

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4922-04
Bill No.: HCS for SCS for SB 800
Subject: Economic Development
Type: Original
Date: April 29, 2016

Bill Summary: This proposal changes laws regarding political subdivisions.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
General Revenue	\$0 to (Could Exceed \$13,000,000)	\$0 to (\$7,000,000)	\$0 to (\$7,000,000)
Total Estimated Net Effect on General Revenue	\$0 to (Could Exceed \$13,000,000)	\$0 to (\$7,000,000)	\$0 to (\$7,000,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Major Economic Convention Event in Missouri*	\$0	\$0	\$0
Supplemental Tax Increment Financing*	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

*Transfer In and Cost net to zero.

Numbers within parentheses: () indicate costs or losses. This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on FTE	0	0	0

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Department of Economic Development (DED)** assume this legislation combines three pieces of legislation that DED has previously responded to. It also includes two provisions, changes to 1.100 and 184.815, which have no impact on DED.

DED assumes this legislation amends §99.845 by adding language to the current TIF statute §99.845. It adds that the current \$32 million cap shall not apply to redevelopment plans initially listed by name in the applicable appropriations bill after August 28, 2016 (changed from 2015) which involve "property formerly included in an airport noise mitigation program." It further adds that no more than \$4 million/year of state revenues be spent on projects that involve "property formerly included in an airport noise mitigation program."

- Because this is a new use of TIF monies and the legislation specifically places a cap of \$4,000,000 on state monies that can go toward the new type of project, DED projects a negative impact of \$4,000,000 per year.

Oversight assumes there could be a loss to the General Revenue fund of up to \$4 million for redevelopment projects involving property formerly included in an airport noise mitigation program. Oversight will show the fiscal impact as Up to \$4,000,000.

DED assumes this legislation amends §447.708, commonly known as the Brownfield Tax Credit Program, by adding that in any county of the first classification that has a charter form of government and that has a population of over nine hundred thousand inhabitants, all demolition costs incurred during the redevelopment of any former automobile manufacturing plant shall be allowable costs eligible for tax credits under §447.700 to 447.718. For purposes of this subsection, "former automobile manufacturing plant" means a redevelopment area that qualifies as an eligible project under §447.700, that consists of at least one hundred acres, and that was used primarily for the manufacture of automobiles but, after 2007, ceased such manufacturing.

- Essentially it is adding a new use for the Brownfield tax credit. This program has no statutory annual cap.
- The only project that qualifies under this new language is the demolition of the concrete at the Fenton Chrysler plant. DED's estimate of the cost of the project, and therefore the negative impact to the state, is \$6,000,000 plus any other projects that may qualify in the future.

Oversight assumes there is only one project that would qualify for this tax credit. Therefore, Oversight will show the fiscal impact as \$0 (no company applies for demolition costs) to Could Exceed \$6,000,000 in FY 2017 only.

ASSUMPTION (continued)

DED assumes this legislation is the Meet in Missouri Act under 620.1620. It creates a Major Economic Convention Event in Missouri Fund in the treasury that has appropriations and is used to help fund major conventions in Missouri. The money is funded through a local eligible commission to the convention. The applicant must submit a major convention plan to DED and DED must approve the grant if certain conditions are met. DED estimates a negative impact between \$0-3 million dollars.

The total negative impact between the three provisions causing an impact is negative \$10-13 million dollars.

Officials at the **Office of the State Treasurer, City of Columbia** and **Callaway County** each assume no fiscal impact from this proposal to their respective organizations.

In response to a previous version, officials at the **Division of Tourism (MDT)** assumed no fiscal impact from this proposal to their organization.

Oversight notes this proposal states all approved grants scheduled for disbursement each year shall be disbursed from the General Revenue fund subject to appropriation by the General Assembly. Any such appropriation shall not exceed three million dollars in any year. Therefore, Oversight will show the fiscal impact as \$0 (no appropriation made) to \$3,000,000.

Oversight assumes this program would have a positive impact on Missouri and certain local political subdivisions from sales tax revenue and lodging tax revenue. Oversight considers these to be indirect benefits of the program and will not reflect them on this note.

Oversight notes §1.100 states that change in population shall not remove a city, county or political subdivision from the operation of law. Oversight assumes this section will have no fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
GENERAL REVENUE			
<u>Revenue Reduction</u> - amending §447.708 to allow demolition to be a qualifying expense under the Brownfield Tax Credit	\$0 to (Could Exceed \$6,000,000)	\$0	\$0
<u>Transfer Out</u> - DED - transfer of incremental new state revenues for redevelopment projects §99.845	(Up to \$4,000,000)	(Up to \$4,000,000)	(Up to \$4,000,000)
<u>Transfer Out</u> - Major Economic Convention Event in Missouri Fund §620.1620	\$0 to <u>(\$3,000,000)</u>	\$0 to <u>(\$3,000,000)</u>	\$0 to <u>(\$3,000,000)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	\$0 to (Could Exceed <u>\$13,000,000</u>)	\$0 to <u>(\$7,000,000)</u>	\$0 to <u>(\$7,000,000)</u>
SUPPLEMENTAL TAX INCREMENT FINANCING FUND			
<u>Transfer In</u> - from General Revenue - new state revenues for redevelopment projects	Up to \$4,000,000	Up to \$4,000,000	Up to \$4,000,000
<u>Transfer Out</u> - St. Louis County for redevelopment project	(Up to <u>\$4,000,000</u>)	(Up to <u>\$4,000,000</u>)	(Up to <u>\$4,000,000</u>)
ESTIMATED NET EFFECT ON SUPPLEMENTAL TAX INCREMENT FINANCING FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - State Government</u>	FY 2017	FY 2018	FY 2019
(continued)	(10 Mo.)		

**MAJOR ECONOMIC CONVENTION
 EVENT IN MISSOURI FUND**

<u>Transfer In</u> - General Revenue	\$0 to \$3,000,000	\$0 to \$3,000,000	\$0 to \$3,000,000
<u>Cost</u> - grants for major convention plans	\$0 to <u>(\$3,000,000)</u>	\$0 to <u>(\$3,000,000)</u>	\$0 to <u>(\$3,000,000)</u>

**ESTIMATED NET EFFECT ON THE
 MAJOR ECONOMIC CONVENTION
 EVENT IN MISSOURI FUND**

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

<u>FISCAL IMPACT - Local Government</u>	FY 2017	FY 2018	FY 2019
	(10 Mo.)		

	<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 act establishes incentives to attract conventions to Missouri. Eligible local convention and tourism commissions may submit major convention plans to the director of the Department of Economic Development. If the plans are approved by the director, then a grant shall be paid from the newly created Major Economic Convention Event in Missouri Fund to the commission. The commission shall hold such funds until the major convention event has occurred and a required report has been submitted to the Department.

A major convention plan shall be approved by the director until certain conditions, as described in the act, are met. The conditions include that the convention event will occur no more than five years from the date of application, that the commission is competing for the event against non-Missouri cities, and the economic benefit to the state exceeds the amount of the grant. The amount of any grant shall not exceed fifty percent of the cost of hosting the event or one million dollars, whichever is less.

FISCAL DESCRIPTION (continued)

At the conclusion of the event, the commission shall issue a report to the director detailing the final amount of convention costs incurred and actual attendance figures. If the final amount of convention costs is less than the amount of the grant, then the act sets forth the amounts that the commission must refund from the grant amount. Any refunded amounts shall be returned to the fund and used for future grants.

This bill adds an additional \$4 million per year to the tax increment financing cap to be used solely for the purpose of tax increment financing projects for the redevelopment of a former automobile manufacturing plant or property formerly included in an airport noise mitigation program containing at least 550 acres purchased for noise abatement or runway expansion at an international airport located in St. Louis County.

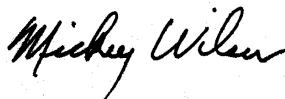
This bill authorizes all demolition costs associated with the redevelopment of a former automobile manufacturing plant in St. Louis County that consists of at least 100 acres and was used primarily for the manufacture of automobiles until 2007 to be eligible for the Brownfield Redevelopment Program tax credit.

The proposal has a sunset clause.

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
Division of Tourism
Office of the State Treasurer
City of Columbia
Callaway County



Mickey Wilson, CPA
Director
April 29, 2016

Ross Strobe
Assistant Director
April 29, 2016