment area;

(13) Requires that the governing body and DED have access to the TIF site and to the records of the business established on the site at all reasonable times;

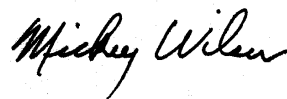
(14) Provides that the annual report for retail projects must include a certification from the countywide public finance review authority reaffirming the continuing economic benefit of the TIF.

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
City of St. Louis
St. Louis County

NOT RESPONDING: St. Louis City, Greene County, Jackson County and Clay County



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L.R. No. 3738-01
Bill No. SB 1008
Page 7 of 7
March 15, 2004

Director
March 15, 2004

RAS:LR:OD (12/02)