

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0509-05
Bill No.: HCS for SCS for SB 11
Subject: Bonds - General Obligation and Revenue; Cities, Towns and Villages
Type: Original
Date: April 27, 2017

Bill Summary: This proposal modifies the language relating to agreements that may be entered into by municipalities that participate in industrial development projects.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
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 2018	FY 2019	FY 2020
Local Government*	\$0	\$0	\$0

*Distribution of increases (decreases) net to zero.

FISCAL ANALYSIS

ASSUMPTION

§67.2050

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** state this proposal would allow local governments to carry out business facility projects. It would exempt leases from local sales tax, and buildings owned by the local government from property tax.

BAP officials noted this proposal could have a negative impact on Total State Revenues in the event that local governments buy, build, or hold more building properties than they otherwise would have. Further, this proposal could impact the revenue limitation calculation required by the state constitution.

Officials from the **Department of Natural Resources** state the Department's Parks and Soils Sales Tax Funds are derived from one-tenth of one percent sales and use tax pursuant to the Missouri Constitution. Therefore, any additional sales and use tax exemption would reduce revenues to the Parks and Soils Sales Tax Funds.

Officials at the **Kirksville R-III School District** assume this proposal would have a negative impact but did not provide an estimate of the impact.

In response to similar legislation this year, HB 389, officials from the **Forsyth R-III School District** assumed this proposal would have a negative impact on their organization but did not provide an estimate of the impact.

In response to similar legislation this year, HB 389, officials from **Boone County** stated the effective tax rate for commercial real property in Boone County is about 2.5%, which translates into about \$25,000 annual property tax for a property with market value of \$1 million. The effective tax rate for business personal property in Boone County is about 2.3%, so the \$1 million of personal property would result in about \$23,000 of personal property tax annually. If this proposal was implemented, the taxing entities in Boone County would lose 2.3% to 2.5% of the fair market value of any proposed project each year.

Officials from the **City of Kansas City** state they were unable to determine the fiscal impact of this proposal on their organization. City officials assume their organization would lose sales and/or property tax revenues for varying terms, depending on the nature of the projects approved. Any project approval assumes those losses would be offset in their entirety (or exceeded) by increases in other revenues generated by the technology business facilities and/or data storage centers.

ASSUMPTION (continued)

In response to similar legislation this year, HB 389, officials from the **West Plains School District** assumed no fiscal impact from this proposal.

Oversight notes this proposal does not require a minimum investment in a new facility or a minimum investment in an expanding facility. Oversight is not aware of any existing or planned projects which could qualify for the program.

Oversight notes these provisions would allow but not require local governments to participate in business facility projects; the projects would be the result of a future local government decision. In addition, Oversight notes that properties owned by local governments would be exempt from property tax under existing law. Since it is unknown if or when such a project would be created, Oversight will indicate a revenue reduction to local governments of \$0 (no projects) or (Unknown) if one or more projects result in a reduction of local government revenue.

Oversight assumes the development or creation of a new project which would be exempt from local sales taxes by action of a local government would not result in a revenue reduction to the state.

§88.770

Officials at the **Office of Administration's Division of Budget and Planning** assume this section changes the requirements for the sale of a city owned water or wastewater system to a simple majority vote instead of requiring two-thirds of the voters to ratify. This section will not result in a direct impact on general and total state revenues and will not impact the calculation under Article X, Section 18(e).

Officials at the **Department of Natural Resources** assume no fiscal impact from this proposal.

Officials at the **City of Kansas City** assume no fiscal impact from this proposal.

In response to similar legislation this year, HCS for HB 247, officials at the **St. Louis County Board of Election Commissioners, St. Louis County, the City of Columbia and the City of Fulton** each assumed no fiscal impact to their respective entities from this proposal.

ASSUMPTION (continued)

Oversight assumes the proposed legislation establishes procedures relating to municipally owned utilities. The proposal states “...except for the sale of a water or wastewater system, which shall be authorized by a simple majority vote of the voters voting on the question.” Oversight assumes, under current statute, election costs are already accounted for within §§81.190 and 88.770 of the proposal. Oversight assumes the proposal is making changes from a 2/3rds majority vote to a simple majority vote. Therefore, Oversight will reflect a \$0 fiscal impact from this proposal.

§§100.010, 100.180

Officials at the **Office of Administration’s Division of Budget and Planning** assume this section changes some definitions and makes minor wording changes to §100.180. This section will not result in a direct impact to general and total state revenues and will not impact the calculation under Article X, Section 18(e).

Officials at the **City of Kansas City** assume no fiscal impact from this proposal.

In response to a previous version, officials at **St. Louis County** and the **City of Columbia** each assumed no fiscal impact to their respective entities from this proposal.

Oversight assumes the local political subdivisions would not enter into industrial development projects unless they would either save money, provide some other benefit, or be absorbed within current budget appropriations. Therefore, Oversight will assume the proposal could have a positive fiscal impact to local political subdivisions from this proposal and will range the fiscal impact from \$0 to an unknown amount in savings.

Bill as a whole

Officials at the **Office of the Secretary of State**, the **Department of Revenue**, the **Department of Economic Development**, the **Department of Conservation**, the **Office of State Auditor**, the **Joint Committee on Administrative Rules** and the **State Tax Commission** each assume no fiscal impact to their respective agencies from this proposal.

Officials at the **Callaway County Commission**, the **Jackson County Board of Election Commission** and the **Platte County Board of Election Commission** each assume no fiscal impact to their respective entities from this proposal.

In response to a previous version, officials at the **Metropolitan St. Louis Sewer District** and the **Everton R-III School District** each assumed no fiscal impact to their respective entities from this proposal.

<u>FISCAL IMPACT - State Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
---	---------------------	---------	---------

LOCAL POLITICAL SUBDIVISIONS

Savings - Local Political Subdivisions -
 on industrial development projects
 (§§100.010, 100.180) \$0 to Unknown \$0 to Unknown \$0 to Unknown

Loss - Local government revenues
 (§67.2050) \$0 or
 (Unknown) (Unknown) (Unknown)

**ESTIMATED NET EFFECT ON
 LOCAL POLITICAL SUBDIVISIONS** \$0 \$0 \$0

FISCAL IMPACT - Small Business

A small business involved in a technology project could have a direct fiscal impact from this proposal. (§67.2050)

FISCAL DESCRIPTION

§67.2050

The proposed legislation would allow a county or any municipality to carry out technology business facility projects for economic development; accept grants from the federal and state governments for technology business facility project purposes, and enter into an agreement that is not contrary to the laws of this state. The county or municipality may receive gifts and donations from private sources to be used for technology business facility project purposes.

The governing body of the municipality could enter into loan agreements or sell, lease, or mortgage to private persons, partnerships, or corporations any one or more of the components of a facility of the municipality for the development of a technology business facility project. If, in the judgement of the governing body of the municipality, the project would result in economic benefits to the municipality, the governing body may lawfully enter into an agreement that includes nominal monetary consideration to the municipality in exchange for the use of one or more components of the facility.

FISCAL DESCRIPTION (continued)

Transactions involving the lease or rental of any components of a project under these provision would be specified under these provisions, would be specifically exempted from specified state and local sales taxes and any leasehold interests held or granted would not be subject to property taxes. Any payments in lieu of taxes expected to be made by any lessee of the project would be applied as specified in the proposal. The lessee could reimburse the municipality for its actual costs of administering the plan. Amounts paid in excess of actual costs would be disbursed to each affected taxing entity in proportion to the current ad valorem tax levy of each affected taxing entity.

The county assessor would include the current assessed value of all property within the affected taxing entities in the aggregate valuation of assessed property entered upon the assessor's book and the value would be included in the calculation of any local government constitutional debt limitation.

The governing body of any municipality could sell or otherwise dispose of the property or buildings acquired under these provisions to private persons or corporations for technology business facility project purposes. Any private person or corporation that initially transfers property to the municipality at no cost for purposes of a technology business facility project could retain the right, upon request to the municipality, to have the municipality transfer back the donated property at no cost.

These proposal would not allow a political subdivision to provide telecommunications services or telecommunications facilities to the extent they are currently prohibited under state law.

§§100.010, 100.180

This act modifies the definition of "facility" and "project for industrial development". "Facility" is now defined as real and personal property purchased as part of a project. "Project" is defined as the purchasing, constructing, extending, or improving a facility intended to be leased or otherwise disposed of that is used for manufacturing, commercial, warehousing, and industrial development purposes.

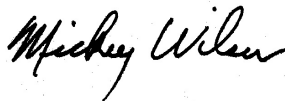
This act also adds a definition of "machinery" and removes the definition of "office industry".

This act also modifies the language relating to agreements that may be entered into by municipalities who participate in industrial development projects.

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

Office of the Secretary of State
Joint Committee on Administrative Rules
Office of Administration
 Division of Budget and Planning
Missouri Department of Conservation
Department of Natural Resources
Department of Revenue
State Tax Commission
Office of State Auditor
Department of Economic Development
St. Louis County
Callaway County Commission
Boone County
City of Kansas City
Forsyth R-III School District
Kirksville R-III School District
West Plains School District
Platte County Board of Election Commission
St. Louis County Board of Election Commission
Jackson County Board of Election Commission
Metropolitan St. Louis Sewer District
City of Columbia
City of Fulton



Mickey Wilson, CPA
Director
April 27, 2017

Ross Strobe
Assistant Director
April 27, 2017