

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3337-01
Bill No.: SB 651
Subject: Taxation and Revenue; Economic Development.
Type: Original
Date: January 10, 2006

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
General Revenue	\$0	\$0	\$0
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 5 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 income to the local school districts and losses to local political subdivisions.**

FISCAL ANALYSIS

ASSUMPTION

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

Officials from the **Department of Elementary and Secondary Education (DESE)** 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. Such payment to districts will be new revenue to the districts and the formula adopted in SB 287 (2005) allows districts to keep growth in local revenue greater than 2004-05 local revenue. The change proposed to Section 99.845 should be no cost to the state school funding formula. DESE assumes there would be \$0 to positive unknown fiscal impact to the local school districts.

Officials from the **Department of Economic Development** state the proposal should have no fiscal or administrative impact on their agency. It impacts local TIF by dedicating at least 10% of future TIF increments to schools affected by the TIF.

ASSUMPTION (continued)

Officials from the **Office of Administration - Budget and Planning (BAP)** state the proposal should not fiscally impact their agency. BAP states there may be an unknown indirect loss to general revenue as a result of this bill, in as far as funds in the Special Allocation Funds are insufficient to meet redevelopment costs and obligations. BAP assumes DED should provide the estimate of possible increased costs and revenues to the state as a result of this proposal.

Officials from the **School District of Kansas City** state the proposal would increase revenue for the District.

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.

Oversight assumes the increased proceeds the school districts will receive as a result of this proposal will be considered new money and will not reduce the amount of funding received from the State. In fiscal notes for similar bills in prior years, Oversight made the assumption that the increase in payments in lieu of taxes (PILTs) to the school districts would be a reduction in the following year's calculation in school funding from the state. In effect, the increase in PILTs in one year would be washed out by the reduction in the following year.

SB 287 from 2005 changed the school funding formula, removing the deduction of PILTs from the calculation. Therefore, Oversight assumes any increase in PILTs received by the local school districts from this proposal will not impact the amount of school funding received from the state. Oversight assumes the earliest that the additional revenue could be directed toward the school districts would be FY 2008, and have assumed the amount to be \$0 to unknown.

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

<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
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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>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>
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ESTIMATED NET EFFECT TO LOCAL POLITICAL SUBDIVISIONS	<u>\$0</u>	<u>\$0 to (UNKNOWN)</u>	<u>\$0 to (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	<u>\$0</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>
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ESTIMATED NET EFFECT TO LOCAL SCHOOL DISTRICTS	<u>\$0</u>	<u>\$0 to UNKNOWN</u>	<u>\$0 to UNKNOWN</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

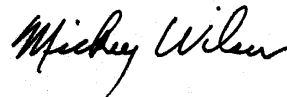
This proposal requires that future tax increment financing (TIF) projects dedicate 10% of the tax increment that would otherwise be used to fund the redevelopment project to any school located at least partially within the boundary of the TIF area. Where more than one school is located within the TIF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

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 Elementary and Secondary Education
Office of Administration - Budget and Planning
Department of Revenue
School District of Kansas City
St. Louis Public Schools
Blue Springs School District

NOT RESPONDING: City of Kansas City, City of St. Louis, Lee's Summit School District



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Director
January 10, 2006