

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0394-11
Bill No.: HCS for SS for SCS for SB 108
Subject: Taxation and Revenue - General; Tax Incentives; Political Subdivisions
Type: Original
Date: May 3, 2019

Bill Summary: This proposal modifies provisions relating to tax increment financing.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
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 2020	FY 2021	FY 2022
Local Government*	\$0	\$0	\$0

*Direct impact to the City of St. Louis is assumed to net to zero

FISCAL ANALYSIS

ASSUMPTION

In response to the previous version, officials at the **Office of Administration Division of Budget and Planning (B&P)** assumed this proposal has no direct impact on B&P, has no direct impact on General and Total State Revenues and will not impact the calculation pursuant to Article X, Section 18(e).

Officials at the **State Tax Commission** and the **Department of Revenue (DOR)** each assume there is no fiscal impact from this proposal.

In response to the previous version, officials at the **Department of Economic Development (DED)** anticipated no fiscal impact from this proposal to the Department.

Officials at the **City of Kansas City** assume the changes made to Section 99.805 in the legislation narrow the definition of what is a blighted area or conservation area. Section 99.810 in the legislation requires a redevelopment study to be made by a party other than the proponent of the redevelopment plan. If these changes make using TIF more difficult for redevelopment than this would have a negative effect on economic development and therefore this legislation would have a negative fiscal impact on Kansas City.

Officials at the **City of Columbia** and **St. Louis County** each assume there is no fiscal impact from this proposal.

In response to the previous version, officials at the **City of Keytesville** assumed there was no fiscal impact from this proposal.

In response to the previous version, officials at the **Metropolitan Zoological Park** assumed a negligible financial impact.

In response to the previous version, officials at the **Kirksville R-III School District** assumed any time a TIF is given, it has a negative fiscal impact on the district.

In response to the previous version, officials at the **Francis Howell School District** assumed they are unable to determine a fiscal impact.

In response to the previous version, officials at the **Wellsville-Middleton R-I School District** assumed this would have little impact on the district.

ASSUMPTION (continued)

In response to the previous version, officials at the **Jackson County Board of Election Commissioners**, the **Mississippi County Recorder of Deeds**, **Springfield School District**, **St. Louis County Board of Election Commissioners** and the **St. Louis Collector of Revenue** each assumed there was no fiscal impact from this proposal to their organization.

Oversight notes that B&P, DOR and DED have each stated the proposal would not have a direct fiscal impact on their respective organizations. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note for these agencies.

Oversight notes this proposal changes the definitions of “blighted area” and “conservation area” in regards to tax increment financing. This proposal would change the requirements for retail area tax increment financing projects to meet additional standards. Currently, according to DOR’s “2017 Tax Increment Financing in Missouri” report there are 327 “blight” designation projects and 73 “conservation area” designation projects and 6 “blight and conservation area” designation projects out of the 468 current tax increment financing projects in the State.

Oversight notes that §99.847 applies the requirement that no tax increment financing projects can be authorized in a flood plain except those in Clay, Jackson, Jefferson and Platte Counties. Previously only projects in Greene County could not be built in a flood plain.

Oversight notes this proposal allows the City of St. Louis to deposit their funds into a strategic infrastructure for economic growth fund instead of the current special allocation fund. Oversight will reflect potential income into the new St. Louis City fund and an offsetting loss to their special allocation fund.

Oversight will not show an impact to the changes to the tax increment financing laws. Oversight assumes these may or may not impact future projects; however, Oversight considers this to be an indirect impact of the proposal.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other cities, counties and school districts were requested to respond to this proposed legislation but did not. For a general listing of political subdivisions included in our database, please refer to www.legislativeoversight.mo.gov.

<u>FISCAL IMPACT - State Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
CITY OF ST. LOUIS			
<u>Income</u> - Strategic Infrastructure for Economic Growth Fund - City allowed to allocate up to 10% of TIF revenues to this fund	\$0	\$0 or Unknown	\$0 or Unknown
<u>Loss</u> - Special Allocation Fund - City allowed to allocate up to 10% of TIF revenues to a new fund	<u>\$0</u>	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>
ESTIMATED NET EFFECT TO THE CITY OF ST. LOUIS	<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

The proposed legislation makes numerous changes regarding tax increment financing.

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

City of Kansas City
City of Keytesville
Department of Economic Development
Department of Revenue
Francis Howell School District
Jackson County Board of Election Commission
Kirksville R-III School District
Metropolitan Zoological Park
Mississippi County Recorder of Deeds
Office of Administration Division of Budget and Planning
Springfield School District
State Tax Commission
St. Louis Collector of Revenue
St. Louis County Board of Election Commission
Wellsville-Middletown R-I School District



Kyle Rieman
Director
May 3, 2018

Ross Strobe
Assistant Director
May 3, 2019