

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0119-02
Bill No.: SB 80
Subject: Taxation and Revenue; Economic Development
Type: Original
Date: January 10, 2005

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
General Revenue	\$0	Unknown	Unknown
Total Estimated Net Effect on General Revenue Fund*	\$0	UNKNOWN	UNKNOWN

* Could exceed \$100,000 in a given year.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Local Government *	\$0	(Unknown)	(Unknown)

* Could exceed \$100,000 in a given year.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Revenue** and the **Office of Administration - Budget and Planning** each assume the proposal would not fiscally impact their respective agencies.

Officials from the **Department of Elementary and Secondary Education (DES)** assume that at least 10% of the revenue and at least ten percent of all payments in-lieu-of-taxes received by the city or county from redevelopment projects will be distributed to school districts located within the city or county granting the TIF. This appears to be an in-lieu-of-tax payment to the districts. Section 163.031 requires in-lieu-of-tax money received by districts to be a deduction in determining the amount of state aid to the district. The change proposed to Section 99.845 should be no cost to the state. There may be some savings if this payment to districts is a deduction in determining the state aid payment. The amount of any such savings to the General Revenue Fund is unknown because the amount of any such payments cannot be estimated.

Officials from the **Department of Economic Development (DED)** state the proposal would require that future tax increment financing projects reallocate at least 10% of the increment that would have otherwise been used to fund the redevelopment project be dedicated to schools within the boundary of the TIF area. This would apply to projects established after August 28, 2005. DED assumes no fiscal impact from this proposal.

ASSUMPTION (continued)

In response to a similar proposal from the 2004 session (SB 1056) officials from the **School District of Kansas City, Missouri** stated that assuming the school district's share of TIF revenue is also excluded from the general state aid formula provided in Section 163.031, the enactment of this legislation would result in an increase in revenue for the districts as TIF increments are received.

In response to a similar proposal from the 2004 session (SB 1056) officials from the **St. Louis Public Schools** stated that there could potentially be some additional revenue. However, this could be offset by a deduct if the 10% was a factor in the state funding formula. Also, the potential revenue for the District will be delayed to the degree the TIF settlement is extended.

In response to a similar proposal from the 2004 session (SB 1056) officials from the **Blue Springs School District (BSSD)** stated if the current TIF projects in their District were subject to this 10% requirement, it would mean approximately \$518,000 a year in additional revenue from property taxes. If this also includes 10% of the sales tax dollars generated from the TIF, the BSSD would not have any idea as to what those additional revenues might be.

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

Oversight assumes the increased proceeds the school districts will receive as a result of this proposal will result in a reduced distribution from the state through the State School Moneys Fund. Oversight assumes the earliest that the additional revenue could be directed toward the school districts would be FY 2007, and have assumed the amount to be unknown.

<u>FISCAL IMPACT - State Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
GENERAL REVENUE FUND			
<u>Savings</u> - from reduced distributions to school districts	<u>\$0</u>	<u>Unknown</u>	<u>Unknown</u>
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	<u>\$0</u>	<u>UNKNOWN</u>	<u>UNKNOWN</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
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LOCAL POLITICAL SUBDIVISIONS

<u>Loss</u> - of deposits to the special allocation fund of 10% of additional revenues as well as 10% of payments in lieu of taxes	<u>\$0</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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ESTIMATED NET EFFECT TO LOCAL POLITICAL SUBDIVISIONS	<u>\$0</u>	<u>(UNKNOWN)</u>	<u>(UNKNOWN)</u>
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LOCAL SCHOOL DISTRICTS

<u>Revenue</u> - 10% of additional tax revenues as well as 10% of payments in lieu of taxes going to local school districts instead of TIF development projects	\$0	Unknown	Unknown
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<u>Loss</u> - reduced distribution from the state because of the increased revenue to school districts	<u>\$0</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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ESTIMATED NET EFFECT TO LOCAL SCHOOL DISTRICTS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This proposal requires that future TIF projects dedicate at least 10% of the tax increment that would otherwise be used to fund the redevelopment project and at least 10% of all payments in lieu of taxes to any school within the boundary of the TIF area. Where more than one school is located within the TIF area, the 10% portion will be divided pro rata by the land area of the school districts contained within the TIF area.

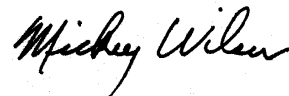
Because this proposal amends a double-enacted section, the proposal also repeals one version of Section 99.845, RSMo.

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 - Budget and Planning
School District of Kansas City, Missouri
St. Louis Public Schools
Blue Springs School District

NOT RESPONDING: City of Kansas City, City of St. Louis, Lee's Summit Public Schools



Mickey Wilson, CPA
Director
January 10, 2005