

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0763S.01I  
Bill No.: SB 174  
Subject: Economic Development; Political Subdivisions; Counties; Cities, Towns and Villages  
Type: Original  
Date: February 8, 2021

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Bill Summary: This proposal establishes the Targeted Industrial Manufacturing Enhancement Zones Act.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
General Revenue*	\$0 to (\$5,000,000)	\$0 to (\$5,000,000)	\$0 or (\$5,000,000)
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0 to (\$5,000,000)</b>	<b>\$0 to (\$5,000,000)</b>	<b>\$0 to (\$5,000,000)</b>

\*Twenty-five percent (25%) of state tax withholdings from new jobs created within established TIME Zones may be deposited into the TIME Zone Fund to be disbursed back to the Time Zone (less up to 10% for state administrative costs). The program cap (across all TIME Zones) is \$5 million per year.

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
TIME Zone Fund*	\$0	\$0	\$0
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

\*Distribution of revenues and expenses net to zero.  
Numbers within parentheses: () indicate costs or losses.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
<b>TIME Zone Fund</b>	<b>0 or 1 FTE</b>	<b>0 or 1 FTE</b>	<b>0 or 1 FTE</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0 or 1 FTE</b>	<b>0 or 1 FTE</b>	<b>0 or 1 FTE</b>

☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
<b>Local Government*</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

\*Distribution of revenues and expenses net to zero.

## **FISCAL ANALYSIS**

### **ASSUMPTION**

Officials from the **Office of Administration - Budget and Planning** assume this proposal allows for 25% of the state tax withholdings on new jobs within a TIME zone to be deposited into the TIME zone fund, newly created, rather than the general revenue fund.

The total amount of withholding taxes retained by all TIME zones shall not exceed \$5M per fiscal year. B&P will show an impact of up to \$5M deposited into the TIME zone fund and (up to \$5M) from general revenue.

This proposal may encourage other economic activity, but B&P does not have data to estimate induced revenues.

Officials from the **Department of Economic Development (DED)** assume for every new job created in the TIME zone, 25% of state tax withholdings imposed by 143.191-143.265 shall not be remitted to the general fund but shall be put into the TIME Zone Fund to be used by the zone board for managerial, engineering, legal, research, promotion, planning and any other expenses.

DED is only mentioned as the agency to which the annual budget is submitted. DED has no mechanism to calculate the estimated impact of this section on the general revenue.

DED is responsible for approving any agreement renewals, along with reviewing annual budgets and annual reports. Therefore, we would need one (1) FTE to implement the program.

In summary, DED assumes a cost of \$81,044 in FY 2022, \$86,114 in FY 2023 and \$86,940 in FY 2024 to provide for the implementation of the changes in this proposal.

Officials from the **City of Kansas City** assume this legislation may have a positive fiscal impact on Kansas City in an indeterminate amount if the creation of a TIME Zone leads to additional development and to new jobs in the TIME zones within the City limits. However, this may be offset by staffing resources needed to administer TIME Zones.

**Oversight** notes §620.2250 of this proposal creates the Targeted Industrial Manufacturing Enhancement Zones Act. This also creates the TIME Zone Fund. Once an ordinance or resolution is passed/adopted by at least two political subdivisions, this proposal requires “twenty-five percent of the state tax withholdings” to go directly to the new fund created. Oversight will assume a loss to General Revenue of the withholding tax and a gain to the TIME Zone Fund of the withholding tax. The total amount of withholding taxes retained by all TIME Zones will not exceed \$5,000,000 per fiscal year. In addition, no TIME Zone may be established after August 28, 2024 and already established TIME zones created prior to that date shall continue to exist. Since there is no way to determine if additional jobs will come to these regions, Oversight will

reflect the impact as \$0 (no new jobs created) to \$5,000,000. Also, depending upon the number of TIME Zones established and new jobs created, Oversight assumes DED may be able to absorb some additional responsibilities created by this bill. Therefore, Oversight will range DED's administrative needs from zero impact to one additional FTE in the TIME Zone Fund. Oversight notes the state is allowed to retain 10% of the proceeds for administrative costs.

#### Rule Promulgation

Officials from the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

Officials from the **Office of the Secretary of State** notes many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to Secretary of State's office for Administrative Rules is less than \$5,000. The Secretary of State's office recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, they also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, they reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

**Oversight** assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

Officials from the **Department of Revenue** and the **Office of the State Treasurer** each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

Officials from the **City of Ballwin**, the **City of Claycomo**, the **City of Corder**, the **City of Hale**, the **City of Hughesville**, the **City of O'Fallon** and the **City of Springfield** each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

**Oversight** only reflects the responses that we have received from state agencies and political subdivisions; however, other cities and counties were requested to respond to this proposed legislation but did not. A general listing of political subdivisions included in our database is available upon request.

<u>FISCAL IMPACT – State Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
<b>GENERAL REVENUE</b>			
<u>Revenue Reduction – loss of withholding tax</u>	\$0 to (\$5,000,000)	\$0 to (\$5,000,000)	\$0 to (\$5,000,000)
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b><u>\$0 to (\$5,000,000)</u></b>	<b><u>\$0 to (\$5,000,000)</u></b>	<b><u>\$0 to (\$5,000,000)</u></b>
<b>TIME ZONE FUND</b>			
<u>Revenue – withholding tax collected from new jobs</u>	\$0 to \$5,000,000	\$0 to \$5,000,000	\$0 to \$5,000,000
<u>Cost – DED (must not exceed 10%)</u>	\$0 or ...	\$0 or...	\$0 or...
Personal Service	(\$42,218)	(\$51,168)	(\$51,679)
Fringe Benefits	(\$24,199)	(\$29,209)	(\$29,382)
Equipment & Expense	(\$14,627)	(\$5,737)	(\$5,879)
Total Cost – DED	(\$81,044)	(\$86,114)	(\$86,940)
FTE Change – DED	0 or 1 FTE	0 or 1 FTE	0 or 1 FTE
<u>Transfer Out – to local political subdivisions</u>	<u>\$0 to (\$5,000,000)</u>	<u>\$0 to (\$5,000,000)</u>	<u>\$0 to (\$5,000,000)</u>
<b>ESTIMATED NET EFFECT ON THE TIME ZONE FUND</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
Estimated Net FTE Change on Time Zone	0 or 1 FTE	0 or 1 FTE	0 or 1 FTE

<u>FISCAL IMPACT – Local Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
<b>LOCAL POLITICAL SUBDIVISIONS</b>			
<u>Transfer In – from the TIME Zone Fund</u>	\$0 to \$5,000,000	\$0 to \$5,000,000	\$0 to \$5,000,000
<u>Cost – administration of TIME Zone developments</u>	<u>\$0 to (\$5,000,00)</u>	<u>\$0 to (\$5,000,000)</u>	<u>\$0 to (\$5,000,000)</u>
<b>ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

FISCAL IMPACT – Small Business

Small businesses that qualify for the programs in this proposal would be impacted.

FISCAL DESCRIPTION

This act establishes the "Targeted Industrial Manufacturing Enhancement Zones Act".

This act allows any two or more contiguous or overlapping political subdivisions, as defined in the act, to create targeted industrial manufacturing enhancement (TIME) zones for the purpose of completing infrastructure projects to promote economic development. Prior to the creation of a TIME zone, each political subdivision shall propose an ordinance or resolution that sets forth the names of the political subdivisions which will form the zone, the general nature of the proposed improvements, the estimated cost of such improvements, the boundaries of the proposed TIME zone, and the estimated number of new jobs to be created in the TIME zone. The political subdivisions shall hold a public hearing prior to approving the ordinance or resolution creating the TIME zone.

This act allows the zone board governing the TIME zone to retain twenty-five percent of withholding taxes on new jobs created within the TIME zone to fund improvements made in the TIME zone. Prior to retaining such withholding taxes, the zone board shall enter into an agreement with the Department of Economic Development. Such agreement shall specify the estimated number of new jobs to be created, the estimated average wage of new jobs to be

created, the estimated net fiscal impact of the new jobs, the estimated costs of improvements, and the estimated amount of withholding tax to be retained over the period of the agreement. The Department shall not approve an agreement unless the zone board commits to the creation of a certain number of new jobs, as described in the act.

The term of such agreement shall not exceed ten years. A zone board may apply to the Department for approval to renew any agreement. In determining whether to approve the renewal of an agreement, the Department shall consider the number of new jobs created and the average wage and net fiscal impact of such new jobs, and the outstanding improvements to be made within the TIME zone, the funding necessary to complete such improvements, and any other factor the Department requires. The Department may approve the renewal of an agreement for a period not to exceed ten years. If a zone board has not met the new job creation requirements by the end of the agreement, the Department shall recapture the withholding taxes retained by the zone board.

The zone board shall submit an annual report to the Department and to the General Assembly, as described in the act.

No political subdivision shall establish a TIME zone with boundaries that overlap the boundaries of an advanced industrial manufacturing (AIM) zone.

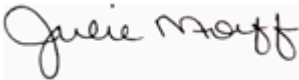
The total amount of withholding taxes retained by TIME zones under this act shall not exceed \$5 million per year.

No new TIME zone shall be created after August 28, 2024.

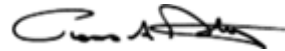
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration - Budget and Planning  
Department of Economic Development  
City of Kansas City  
Joint Committee on Administrative Rules  
Office of the Secretary of State  
Department of Revenue  
Office of the State Treasurer  
City of Ballwin  
City of Claycomo  
City of Corder  
City of Hale  
City of O'Fallon  
City of Springfield  
City of Hughesville



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