

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4307-06
Bill No.: SCS for SB 832
Subject: Boards, Commissions, Committees, Councils; Bonds; Cities, Towns and Villages; Counties; Economic Development; Eminent Domain and Condemnation; Housing
Type: Original
Date: February 10, 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 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

FISCAL ANALYSIS

ASSUMPTION

In response to a previous version of this proposal, officials from the **Department of Revenue** stated the proposal would not fiscally impact their agency.

Officials from the **Department of Economic Development (DED)** state the bill should have no fiscal or administrative impact on their agency. DED states section 99.865.4 RSMo adds language to fine municipalities \$10 per day for noncompliance of required reports and hearings payable to DED, however, DED does not believe this will have any fiscal or a need for additional FTE. If volume grows to a point where funding or personnel are needed, this will be sought through the normal budget process.

In response to a previous version of this proposal, officials from the **City of Fulton** stated as a rural community, their city needed the ability to develop historically agriculture ground in cooperation with the benefits that TIF allowed in order to compete with the states of Iowa and Kansas to entice a company to construct a distribution warehouse in Missouri. The company employs over 700 people. Fulton believes this proposal will have a huge negative future fiscal impact on the city and hurt the economic development efforts of all rural areas of the state.

In response to a previous version of this proposal, officials from the **Parkway School District** assumed the proposal will not fiscally impact their agency.

ASSUMPTION (continued)

In response to a previous version of this proposal, officials from the **School District of Kansas City** assumed the proposal would result in possible positive fiscal impacts for the district.

Officials from the **St. Louis Public Schools, Independence, Kansas City, City of St. Louis, Lee's Summit, St. Peters, North Kansas City, Franklin County, St. Charles County, St. Louis County** and **Platte County** did not respond to Oversight's request for fiscal impact.

Oversight assumes municipalities will report timely to the Department of Economic Development and not incur the new \$10 per day noncompliance penalty. Oversight also assumes the new TIF restrictions will not result in a direct fiscal impact to municipalities. Oversight also assumes the changes in the TIF laws regarding submitting projects before the voters of a municipality are permissive, and therefore, Oversight has not reflected the associated costs in the fiscal note.

<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
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small businesses within potential TIF projects may be fiscally impacted as a result of this proposal.

DESCRIPTION

This proposal prohibits the use of tax increment financing for projects located in one hundred year flood plains except for river front development projects and projects located within the incorporated limits of a municipality. The proposal defines the term "Greenfield" and prohibits use of tax increment financing for certain greenfield development. TIF projects resulting in the development of predominately residential development are prohibited for the development of previously undeveloped or vacant land. Revenue increases realized from the residential portion of the development shall not be deposited in the special allocation fund, but shall be allocated to the various taxing entities as though that area had not been subject to a TIF. The term "blighted area" is changed to "distressed area".

The proposal prohibits certain members of the tax increment finance commission from being employees of the municipality. If a tax increment finance commission rejects a proposed tax increment finance project, a governing body wanting to pursue such project must either: 1) place the project before the registered voters of the municipality for approval, or 2) approve the project by a super majority vote of the governing body and allocate one hundred percent of the economic activity taxes to the special allocation fund. The allocation of one hundred percent of the economic activity taxes shall be utilized to defease the obligations secured by the special allocation fund and shorten the term of repayment.

The act allows for referendum petitions in opposition to tax increment financing projects for municipalities that do not currently have the authority for such a process. Such a petition must be signed by a number of voters equal to at least fifteen percent of the registered voters for the last preceding municipal election for municipalities with populations greater than five thousand. Petitions must be signed by a number of voters equal to at least twenty percent of the registered voters for the last preceding municipal election for municipalities with populations less than five thousand. The petitions must be submitted no later than 30 days from the date of the adoption of the ordinance approving the redevelopment project or plan.

In order for a municipality to receive "Super TIF" funds, the municipality must allocate one hundred percent of economic activity taxes to the special allocation fund.

The act prohibits voter approved tax increases or levies which are approved subsequent to the adoption of an ordinance approving a redevelopment plan from being captured as economic activity taxes by such project unless the tax is levied for the specific purpose of funding or retiring the debt of the redevelopment project or plan. Municipalities are prohibited from conferring eminent domain power to private entities when a project utilizes both tax increment financing and chapter 353 urban redevelopment incentives.

DESCRIPTION (continued)

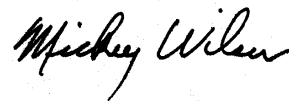
The act creates penalties for the failure of a municipality to report to the Department of Economic Development with regard to tax increment finance projects. A municipality will be subject to a fine of ten dollars a day for every day of noncompliance. Such fines will be placed into the Missouri Supplemental Tax Increment Finance Fund.

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 Fulton
Parkway School District
School District of Kansas City

NOT RESPONDING: St. Louis Public Schools, Independence, Kansas City, City of St. Louis, Lee's Summit, St. Peters, North Kansas City, Franklin County, St. Charles County, St. Louis County and Platte County



Mickey Wilson, CPA
Director
February 10, 2006