

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0442-01
Bill No.: SB 57
Subject: Political Subdivisions; Economic Development
Type: Original
Date: February 4, 2019

Bill Summary: This proposal modifies provisions relating to certain tourism infrastructure facilities.

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | |
|--|---------------------------------------|---------------------------------------|--|
| FUND AFFECTED | FY 2020 | FY 2021 | FY 2022 |
| General Revenue | \$0 or (Up to \$6,077,951) | \$0 or (Up to \$6,084,537) | (\$5,000,000) or (Up to \$11,085,325) |
| Total Estimated Net Effect on General Revenue | \$0 or (Up to \$6,077,951) | \$0 or (Up to \$6,084,537) | (\$5,000,000) or (Up to \$11,085,325) |

| 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 7 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 |
| General Revenue | 0 or 1 FTE | 0 or 1 FTE | 0 or 1 FTE |
| | | | |
| Total Estimated Net Effect on FTE | 0 or 1 FTE | 0 or 1 FTE | 0 or 1 FTE |

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 |

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Office of Administration Division of Budget and Planning (B&P)** assume this proposal will have no direct impact on General and Total State Revenues or the calculation pursuant to Article X, Section 18e.

This proposal could result in additional General Revenue expenditures of up to \$6 million annually for thirty years for land clearance projects. The proposal also allows for an additional ten years of appropriations for sports complex funds. B&P notes any such expenditures would be subject to appropriation. To the extent new appropriations are made from General Revenue, resources otherwise available for other budget priorities will be reduced.

This proposal may result in additional induced revenues, which B&P cannot estimate.

Office of the **Department of Economic Development (DED)** assume this legislation amends §67.641 governing appropriations of convention and sports complex funds to allow repayment over 40 years instead of 30. It also creates §99.585, which allows the state of MO, acting through DED and OA, to appropriate funds for the purpose of land clearance projects or projects located within a city not within a county in order to develop, construct, reconstruct...any tourism infrastructure facilities existing as of 8-28-19 for which application is made and approved on or before 8-28-20. Appropriation is limited to portion of tax revenues derived directly or indirectly from the projects. The term shall not exceed 30 years and the annual cap shall not exceed \$6 million. The project shall be determined to produce a positive net fiscal impact for the state. DED shall make an annual written report to Governor and General Assembly regarding the project.

This proposal could result in additional expenditures up to \$6 million dollars to the state, subject to appropriation, and DED would need to hire 1 Economic Development Incentive Specialist III (\$51,108) to administer the program. It is possible that the \$6 million dollar impact will be offset by the requirement for a net positive fiscal impact.

At this time, **Oversight** has no information to verify DED's stated need for an FTE to administer this program. Therefore, Oversight will range the fiscal impact to DED from \$0 (department can administer this program with existing resources) to the 1 FTE estimate.

ASSUMPTION (continued)

Officials at the **Office of Administration** assume §99.585.1 of this legislation is regarding the planning, undertaking, or carrying out of a land clearance project or projects within the area in which the public body is authorized to act to develop, construct, reconstruct, rehabilitate, repair, or improve any tourism infrastructure facilities existing as of August 28, 2019, and for which application is made and approved by the department of economic development no later than August 28, 2020, and states "Any annual expenditure by a public body for such land clearance projects related to tourism infrastructure facilities shall be limited to a portion of tax revenues derived directly or indirectly from any such land clearance project or projects supported by such annual expenditure within such designated land clearance project area or areas". Subsection (2) of this section limits the state appropriation authorized under this section to an annual amount not to exceed \$6 million.

FMDC has not been appropriated funding from such tax revenues or spending authority for such tax revenues. As a result, FMDC would be unable to make such expenditures without additional appropriation. FMDC assumes that if such appropriation was made, it would be in addition to, and separate from, existing FMDC appropriations in order to ensure that expenditures did not exceed the level of tax revenues. The land clearance project or projects are not specified by the legislation. Therefore FMDC assumes its fiscal impact as a result of this legislation is an unknown amount not to exceed \$6 million, subject to new appropriation(s).

Officials at the **Department of Agriculture, Department of Health and Senior Services, Department of Natural Resources** and the **Department of Conservation** each assume there is no fiscal impact from this proposal.

Oversight notes this proposal states any agreement shall be determined to produce a positive net fiscal impact for the state over the term of such agreement. Oversight considers the positive benefits of the agreement to be an indirect impact and will not reflect it in the fiscal note.

Oversight notes this proposal states the State shall not expend more than \$6 million per year. Therefore, Oversight will show the fiscal impact as Up to \$6,000,000.

Regarding changes to Section 67.641, according to the Office of Administration - Division of Accounting's State Debt Report as of July 1, 2018, the \$5,000,000 annual state payment as authorized for thirty years will be paid annually through FY 2021. Therefore, **Oversight** will assume extending this time frame from 30 years to 40 years would add another 10 years of \$5,000,000 annual payments from the state for the Jackson County projects (\$2,000,000 for Bartle Hall and \$3,000,000 for Kauffman/Arrowhead Stadiums) beginning in FY 2022.

| <u>FISCAL IMPACT - State Government</u> | FY 2020 (10 Mo.) | FY 2021 | FY 2022 |
|---|--|--|---|
| GENERAL REVENUE | | | |
| <u>Costs</u> - OA - §67.641 - extension of time for payments for projects in Jackson County from 30 years to 40 years | \$0 | \$0 | (\$5,000,000) |
| <u>Costs</u> - DED | \$0 or | \$0 or..... | \$0 or..... |
| Personal Service 0 or 1 FTE | (\$42,590) | (\$51,619) | (\$52,135) |
| Fringe Benefits | (\$23,487) | (\$28,340) | (\$28,498) |
| Expense & Equipment | <u>(\$11,874)</u> | <u>(\$4,578)</u> | <u>(\$4,692)</u> |
| <u>Total Costs</u> - DED | \$0 or (\$77,951) | \$0 or (\$84,537) | \$0 or (\$85,325) |
| FTE Change - DED | 0 or 1 FTE | 0 or 1 FTE | 0 or 1 FTE |
| <u>Cost</u> - DED - §99.585 land clearance projects | (Up to <u>\$6,000,000</u>) | (Up to <u>\$6,000,000</u>) | (Up to <u>\$6,000,000</u>) |
| ESTIMATED NET EFFECT ON GENERAL REVENUE | <u>\$0 or (Up to \$6,077,951)</u> | <u>\$0 or (Up to \$6,084,537)</u> | <u>(\$5,000,000) or (Up to \$11,085,325)</u> |
| Estimated Net FTE Change for General Revenue | 0 or 1 FTE | 0 or 1 FTE | 0 or 1 FTE |
| <u>FISCAL IMPACT - Local Government</u> | FY 2020 (10 Mo.) | FY 2021 | FY 2022 |
| | <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 allows the State of Missouri and any other public body to expend funds for the purpose of aiding and cooperating in the planning, undertaking or carrying out of a land clearance project or projects to develop, construct, reconstruct, rehabilitate, repair or improve any tourism infrastructure facilities, as defined in the act, which exists as of August 28, 2019, and for which an application is made and approved by the Department of Economic Development by August 28, 2020.

Any expenditure for such a land clearance project shall be limited to a portion of tax revenues derived directly or indirectly from such project as stated in an agreement between the public body and the land clearance for redevelopment authority, provided that such agreement shall not be longer than thirty years, the annual amount of state appropriation shall not exceed six million dollars, and the project shall be determined to produce a positive net fiscal impact for the state over the term of such agreement.

The Director of the Department of Economic Development shall make an annual report detailing the overall net fiscal impact to the state for each project. (§99.585)

Additionally, the Jackson County Convention and Sports Complex Fund is currently authorized to receive \$3 million in state appropriations each year until 2019. This act extends such date to 2029. (§67.641)

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 Agriculture
Department of Conservation
Department of Economic Development
Department of Health and Senior Services
Department of Natural Resources
Office of Administration
Office of Administration Division of Budget and Planning



Kyle Rieman
Director
February 4, 2019

Ross Strobe
Assistant Director
February 4, 2019