

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1505-03
Bill No.: Perfected with an Internal Effective Date HCS for HB 677
Subject: Political Subdivisions; Kansas City; Economic Development; Entertainment, Sports and Amusements
Type: Original
Date: March 28, 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	Fully Implemented (FY 2031)
General Revenue	(Up to \$77,951)	(Up to \$84,537)	(Up to \$7,585,325)	(Up to \$9,591,986)
Total Estimated Net Effect on General Revenue	(Up to \$77,951)	(Up to \$84,537)	(Up to \$7,585,325)	(Up to \$9,591,986)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2020	FY 2021	FY 2022	Fully Implemented (FY 2031)
Total Estimated Net Effect on Other State Funds	\$0	\$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	Fully Implemented (FY 2031)
Total Estimated Net Effect on All Federal Funds	\$0	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)				
FUND AFFECTED	FY 2020	FY 2021	FY 2022	Fully Implemented (FY 2031)
General Revenue	0 or 1 FTE	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	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	Fully Implemented (FY 2031)
Local Government	\$0	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

§67.641 Jackson Convention and Sports Complex

Officials at the **Jackson County** did not respond to Oversight's request for information.

Regarding changes to Section 67.641, according to the Office of Administration - Division of Accounting's State Debt Report as of July 1, 2018, \$5,000,000 in annual state payments are authorized for thirty years and will be paid annually through FY 2021. Therefore, **Oversight** will assume this bill will extend the time frame from 30 years to 40 years (another 10 years) of \$3,000,000 annual payments from the state for the Jackson County projects (Kauffman/Arrowhead Stadiums) as well as the \$2,000,000 annual payments for Bartle Hall beginning in FY 2022 through FY 2031.

§99.585 Land Clearance Projects

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 \$2.5 million annually for twenty years for land clearance projects for any fiscal year ending on or before June 20, 2029, and \$4.5 million annually for any fiscal year thereafter. 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.

Officials at the **Office of Administration's Division of Facilities Management, Design and Construction (FMDC)** 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

ASSUMPTION (continued)

within such designated land clearance project area or areas". Subsection (2) of this section changes to twenty years for the term of any such agreement and limits the state appropriation authorized under this section to an annual amount not to exceed \$2.5 million for any fiscal year ending before June 30, 2029, and \$4.5 million for any fiscal year thereafter.

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 \$2.5 million (7/1/2021 – 6/30/2029) to \$4.5 million (every fiscal year after 6/30/2029) subject to new appropriation(s).

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

Officials 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.

This would need annual appropriations not to exceed \$2,500,000 per year for fiscal years through June 30, 2031. The cap then increases to \$4,500,000 per year thereafter. No appropriations for project expenditures shall be made prior to July 1, 2021. The land clearance project must be determined to produce a positive net fiscal impact. DED has to make an annual report to the Governor's office and the General Assembly.

The program will cost \$2,500,000 per year and then increase to \$4,500,000 July 1, 2031. DED anticipates the need for 1 Economic Development Incentive Specialist III (\$51,108) to administer the program. Applications can be accepted by DED beginning FY 2020; however, there will be no appropriation made for the program until July 1, 2021 (FY 2022).

ASSUMPTION (continued)

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. Oversight inquired with DED and asked if they would need the FTE before the appropriation can be made for this program (FY 2022), and they stated they would need the FTE as soon as the bill is effective, in FY 2020.

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 (§99.585.1(2)) states the State shall not expend more than \$2.5 million until June 30, 2031, per year and \$4.5 million per year annually thereafter. No such appropriation shall be made prior to July 1, 2021 (FY 2022). Therefore, Oversight will show the fiscal impact as Up to \$2,500,000 starting in FY 2022.

<u>FISCAL IMPACT -</u> <u>State Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022	Fully Implemented (FY 2031)
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**GENERAL
REVENUE**

<u>Costs - OA -</u> §67.641 - extension of time for payments for projects in Jackson County from 30 years to 40 years	\$0	\$0	(\$5,000,000)	(\$5,000,000)
<u>Costs - DED</u>	\$0 or	\$0 or....	\$0 or....	\$0 or
Personal Service	(\$42,590)	(\$51,619)	(\$52,135)	(\$56,455)
Fringe Benefits	(\$23,487)	(\$28,340)	(\$28,498)	(\$29,814)
Exp & Equip	(\$11,874)	(\$4,578)	(\$4,692)	(\$5,717)
<u>Total Costs - DED</u>	\$0 or (\$77,951)	\$0 or (\$84,537)	\$0 or (\$85,325)	\$0 or (\$91,986)
FTE Change	0 or 1 FTE	0 or 1 FTE	0 or 1 FTE	0 or 1 FTE

<u>FISCAL IMPACT -</u> <u>State Government</u> (continued)	FY 2020 (10 Mo.)	FY 2021	FY 2022	Fully Implemented (FY 2031)
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**GENERAL
REVENUE**
(continued)

Cost - DED - \$99.585 land clearance projects	\$0	\$0	(Up to \$2,500,000)	(Up to \$4,500,00)
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ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(Up to \$77,951)</u>	<u>(Up to \$84,537)</u>	<u>(Up to \$7,585,325)</u>	<u>(Up to \$9,591,986)</u>
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Estimated Net FTE Change on General Revenue	0 or 1 FTE	0 or 1 FTE	0 or 1 FTE	0 or 1 FTE
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<u>FISCAL IMPACT -</u> <u>Local Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022	Fully Implemented (FY 2031)
	<u>\$0</u>	<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

Currently, the state is authorized to appropriate up to \$3 million to the Jackson County Convention and Sports Complex Fund and \$2 million for Bartle Hall, with such authorization to expire in fiscal year 2021. This bill extends the authorization until fiscal year 2031.

This bills 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

FISCAL DESCRIPTION (continued)

or projects to develop, construct, reconstruct, rehabilitate, repair or improve any tourism infrastructure facilities, as defined in the bill, 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 40 years, the annual amount of state appropriation shall not exceed \$2.5 million, and the project shall be determined to produce a positive net fiscal impact for the state over the term of such agreement. No state appropriation for such project(s) shall be made prior to July 1, 2021.

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).

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 Economic Development
Department of Health and Senior Services
Department of Natural Resources
Office of Administration
 Division of Budget and Planning
 Division of Facilities Management, Design and Construction
Office of the State Treasurer



Kyle Rieman
Director
March 28, 2019

Ross Strope
Assistant Director
March 28, 2019