

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3597-01
Bill No.: SB 814
Subject: Cities, Towns and Villages; Counties; Economic Development
Type: Original
Date: January 24, 2008

Bill Summary: This proposal decreases acreage requirements for eligibility under the Distressed Areas Land Assemblage Tax Credit Act.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
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 2009	FY 2010	FY 2011
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on FTE	0	0	0

Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

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

Officials from the **Department of Economic Development (DED)** state the bill lowers the project size and parcel size for eligibility in the distressed land assemblage tax credit program. DED has no historical proof but our opinion is that the applications would increase considerably and require additional staffing to administer the program. DED assumes the need for one new FTE plus applicable costs to administer the program. DED assumes a total cost for this additional FTE to be roughly \$80,000 per year.

Officials from the **Department of Insurance, Financial Institutions and Professional Registration (DIFP)** state it is unknown how many insurance companies will choose to participate in this program and take advantage of the tax credits. Premium tax revenue is split 50/50 between General Revenue and County Foreign Insurance Fund except for domestic Stock Property and Casualty Companies who pay premium tax to the County Stock Fund. The County Foreign Insurance Fund is later distributed to school districts through out the state. County Stock Funds are later distributed to the school district and county treasurer of the county in which the principal office of the insurer is located. It is unknown how each of these funds may be impacted tax credits each year.

The DIFP will require minimal contract computer programming to add this new tax credit to the premium tax database and can do so under existing appropriation. However, should multiple bills pass that would require additional updates to the premium tax database, the department may need to request more expense and equipment appropriation through the budget process

Officials from the **Office of the Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

ASSUMPTION (continued)

Officials from the **City of St. Louis** did not respond to our request for fiscal impact.

The Distressed Areas Land Assemblage Tax Credit was passed by the Legislature in the First Extraordinary Session of 2007. **Oversight** reflected a cost of up to \$10 million annually for the potential tax credits that may be redeemed each year. Oversight also reflected a cost for four additional FTEs for the Department of Economic Development for all of the changes made to economic development programs in House Bill 1. Oversight assumes SB 814 does not change the annual limit of \$10 million already imposed on this program; however, it may significantly impact the amount of tax credits that actually get issued. Oversight assumes the changes in this bill will increase the amount of tax credits that will actually be issued under the program. The potential loss of up to \$10 million annually has already been reflected in the fiscal note for the enabling legislation; however, for budgetary purposes, this proposal could reduce Total State Revenues by up to \$10 million annually if the original program would not have been utilized and now will be utilized to the maximum with these changes.

Oversight assumes DED will not require the additional FTE to implement the changed program, but could request additional resources at a future date if the program proves to be successful.

Oversight assumes there would be some positive economic benefit to the state as a result of the changes in this proposal; however, Oversight considers these benefits to be indirect and therefore, have not reflected them in the fiscal note.

<u>FISCAL IMPACT - State Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

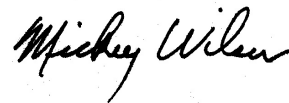
This proposal modifies the distressed areas land assemblage tax credit program definition of the term "eligible project area", by decreasing the size requirement for the area from seventy-five acres to forty acres. The requirement that eligible parcels acquired by the applicant within the eligible project area total at least fifty acres has been reduced to at least thirty acres.

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 Insurance, Financial Institutions and Professional Registration
Department of Revenue
Office of the Secretary of State

Not Responding:
City of St. Louis



Mickey Wilson, CPA
Director
January 24, 2008